

27 August 2020

# Eyeopener

## Jackson Hole conference starts today

Market awaiting Jackson Hole symposium  
Local governments had surplus in 2Q20  
Zloty and other CEE currencies weakened  
Slight changes of Polish bond yields  
Today, next US data releases

Wednesday's session in the global markets was dominated by expectations for Jackson Hole symposium, which will start today. US data about durable goods orders surprised to the upside, which helped equity markets to continue gains and debt market to weaken slightly. Zloty and other CEE currencies lost despite stock indices and EURUSD holding at elevated levels.

According to the government monitor, **the NBP rate cut by 40bp in May** was supported by six MPC members: Adam Glapiński, Grażyna Ancyparowicz, Cezary Kochalski, Eryk Łon, Rafał Sura and Jerzy Żyżyński. The same six voted for 50bp rate cut in March, and in April they were joined by Jerzy Kropiwnicki, when cutting rates again by 50bp.

After 2Q20 **local government units** recorded a budget surplus of PLN12bn (as compared to PLN13.5bn in the corresponding period of 2019). In 2Q alone the local government's incomes climbed by 8.0% y/y while spending rose by 8.8% y/y, with investment outlays up by 2.1% y/y versus 11.3% y/y in 1Q20. Thus, in 2Q20 local governments delivered a slightly positive contribution to total investment growth, given probably strongly negative contribution of the private sector (data on investment in big companies shown recently a hit -14% in 2Q). We are expecting the growth rate of local government's investment to remain low or even slide below zero, as total annual investment plan of governments are lower than in 2019. The epidemic did not affect much total budgets of the sector, yet detailed data show weaker incomes in some categories, like PIT (-12.5% y/y) or tax on civil law contracts (-23.7% y/y). We are expecting the budget surplus to be heading towards zero at the year-end.

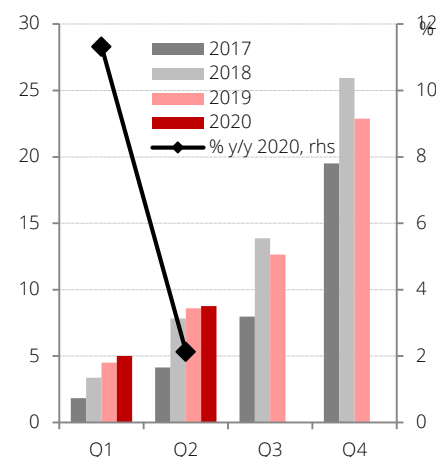
The government information center has announced yesterday, that the government has discussed the **2021 budget draft**, which should have been approved by circulation in the evening. Till today's morning there were no more details published regarding the project.

Yesterday **EURUSD** moved around 1.18 and finished the day slightly above 1.183. The daily range has not been lower than last Friday's minimum (1.175) nor maximum (almost 1.190) which accurately shows the sentiment of investors ahead of the Jackson Hole symposium start later today. Fed President Jerome Powell is scheduled to speak after 3pm Warsaw time. Market expects that he might announce changes to the strategy of the Fed e.g. towards inflation.

**EURPLN** rose for the second day in a row and at the of the Polish trading hours was slightly above 4.41 vs c4.39 at the opening. USDPLN rose at a similar scale and set the daily peak at nearly 3.75. The zloty's depreciation was coherent with weakening of **its CEE peers**. This time, the forint was the underperformer with EURHUF rising 0.7% to above 355 (its highest since mid-July). USDRUB rose by c0.65% to 76.0, the new peak of the upside wave and its highest since early May. EURCZK rebounded by 0.35% to 26.24.

On the **domestic interest rate market** the 10Y asset swap spread this time rose slightly (2bp) since the scale of IRS drop was larger than in the case of bonds. At the same time, the 10Y PL-DE bond yield spread narrowed further (to 176pb). The Bund lost slightly yesterday amid positive global market mood persisting on the global market.

### Investments of local governments, PLNbn



Source: Ministry of Finance, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
website: [santander.pl/en/economic-analysis](https://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	4.4156	CZKPLN	0.1664
USDPLN	3.7332	HUFPLN*	1.2300
EURUSD	1.1826	RUBPLN	0.0495
CHFPLN	4.1094	NOKPLN	0.4194
GBPPLN	4.9318	DKKPLN	0.5901
USDCNY	6.8846	SEKPLN	0.4281

\*for 100HUF

### Last session in the FX market

26/08/2020

	min	max	open	close	fixing
EURPLN	4.392	4.423	4.400	4.420	4.403
USDPLN	3.719	3.746	3.726	3.741	3.727
EURUSD	1.177	1.183	1.181	1.181	-

## Interest rate market

26/08/2020

### 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)	0.77	0	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.35	-2	5.03.2020	DS1029	1.725

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.23	0	0.24	1	-0.47	0
2L	0.32	-2	0.23	1	-0.43	0
3L	0.43	-2	0.24	0	-0.42	0
4L	0.57	-3	0.28	0	-0.39	1
5L	0.70	-3	0.34	0	-0.37	0
8L	0.97	-4	0.56	1	-0.26	0
10L	1.09	-4	0.69	1	-0.17	0

## 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	0
3x6	0.22	0
6x9	0.22	0
9x12	0.23	-1
3x9	0.27	-1
6x12	0.28	2

## Measures of fiscal risk

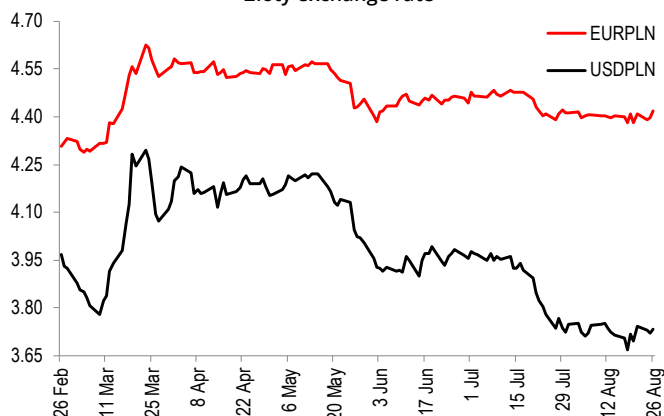
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	176	-3
France	10	0	29	-1
Hungary	74	0	271	-11
Spain	56	-2	79	-2
Italy	95	-3	150	-3
Portugal	36	-2	82	-4
Ireland	18	0	33	-1
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

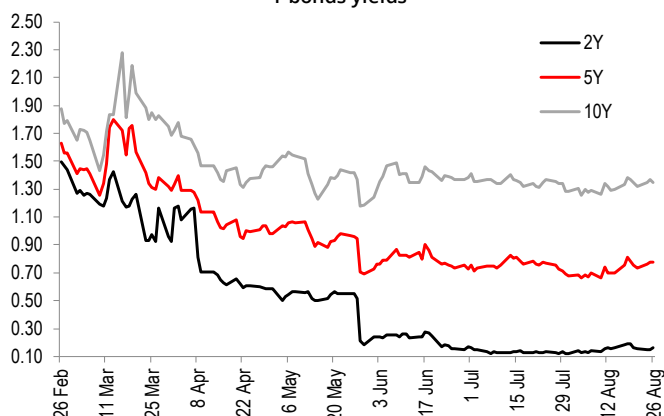
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

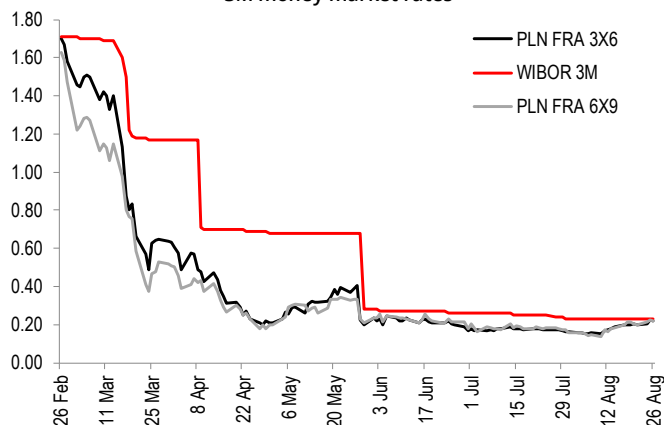
## Zloty exchange rate



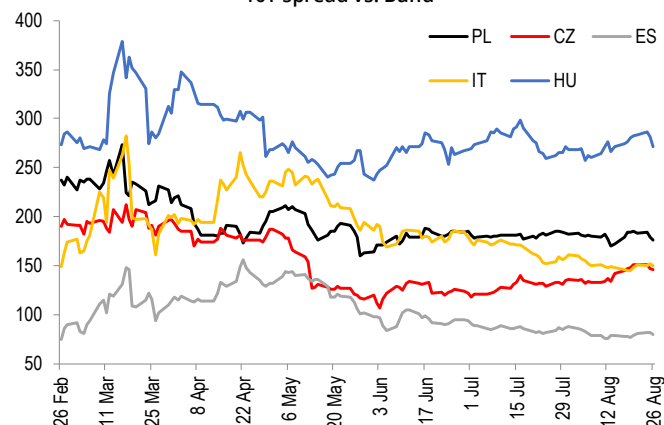
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
<b>FRIDAY (21 August)</b>								
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
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>Jul</b>	<b>% y/y</b>	<b>-5.5</b>	<b>-4.5</b>	<b>-10.9</b>	<b>-2.4</b>
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Jul</b>	<b>% y/y</b>	<b>-0.7</b>	<b>2.8</b>	<b>3.0</b>	<b>-1.3</b>
16:00	US	Existing Home Sales	Jul	% m/m	12.9		24.7	20.2
<b>MONDAY (24 August)</b>								
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Jul</b>	<b>% y/y</b>	<b>18.5</b>	<b>18.6</b>	<b>16.8</b>	<b>18.1</b>
<b>TUESDAY (25 August)</b>								
08:00	DE	GDP WDA	2Q	% y/y	-11.7	-	-11.3	-11.7
10:00	DE	IFO Business Climate	Aug	pts	92.5	-	92.6	90.5
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Jul</b>	<b>%</b>	<b>6.1</b>	<b>6.1</b>	<b>6.1</b>	<b>6.1</b>
14:00	HU	Central Bank Rate Decision	Aug.20	%	0.6	-	0.60	0.60
16:00	US	Consumer Conference Board	Aug	pts	93.0	-	84.8	91.7
16:00	US	New Home Sales	Jul	% m/m	-0.1	-	13.9	15.1
<b>WEDNESDAY (26 August)</b>								
14:30	US	Durable Goods Orders	Jul	% m/m	2.0	-	2.4	4.0
<b>THURSDAY (27 August)</b>								
14:30	US	GDP Annualized	2Q	% q/q	-32.5	-		-32.9
14:30	US	Initial Jobless Claims	week	k	1 000	-		1 106
16:00	US	Pending Home Sales	Jul	% m/m	3.0	-		16.6
<b>FRIDAY (28 August)</b>								
11:00	EZ	ESI	Aug	pct.	85.0	-		82.3
<b>14:00</b>	<b>PL</b>	<b>MPC minutes</b>						
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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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.