

24 August 2020

Eyeopener

Retail trade blooming, construction slowing

Retail sales accelerated, construction output slowed in July
European stock markets lower after worse PMI data in Europe
EURPLN much higher as the dollar regains strength
Domestic bonds stable, along those on the core markets
Today M3 money supply in Poland

On Friday the European stock markets were going down and the dollar gained, undermining most EM currencies. Core market yields remained stable. Commodity prices went down as well, including gold, silver and oil. On Friday a new series of PMI releases started (flash data for August): apart from Japan and Australia levels were above neutral mark of 50. However, as regards direction of changes, a major weakening was recorded in services in Australia, significant in the euro zone and some improvement in the UK and the USA. The US new home sales were better than expected showing 5.86mn in July. Low interest rate are probably supporting this market extensively.

Retail sales grew by 3.0% in July versus -1.3% in June, in line with our forecast (2.8%) and above the market consensus (-0.7% y/y). Retail sales turned positive on an annual basis for the first time since pre-epidemic February. We think however that some factors pushing sales up are temporary and effects of end of stimulus are likely to jump in, making us expect the retail sales to show only a slight improvement in the months to come. **Construction output** dropped much more than expected, by 10.9% y/y vs 5.5% consensus. While housing construction output was still recording high growth rates, the indicator of running projects in housing was also depressed. August **business sentiment indexes** improved again in all sectors, but with some expectations components deteriorating. More details in our [Economic comment](#).

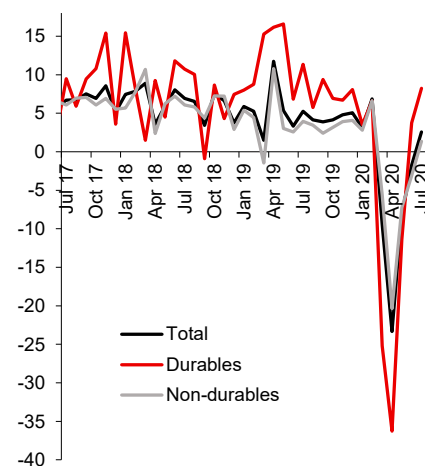
EURUSD declined on Friday by c.0.9% to 1.176. In total, the 3-day move from 1.195 on Wednesday is 1.6%. It is hard to link the dollar appreciation with better-than-expected August flash PMIs, as it started already in the early morning. It may be rather related to the stabilisation of fx positions ahead of the Jackson Hole conference starting this Thursday.

EURPLN rebounded on Friday from 4.380 to 4.404. As we wrote in our [Weekly Economic Update](#), this likely happened because EURPLN had been oversold while the dollar strengthened ahead of the Jackson Hole conference. Potential gains may be constrained by 4.435, where the 50-day moving average is now.

As to the **other regional currencies**, EURCZK has not changed by much albeit slightly (+0.15%) increased and closed the day at 26.10 (on Monday opens at 26.08). EURHUF after a pretty volatile session (fell from 351 on Thursday to 348 on Friday and back to 351 on Friday afternoon) closed the week at 350.9 (on Monday opens at 350.7) and it seems as if the weakening of the forint has not come to an end. Tomorrow the Hungarian central bank decides on the interest rates. After the recent rate cuts (from 0.90% to 0.60%) and in the context of increasing headline inflation which resides near the upper inflation target band, we expect no rate changes at the meeting. Cheapening oil and a stronger dollar are a recipe for a weaker ruble – on Friday the ruble basket increased by 0.9% (while USDRUB by 1.3% to 74.9). We expect weakening of the ruble in the short and medium term, also as a function of upcoming September military exercises near Ukraine border.

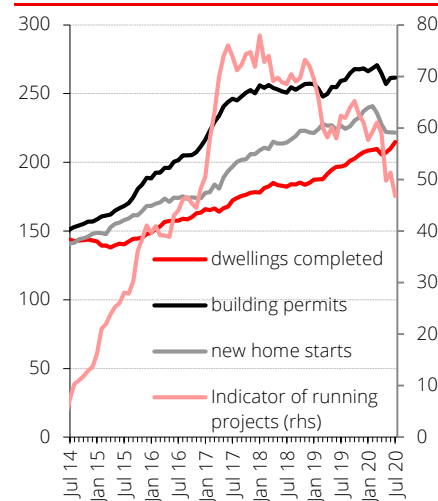
On the **Polish fixed income market**, the front end of the curve on Friday was relatively stable – only 2bp declines were observed on 2Y IRS (to 0.30%). The long end of the curve has not changed – 10Y stood at 1.02%, while 10Y bond yield at 1.33%. The spread to Bund remained at 183bp.

Retail sales in main categories, % y/y



Source: GUS, Santander

Housing market data, 12 sums, thousand



Source: GUS, Santander

Indicator of running projects = 12m sum of permits - 12m sum of completions

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FX market

Today's opening

EURPLN	4.4101	CZKPLN	0.1671
USDPLN	3.7395	HUFPLN*	1.2431
EURUSD	1.1795	RUBPLN	0.0502
CHFPLN	4.0600	NOKPLN	0.4138
GBPPLN	4.8959	DKKPLN	0.5901
USDCNY	6.9191	SEKPLN	0.4254

*for 100HUF

Last session in the FX market

23/08/2020

	min	max	open	close	fixing
EURPLN	4.377	4.412	4.378	4.408	4.390
USDPLN	3.684	3.748	3.686	3.745	3.716
EURUSD	1.175	1.188	1.188	1.177	-

Interest rate market

23/08/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.16	-1	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.73	-3	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.32	-3	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	0.21	0	0.23	0	-0.49	0
2L	0.31	-1	0.22	0	-0.45	-1
3L	0.40	-1	0.23	0	-0.44	0
4L	0.54	0	0.26	0	-0.43	-1
5L	0.66	-1	0.31	0	-0.41	-1
8L	0.90	-1	0.51	-1	-0.31	-1
10L	1.02	-1	0.62	-1	-0.23	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
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	0.21	-1
3x6	0.20	0
6x9	0.20	0
9x12	0.21	0
3x9	0.25	0
6x12	0.25	0

Measures of fiscal risk

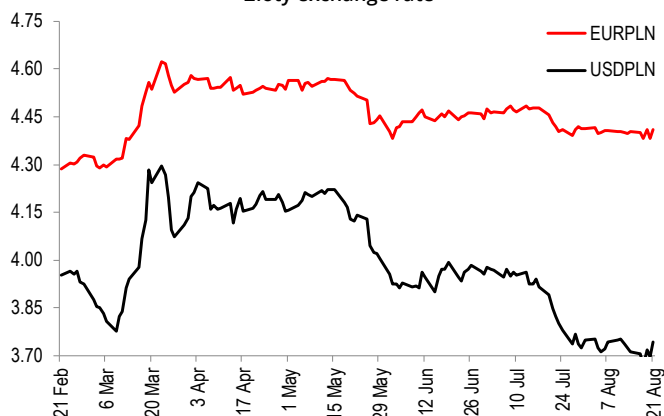
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	183	-2
France	10	0	31	2
Hungary	74	0	0	0
Spain	61	0	81	2
Italy	99	-1	151	4
Portugal	38	0	85	1
Ireland	18	0	36	1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

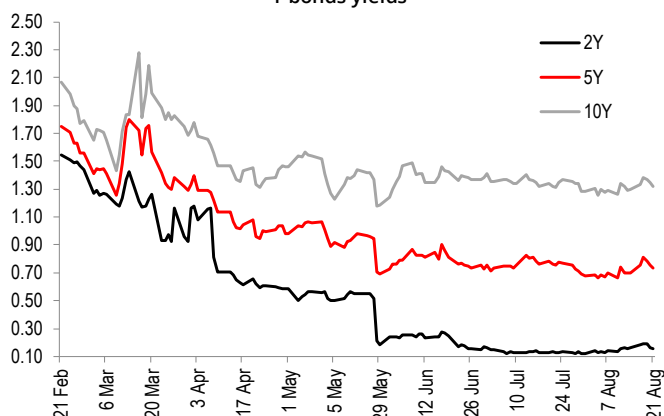
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

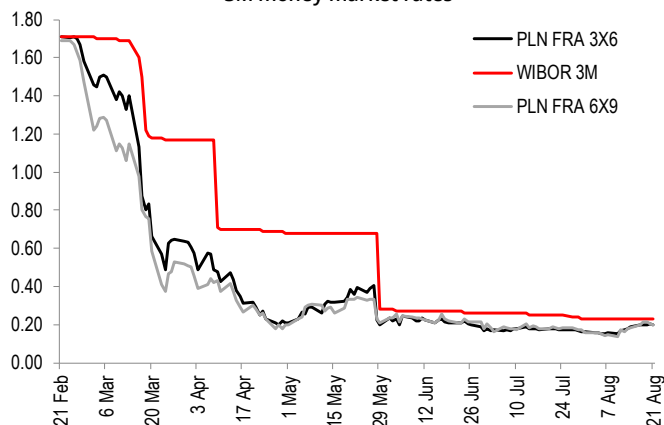
Zloty exchange rate



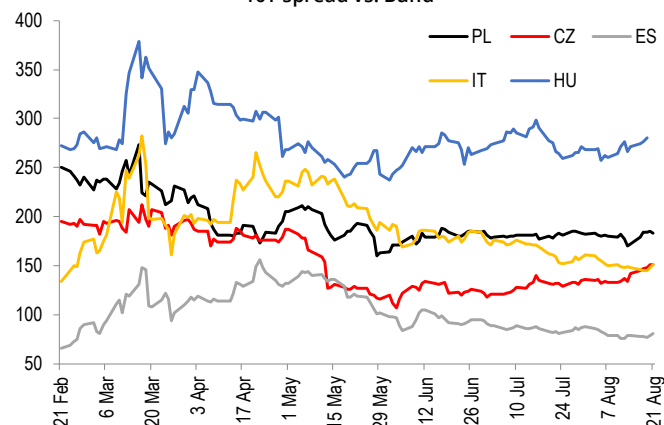
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic Calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
FRIDAY (21 August)								
09:30	DE	Germany Manufacturing PMI	Aug	pts	52.5		53.0	51.0
09:30	DE	Markit Germany Services PMI	Aug	pts	55.0		50.8	55.6
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	53.1		51.7	51.8
10:00	EZ	Eurozone Services PMI	Aug	pts	54.7		50.1	54.7
10:00	PL	Construction Output	Jul	% y/y	-5.5	-4.5	-10.9	-2.4
10:00	PL	Retail Sales Real	Jul	% y/y	-0.7	2.8	3.0	-1.3
16:00	US	Existing Home Sales	Jul	% m/m	12.9		24.7	20.2
MONDAY (24 August)								
14:00	PL	Money Supply M3	Jul	% y/y	18.5	18.6	-	18.1
TUESDAY (25 August)								
08:00	DE	GDP WDA	2Q	% y/y	-11.7		-	-11.7
10:00	DE	IFO Business Climate	Aug	pts	92.5		-	90.5
10:00	PL	Unemployment Rate	Jul	%	6.1	6.1	-	6.1
14:00	HU	Central Bank Rate Decision	Aug.20	%	0.6		-	0.6
16:00	US	Consumer Conference Board	Aug	pts	93.0		-	92.6
16:00	US	New Home Sales	Jul	% m/m	-0.1		-	13.8
WEDNESDAY (26 August)								
14:30	US	Durable Goods Orders	Jul	% m/m	4.0		-	7.6
THURSDAY (27 August)								
	DE	Retail Sales	Jul	% m/m	0.5		-	-2.0
14:30	US	GDP Annualized	2Q	% Q/Q	-32.5		-	-32.9
14:30	US	Initial Jobless Claims	Aug.20	k	920.0		-	1106.0
16:00	US	Pending Home Sales	Jul	% m/m	5.5		-	16.6
FRIDAY (28 August)								
11:00	EZ	ESI	Aug	pct.	85.0		-	82.3
14:00	PL	MPC minutes	Jul.14					
14:30	US	Personal Spending	Jul	% m/m	1.5		-	5.6
14:30	US	Personal Income	Jul	% m/m	-0.3		-	-1.1
14:30	US	PCE Deflator SA	Jul	% m/m	0.4		-	0.4
16:00	US	Michigan index	Aug	pts	72.8		-	72.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

** estimate after CPI inflation data

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