

5 August 2020

Eyeopener

EURPLN stays low, EURUSD still high

Equity markets without much change
Canada manufacturing PMI, US durables and factory orders beat expectations
EURPLN and EURUSD fairly stable
Bonds gain following core markets
Today services activity indexes

On Tuesday the markets were calm and the volatility limited one day after major gains of the main equity indices. US June data (factory and durable goods orders) proved better than expected, similarly as PMI manufacturing in Canada. In the euro zone, in Hungary, Romania and Turkey there was a major rebound in output prices. ECB economist Philip Lane warned about drawing too positive conclusions after recent optimistic macro data. More infections in some European countries and globally would be putting on onus on consumer and investment spending. The dollar gained, while core market yields went down (US 10Y to 0.51%, Bund to -0.55%).

General government sector deficit in Q1 2020 stood at PLN -14.7bn, after PLN +14.4bn in Q1 2019. Looking at the budget data it seems that worsening of the deficit was only slightly attributable to the increase of the deficit of the central budget (PLN -9.4bn in Q1 2020 vs PLN -4.5bn in Q1 2019). This year's is the worse Q1 since the data are available (1999). In our opinion, the GG deficit for the whole year might increase significantly above PLN200bn.

EURUSD on Tuesday opened and closed the European session at 1.175, in the meantime touching the 1.180. Overnight the dollar weakened again as there still is no clarity as to the additional unemployment benefits in the USA. As a result, today in the morning EURUSD opens nears 1.180. We think that after increasing by more than 5% in July alone and overly high expectations regarding further increases, the dollar might gain a bit in the short term (small correction).

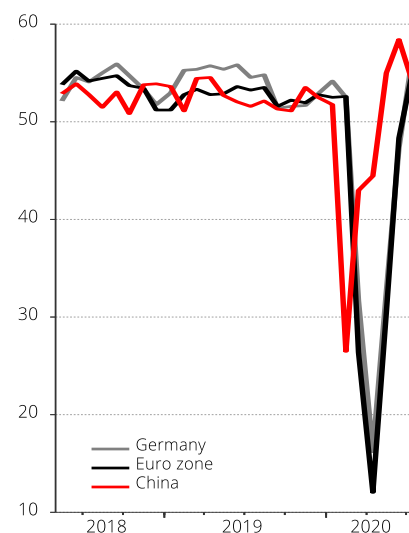
EURPLN on Tuesday after opening slightly below 4.42, was steadily declining throughout the day and closed 0.4% lower, below 4.40. We think that in the short term the EURPLN will remain within the 4.385-4.445 range. After breaching the 4.40 level the currency pair might test the support level at 4.385 today and tomorrow.

As to the other CEE regional currencies, EURHUF after opening at 344.5 declined during the first part of the day. However, at the end of the session, it has risen abruptly reaching 346.3. The Hungarian Central Bank (MNB) on a purchasing auction bought government bonds worth HUF10bn of maturities of more than 15 years (as was previously announced). MNB also had an extraordinary non-rate setting meeting on which the main economic and financial trends have been discussed. Hungarian June PPI increased significantly to 3.1% y/y from 1.7% y/y a month ago. EURCZK gave back all Monday increases and more – on Tuesday declined by about 0.5% to 26.18. USDRUB after Monday declines rebounded on Tuesday and closed at 73.8 and this despite the oil prices that went up.

On the domestic interest rate market, bond yields on the longer end of the curve were going down following the core market. 10Y benchmark ended the day at 1.26%, 4bp lower than on day before. Given still stable shorter tenors (2Y at 0.10%), this translated into a flatter curve (2x10 spread down to 116bp, also by 4bp). IRS rates were also going down, both on the shorter and longer ends. The shorter end may have been dragged lower by the fact that it is used by investors to hedge against further falls in 3-month WIBOR, which went down by 4bp since end of June and is currently at 0.23%.

The Ministry of Finance informed it will conduct a switching tender on 6 August with plans to repurchase 4 papers (DS1020, WZ0121, PS0421, OK0521) and sell 6 papers (OK0423, PS0425, WZ0525, DS1030, WS0447).

Services PMI (pts)



Source: Refinitiv Datastream, Santander Bank Polska

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 22 534 18 87
Marcin Łuziński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 19 23
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.3967	CZKPLN	0.1664
USDPLN	3.7235	HUFPLN*	1.2793
EURUSD	1.1807	RUBPLN	0.0507
CHFPLN	4.0811	NOKPLN	0.4108
GBPPLN	4.8641	DKKPLN	0.5923
USDCNY	6.9554	SEKPLN	0.4263

*for 100HUF

Last session in the FX market

8/4/2020

	min	max	open	close	fixing
EURPLN	4.395	4.413	4.410	4.395	4.406
USDPLN	3.726	3.758	3.746	3.736	3.736
EURUSD	1.172	1.181	1.177	1.176	-

Interest rate market

8/4/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.13	-1	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.66	-2	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.26	-5	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.17	0	-0.48
2L	0.21	-1	-0.44
3L	0.27	-2	-0.44
4L	0.37	-3	-0.43
5L	0.47	-3	-0.41
8L	0.70	-3	-0.33
10L	0.80	-3	-0.26

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.12	0
2W	0.17	0
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	0
3x6	0.16	1
6x9	0.16	0
9x12	0.16	-1
3x9	0.19	1
6x12	0.21	1

Measures of fiscal risk

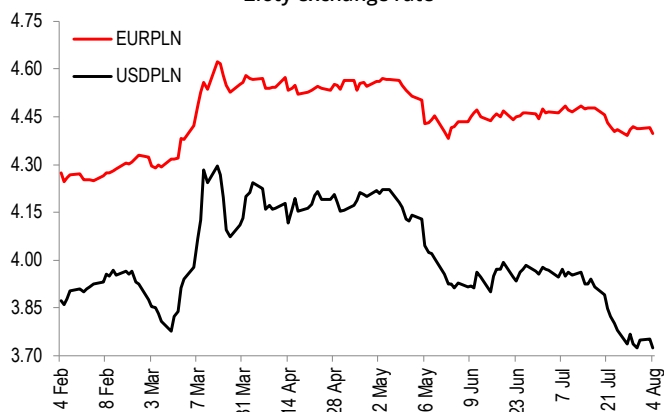
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	57	181
France	10	31
Hungary	75	269
Spain	65	84
Italy	109	157
Portugal	41	86
Ireland	18	40
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

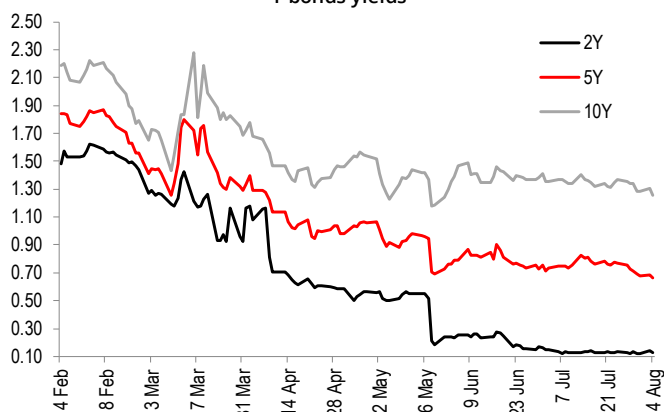
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

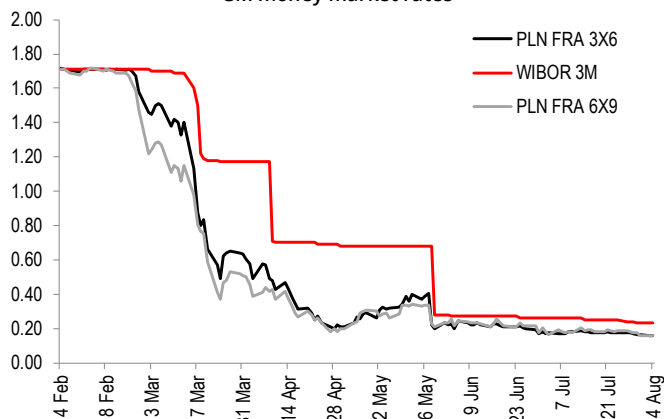
Zloty exchange rate



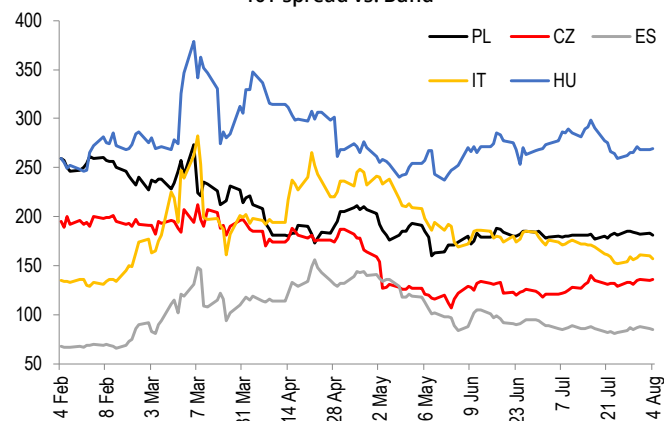
T-bonds yields



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	7.3	-	7.6	7.3
16:00	US	Factory Orders	Jun	% m/m	5.0	-	6.2	7.7
WEDNESDAY (5 August)								
03:45	CN	Caixin China PMI Services	Jul	pts	57.9	-	54.1	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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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.