

4 August 2020

# Eyeopener

## Positive start of month

Markets in positive mood despite stronger dollar  
 July manufacturing activity beats expectations  
 EURPLN stable, EURUSD drops  
 Bonds slightly lose  
 Today US durable goods and factory orders

On Monday, stock prices went up noticeably (main European stock indexes rose 1.5-2%) after the better than expected final July manufacturing PMI readings for the euro zone and Germany (added 0.7pp to 51.8pt and 1.0pp to 51.0 to flash estimates, respectively). Polish stocks gained as well since the Polish PMI surprised to the upside as well (see details below). In the USA, July manufacturing ISM beat expectations and the new orders component (61.5pt) bodes well for the nearest future. After a relatively poor July (with 5% loss), the dollar gained slightly and the core bond yields rose (10Y UST closed at 0.55%, Bund at -0.52%). Most of the EM currencies lost, gold price fell while oil price rose.

**Polish manufacturing PMI** rose again in July, to 52.8pts from 47.2 pts, the highest reading in almost two years and much above the long-term average of 50.3pts. Current output and new orders components increased, resulting in the first indication in 20 months that purchasing activity went up. The report signals however that external demand rose only marginally and that manufacturers kept adjusting their staff numbers down despite improved current activity, albeit the levels of the PMI employment index are already back to the pre-crisis trend. The impact of suppliers' delivery times (+0.6 pts) was not key to the further July rebound. The July PMI report seems to confirm a V-shaped rebound.

**EURUSD** continued the correction lower (which started already on Friday). On Monday the pair dropped by another 0.7% to 1.17, while the 2 day move reached 1.8%. Given the scale of the July EURUSD increase, the correction lower might last till the key US data this week – Friday's labor market data. Both very strong positioning against the greenback (as reported by CFTC and regarding the futures contracts) as well as options volatility surface suggest that the market strongly expects further dollar weakening. We think those expectations are a bit excessive at the moment and we expect a minor correction lower of EURUSD in the following days.

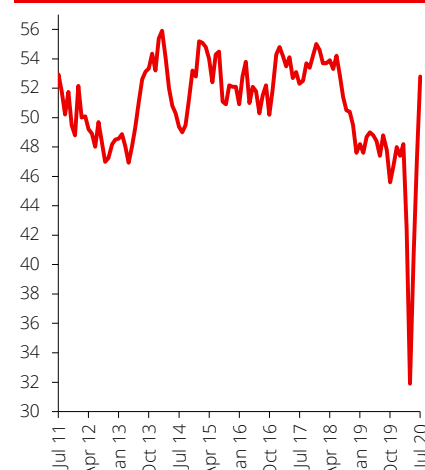
On Monday **EURPLN** was very quiet – opened slightly below and closed almost at 4.42. In the next few days, it should move between 4.387 (200-day moving average) and 4.445 (50-day moving average). Slightly stronger dollar which we expect might in the first reaction help zloty to weaken a bit. USDPLN rose 3 figures on Monday to 3.78, while CHFPLN remained unchanged near 4.10.

**In the case of other CEE currencies**, after a many days of downward trend, especially strong in the second half of July, EURHUF rebounded by 0.5% to 345.7 from 344.0 despite better-than-expected PMI in the manufacturing. We are expecting the exchange rate to take another attempt to attack support at 342.9. A similar pattern was observed on EURCZK, which climbed by 0.3% to 26.3 (July PMI manufacturing at 47.0 is still below neutral 50.0 despite improvement versus the previous month). USDRUB went down by 0.6% to 73.9.

**On the domestic interest rate market**, yields on the short end of the curve remained low, with 2Y at 0.11%. In the course of last several weeks, it can be seen that Wibor 3M is gradually moving down (from 0.27% to 0.23%). On Monday the rate did not change, but if the decline was to continue, then it should, ceteris paribus, influence FRA contracts (which went down). On the long end of the curve, yields rose to 1.31%, rebounding from the strong Friday close at 1.29% (end of the month). Bund spread rose to 182bp.

**The Ministry of Finance** informed that at the end July it had PLN125bn worth of funds on PLN and fx current account (liquidity cushion). The ministry assesses that its liquidity position is good and it is prepared for the expected increase of financing needs.

Poland manufacturing PMI (pts)



Source: IHS Markit, Santander

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## FX market

### Today's opening

EURPLN	4.4117	CZKPLN	0.1662
USDPLN	3.7493	HUFPLN*	1.2793
EURUSD	1.1767	RUBPLN	0.0514
CHFPLN	4.0786	NOKPLN	0.4108
GBPPLN	4.8980	DKKPLN	0.5923
USDCNY	6.9793	SEKPLN	0.4263

\*for 100HUF

### Last session in the FX market

8/3/2020

	min	max	open	close	fixing
EURPLN	4.409	4.423	4.410	4.414	4.417
USDPLN	3.743	3.780	3.744	3.757	3.750
EURUSD	1.169	1.178	1.177	1.175	-

## Interest rate market

8/3/2020

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.14	2	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.69	1	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.31	2	5.03.2020	DS1029	1.725

### IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.17	-2	0.22	1	-0.47	0
2L	0.23	0	0.19	2	-0.43	0
3L	0.29	2	0.19	2	-0.43	1
4L	0.40	2	0.20	0	-0.42	0
5L	0.51	1	0.26	2	-0.40	0
8L	0.73	0	0.44	2	-0.31	0
10L	0.84	1	0.54	3	-0.23	0

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	-1
SW	0.12	0
2W	0.17	-1
1M	0.21	0
3M	0.23	0
6M	0.27	0
1Y	0.28	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	0.21	-1
3x6	0.16	-1
6x9	0.16	0
9x12	0.17	1
3x9	0.19	-2
6x12	0.20	0

## Measures of fiscal risk

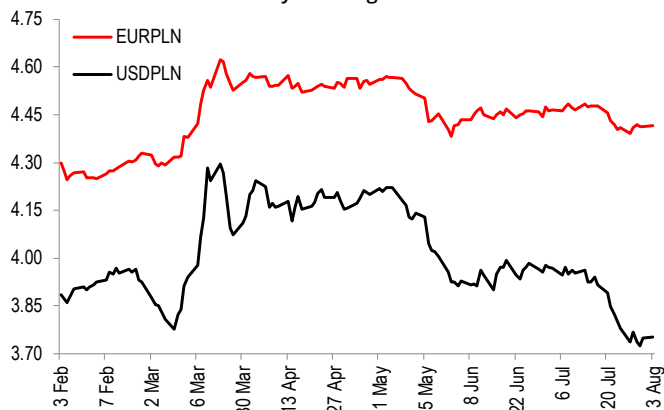
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	183	1
France	10	0	32	-1
Hungary	75	0	268	0
Spain	67	-1	86	-1
Italy	111	1	160	-1
Portugal	43	0	88	-1
Ireland	20	0	40	-3
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

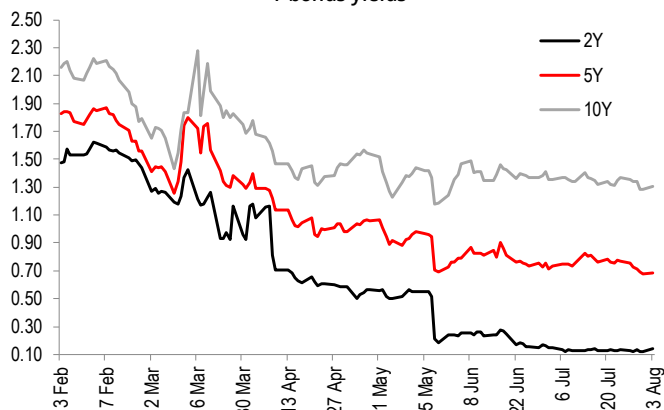
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

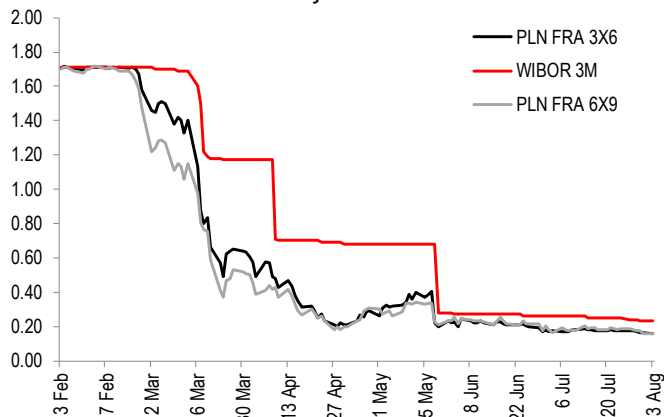
## Zloty exchange rate



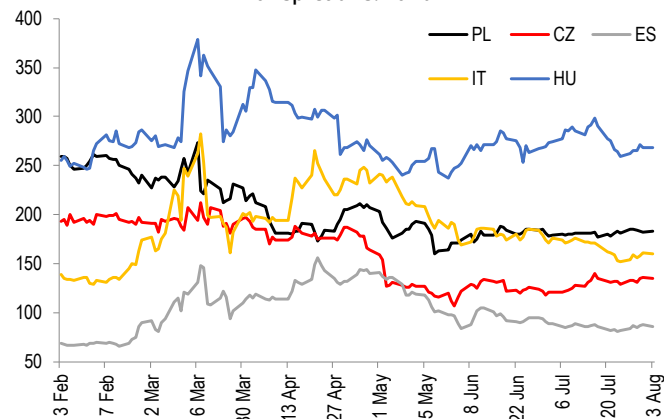
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (31 July)								
08:00	DE	Retail Sales	Jun	% m/m	-3.0	-	-1.6	13.9
09:00	CZ	GDP SA	2Q	% y/y	-12.3	-	-10.7	-2.0
10:00	PL	CPI	Jul	% y/y	3.1	3.2	3.1	3.3
11:00	EZ	Flash HICP	Jul	% y/y	0.2	-	0.4	0.3
11:00	EZ	GDP SA	2Q	% y/y	-14.5	-	-15.0	-3.1
14:30	US	Personal Spending	Jun	% m/m	5.2	-	5.2	8.4
14:30	US	Personal Income	Jun	% m/m	-0.55	-	-1.1	-4.4
14:30	US	PCE Deflator SA	Jun	% m/m	0.44	-	0.4	0.1
16:00	US	Michigan index	Jul	pts	72.85	-	72.5	73.2
MONDAY (3 August)								
09:00	PL	Poland Manufacturing PMI	Jul	pts	50.0	50.0	52.8	47.2
09:55	DE	Germany Manufacturing PMI	Jul	pts	50.0	-	51.0	50.0
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	51.1	-	51.8	51.1
16:00	US	ISM manufacturing	Jul	pts	53.6	-	54.2	52.6
TUESDAY (4 August)								
16:00	US	Durable Goods Orders	Jun	% m/m	0.0	-		7.3
16:00	US	Factory Orders	Jun	% m/m	4.95	-		8.0
WEDNESDAY (5 August)								
03:45	CN	Caixin China PMI Services	Jul	pts	57.9	-		58.4
09:55	DE	Markit Germany Services PMI	Jul	pts	56.7	-		56.7
10:00	EZ	Eurozone Services PMI	Jul	pts	55.1	-		55.1
11:00	EZ	Retail Sales	Jun	% m/m	7.0	-		17.8
14:15	US	ADP report	Jul	k	1 200	-		2 368
16:00	US	ISM services	Jul	pts	55.0	-		57.1
THURSDAY (6 August)								
08:00	DE	Factory Orders	Jun	% m/m	12.25	-		10.4
09:00	CZ	Industrial Production	Jun	% y/y	-9.1	-		-29.4
09:00	HU	Industrial Production SA	Jun	% y/y	-15.15	-		-27.63
14:30	US	Initial Jobless Claims	week	k	1 445	-		1 434
14:30	CZ	Central Bank Rate Decision		%	0.25	-		0.25
FRIDAY (7 August)								
08:00	DE	Exports SA	Jun	% m/m	0.0	-		8.9
08:00	DE	Industrial Production SA	Jun	% m/m	7.2	-		7.8
14:30	US	Change in Nonfarm Payrolls	Jul	k	1 635	-		4 800
14:30	US	Unemployment Rate	Jul	%	10.5	-		11.1

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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