

13 August 2020

Eyeopener

US inflation above expectations

Another inflation surprise in the US
EURPLN and EURUSD within recent ranges
Bonds gain despite weaker Bund
Today Polish balance of payments data

On Wednesday the positive sentiment persisted in global markets. Equity indices were rising despite the lack of agreement between Republicans and Democrats regarding the shape of another rescue package for the US economy. The political impasse was negatively affecting the dollar, though. The crude oil price reversed its Tuesday's drop after the US oil inventories fell more than expected. After Tuesday's surprising US PPI reading, yesterday July's CPI was above forecast. This time, higher inflation print did not support the dollar, but contributed to further rise in core markets' yields (10Y Bund to c.-0.43%, 10Y UST to 0.69%).

MPC member Jerzy Kropiwnicki said yesterday he was worried that inflation may reach 4-5% this year due to realisation of postponed demand, higher social transfers, not accompanied by higher production, or higher prices of tourist services. He assumes that interest rates will remain unchanged this year, but referring to 2021 he repeated the view that rates should start going up gradually.

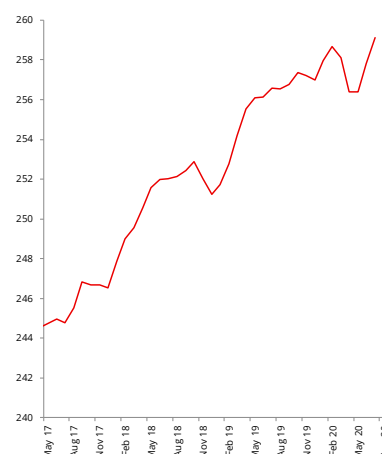
EURUSD went up yesterday to slightly below 1.18. No deal between Republicans and Democrats in the USA proved more important than another inflation surprise. Since end of July the exchange rate has been hovering in 1.17-1.19 range, the highest level since end of May 2018. This week we will get to see important US data: today initial jobless claims, tomorrow industrial output and retail sales. However, it seems that information on bipartisan talks about fiscal easing in the USA will be crucial. Today the rate started the session at 1.182

EURPLN did not change much yesterday and thanks to a rebound of EURUSD it managed to fall for a short period from c.4.41 to 4.40. USDPLN dropped to 3.73 from 3.76 thanks to weaker dollar. Similar to EURUSD, EURPLN since late July is moving in a tight range (4.385-4.425). It seems that only when EURUSD decides on the direction, the Polish fx market will seize to be so stable.

In the **CEE region**, the koruna gained somewhat vs the euro (EURCZK down to 26.1 from 26.2) and the forint lost (EURHUF temporarily up to 346 from 344). The ruble performed badly, weakening vs the dollar despite the rebound of EURUSD and the rise of oil price. From a broader perspective, EURCZK and EURHUF are oscillating around their minima from early August and USDRUB close to its highest level since May.

On the domestic **interest rate market** On the domestic interest rate market, yields of 5Y and 10Y bonds fell 4bp after a meaningful rise seen on Tuesday. The respective IRS rates fell less. At the front ends of both curves rates rose marginally. Polish bonds outperformed German and US debt that were under the impact of the US inflation data. As a result, the 10Y PL-DE bond yield spread fell 5bp to 176bp, its lowest this month.

US consumer price index



Source: Bloomberg, Santander

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 Luziński +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	4,3992	CZKPLN	0,1680
USDPLN	3,7190	HUFPLN*	1,2629
EURUSD	1,1828	RUBPLN	0,0506
CHFPLN	4,0895	NOKPLN	0,4173
GBPPLN	4,8591	DKKPLN	0,5906
USDCNY	6,9419	SEKPLN	0,4288

*for 100HUF

Last session in the FX market

12.08.2020

	min	max	open	close	fixing
EURPLN	4,397	4,414	4,403	4,401	4,412
USDPLN	3,724	3,763	3,760	3,731	3,756
EURUSD	1,171	1,181	1,171	1,179	-

Interest rate market

12.08.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0,17	1	5.03.2020	OK0722	1,225
PS1024 (5Y)	0,70	-4	5.03.2020	PS1024	1,431
DS1029 (10Y)	1,32	-2	5.03.2020	DS1029	1,725

IRS on the interbank market**

Rate on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,19	0	0,25	0	-0,47	0
2L	0,27	1	0,24	2	-0,41	1
3L	0,34	0	0,25	0	-0,40	1
4L	0,46	1	0,29	2	-0,39	1
5L	0,57	0	0,35	2	-0,37	1
8L	0,82	-1	0,55	3	-0,24	1
10L	0,94	-1	0,66	2	-0,19	1

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	0
3M	0,23	0
6M	0,27	0
1Y	0,27	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0,23	2
3x6	0,18	0
6x9	0,17	-1
9x12	0,17	-1
3x9	0,21	-1
6x12	0,21	0

Measures of fiscal risk

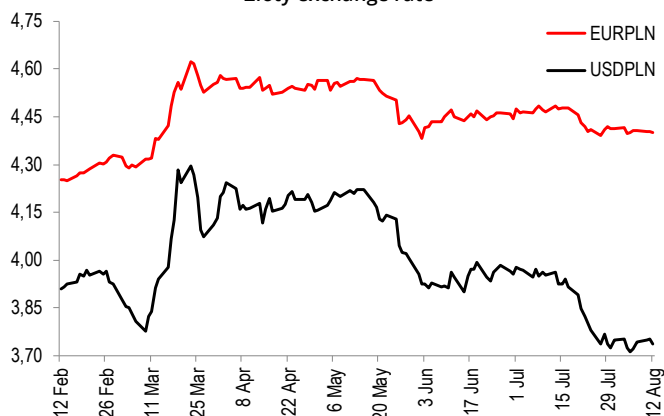
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	177	-5
France	10	0	28	0
Hungary	75	0	277	5
Spain	61	-1	75	0
Italy	102	0	147	-1
Portugal	38	0	79	0
Ireland	18	0	35	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

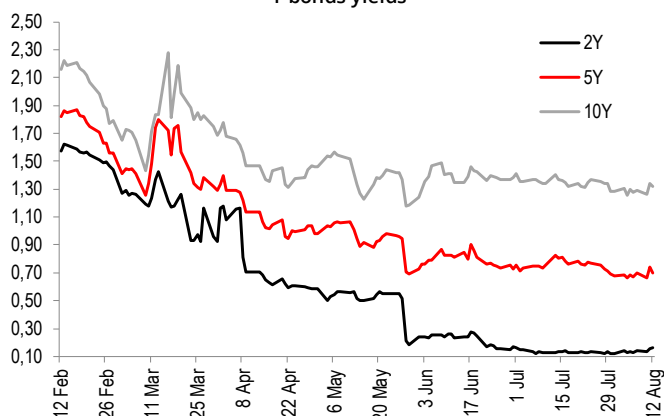
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

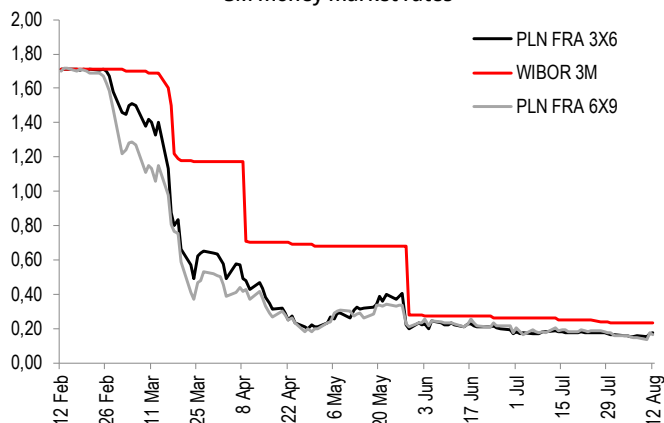
Zloty exchange rate



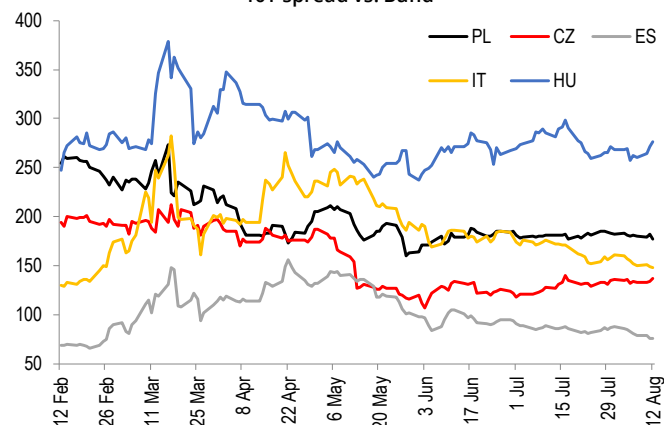
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar								
TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (7 August)								
08:00	DE	Exports	Jun	% m/m	14.4	-	14.9	9.0
08:00	DE	Industrial Production	Jun	% m/m	8.2	-	8.9	7.8
14:30	US	Change in Nonfarm Payrolls	Jul	k	1 480	-	1 763	4 791
14:30	US	Unemployment Rate	Jul	%	10.1	-	10.2	11.1
TUESDAY (11 August)								
09:00	HU	CPI	Jul	% y/y	3.3	-	3.8	2.9
11:00	DE	ZEW Survey Expectations	Aug	pts	55.8	-	71.5	59.3
WEDNESDAY (12 August)								
11:00	EZ	Industrial Production	Jun	% m/m	12.0	-	9.1	12.3
14:30	US	CPI	Jul	% m/m	0.3	-	0.6	0.6
THURSDAY (13 August)								
08:00	DE	HICP	Jul	% m/m	-0.5	-	-0.5	-0.5
09:00	CZ	CPI	Jul	% y/y	3.1	-		3.3
14:00	PL	Current Account Balance	Jun	€mn	2 074	1 766		2 455
14:00	PL	Trade Balance	Jun	€mn	1 148	1 059		1 250
14:00	PL	Exports	Jun	€mn	17 691	18 099		15 700
14:00	PL	Imports	Jun	€mn	16 474	17 040		14 450
14:30	US	Initial Jobless Claims	tyg.	k	1 400	-		1 186
FRIDAY (14 August)								
09:00	HU	GDP	2Q	% y/y	-	-		2.2
10:00	PL	CPI	Jul	% y/y	3.1	3.1		3.1
10:00	PL	GDP	2Q	% y/y	-9.0	-11.7		2.0
11:00	EZ	GDP	2Q	% y/y	-15.0	-		-15.0
14:30	US	Retail Sales Advance	Jul	% m/m	1.6	-		7.5
15:15	US	Industrial Production	Jul	% m/m	2.7	-		5.41
16:00	US	Michigan index	Aug	pts	71.0	-		72.5

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>.