

6 August 2020

# Eyeopener

## Optimism after July services PMI

Equity markets moderately higher  
European retail sales surprises to the upside, decent services PMI readings  
EURPLN stable below 4,40, EURUSD significantly up  
Bonds lose in line with the core markets  
Today Czech central bank rate decision

On Wednesday, after one day break, the equity markets returned to gains fuelled by the better-than-expected July retail sales in the euro zone and July PMIs in services. The latter often proved lower than one month before, but remained at high levels markedly above 50pts (China: 54.1, euro zone: 54.7, Germany: 55.6, United Kingdom: 56.5). In the USA, the ISM-services climbed to 50.0 but was still above expectations. Major rises by a few points were recorded in Russia and Brazil. Core market bond yields were going up (Bund to -0.51%, UST to 0.54%, both by 3bp). The dollar kept on losing. EM currencies gained, gold price went up to USD2050/oz and oil prices by 4% to USD46/bbl. Today in the morning we got to see stronger than expected industrial orders in Germany.

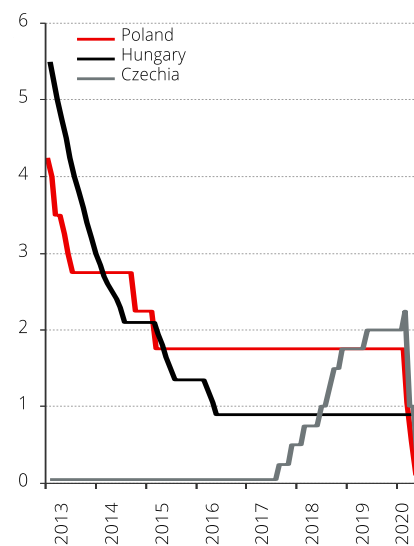
**EURUSD** opened close to 1.177 and started to go up right away. Eventually, on the Wednesday European close the pair reached 1.19 after rising by 1.0% and today in the morning it is still close to this level.

**EURPLN** was stable on Wednesday, after opening at 4.40 it was oscillating around this level for a better part of the day. Given lack of important local data in the upcoming days we are expecting the rate to depend on incoming global data, including US payrolls on Friday.

**In case of the other CEE currencies**, on Wednesday EURHUF offset the whole sudden rise from the day before and fell to 345.2 from 346.4 despite weaker-than-expected June retail sales print. EURCZK continued to decline and on Wednesday it reached 26.08. Also in this case the worse-than-expected retail sales result did not weaken the currency. Today Czech central bank decides on rates. The market does not expect a change of rates. In Russia, services PMI rose by 10.7pts to 58.5pts, and after such positive publication the ruble basket declined by 0.6% to 79.0 with USDRUB dropping by 1.2% to 72.85.

**On the domestic interest rate market**, yields on the short end of the curve rose a little (by c1bp), e.g. 2Y to 0.11%. On the long end of the yield curve there was a larger upside move, 10Y rose by 4bp to 1.30% - mimicking what was happening on core markets (Bund spread was 180bp).

Central bank interest rates in CEE region



Source: Refinitiv Datastream, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.3978	CZKPLN	0.1668
USDPLN	3.6995	HUFPLN*	1.2630
EURUSD	1.1892	RUBPLN	0.0509
CHFPLN	4.0841	NOKPLN	0.4108
GBPPLN	4.8642	DKKPLN	0.5923
USDCNY	6.9422	SEKPLN	0.4263

\*for 100HUF

### Last session in the FX market

8/5/2020

	min	max	open	close	fixing
EURPLN	4.390	4.403	4.395	4.403	4.398
USDPLN	3.694	3.727	3.719	3.701	3.714
EURUSD	1.180	1.191	1.182	1.190	-

## Interest rate market

8/5/2020

### 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)	0.69	2	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.30	4	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	-0.47
2L	0.22	1	-0.43
3L	0.28	1	-0.42
4L	0.39	2	-0.41
5L	0.50	3	-0.39
8L	0.74	5	-0.30
10L	0.85	4	-0.22

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.12	0
2W	0.17	0
1M	0.20	-1
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	0.15	-1
6x9	0.15	-1
9x12	0.15	-1
3x9	0.18	-1
6x12	0.18	-3

## Measures of fiscal risk

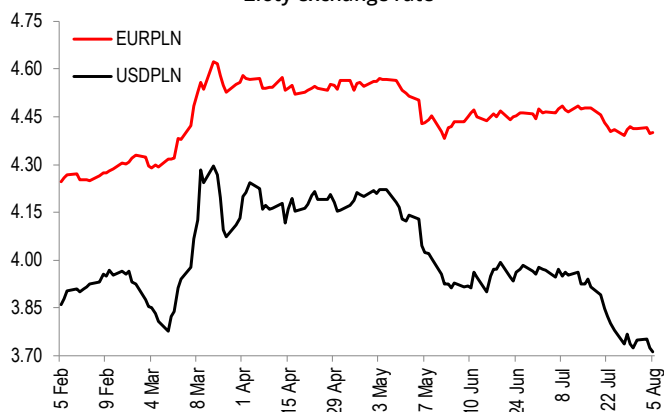
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	57	180
France	10	30
Hungary	75	258
Spain	64	83
Italy	105	155
Portugal	40	85
Ireland	18	39
Germany	8	-

\* 10Y treasury bonds over 10Y Bunds

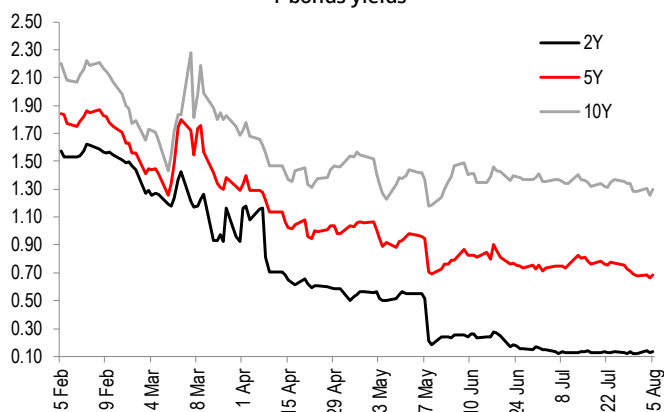
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

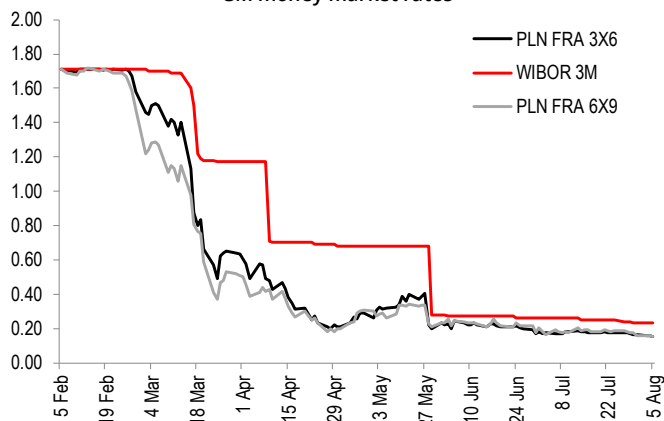
## Zloty exchange rate



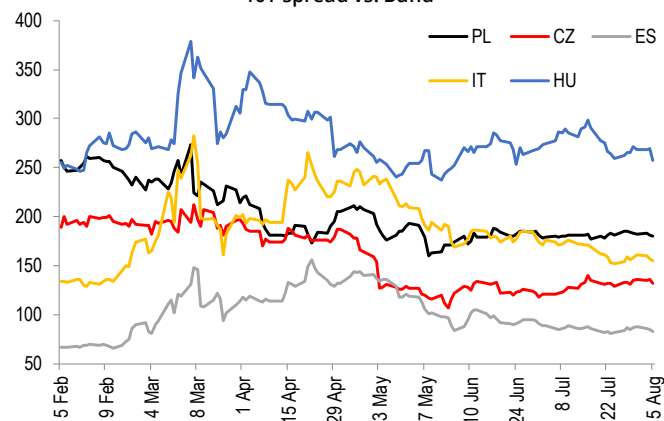
## T-bonds yields



## 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	-	55.6	56.7
10:00	EZ	Eurozone Services PMI	Jul	pts	55.1	-	54.7	55.1
11:00	EZ	Retail Sales	Jun	% m/m	6.1	-	5.7	20.3
14:15	US	ADP report	Jul	k	1 200	-	167	4 314
16:00	US	ISM services	Jul	pts	55.0	-	58.1	57.1
THURSDAY (6 August)								
08:00	DE	Factory Orders	Jun	% m/m	12.25	-	27.9	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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