

2 September 2020

# Eyeopener

## Manufacturing PMI's mixed bag

Mixed PMI readings worldwide, strong US ISM  
EURPLN still close to 4.40, EURUSD temporarily above 1.20  
Polish bonds gain  
Today US ADP report

On Tuesday stock prices were declining in the first part of the day. Inflation in the euro zone fell below zero in August (-0.2% y/y vs expected +0.2%), which was perceived by markets as a harbinger of an economic slowdown. Meanwhile, the dollar kept weakening and reached the lowest level in two years (EURUSD temporarily went above 1.20). Commodity prices were rising (gold to \$1985/oz, crude oil to \$43.1 per barrel), which was in turn supportive for EM currencies. Yields of 10Y bonds in core debt markets did not change much (UST 0.71%, Bund -0.41%). On Tuesday a number of countries released their PMI indicators, which proved to show a diversified message. In Asia, except China, indicators failed to break above 50pts (Japan, South Korea, Philippines), or – like in Australia and Malaysia – fell again below 50pts. In Europe, indices were quite stable near 50pts or above, there was a visible improvement in CEE except Poland (see below). In Canada, the index rose above 55pts and US manufacturing ISM approached 56pts (new orders component rose to 68pts). Such strong ISM triggered a return of positive sentiment in stock markets, and stopped the EURUSD rise.

**MPC member Eugeniusz Gatnar** said that in the coming months inflation, both in Poland and abroad, could stay at elevated level despite negative output gap. Among factors that could cause it he mentioned passing through “covid fees” on customers, incoming sugar tax and extra electricity charge, plus further rise in minimum wage.

**Poland inflation** in August fell to 2.9% y/y and was lower than expected, according to the flash estimate. The surprise most likely resulted from lower core component of CPI and confirms our view that sooner or later strongly negative output gap should result in disinflation. **Manufacturing PMI** also surprised to the downside, falling to 50.6 in August. The survey suggests that the pace of economic recovery may slow after quite sharp rebound seen in June-July. However, other business climate surveys painted a bit more optimistic picture. We wrote more in our yesterday's [Economic comment](#).

**EURUSD** climbed for the third day in a row and ended the day 0.2% higher at 1.197. During the day the rate broke 1.20 putting the dollar at the weakest spot versus the single currency in two years. High ISM in manufacturing made the rate open at 1.19 today. Today we are going to see the ADP report, ISM services tomorrow, US non-farm payrolls on Friday. The stronger reading yesterday could support the dollar prior to incoming new data.

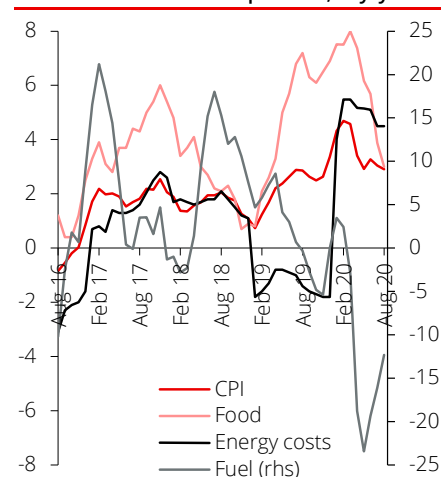
**EURPLN** was quite stable and hovered slightly below 4.40. Surprises from local data did not affect the trade. In our view the zloty could lose somewhat in the upcoming days should the dollar gain in the days to come.

**In the CEE region**, the final readings of the Q2 GDP and PMI manufacturing were published in Hungary and Czech Republic. There were no surprises as to Hungarian GDP – it contracted -13.6% y/y in line with expectations. The Hungarian PMI increased by 1.7pts to 52.8pts however EURHUF declined only in the first part of the day (to a low of 354.0) after which strongly rebounded to 356.0 in the second part of the day. In Czechia Q2 GDP declined by 11.0% y/y, below expectations (-10.7% y/y) while the Czech PMI despite increasing by noticeable 2.1pts grew only to 49.1 – still below the 50.0 level. The EURCZK traded well though – declined by 0.3% to 26.3. USDRUB declined by 1% to 73.4 thanks to weaker dollar, richer oil and better PMI manufacturing (at 51.1pts).

**In the domestic interest rate market**, the the front end of the curve was relatively stable (2Y bond yield 0.12%, IRS 0.32%) while at the long end bond yields declined, especially in the first part of the day – reaching 1.38% (-2bp). 10Y IRS have not changed much and hence the ASW returned to 24bp. The spread vs Bund remained near 179bp.

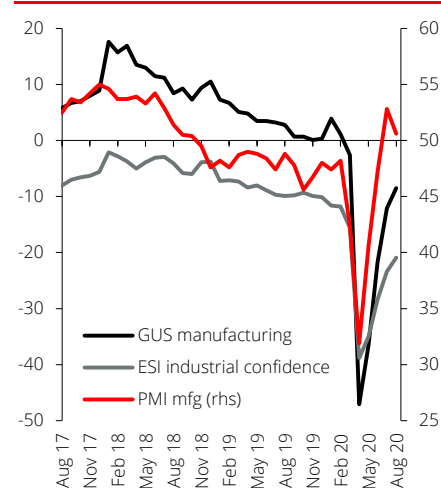
The Ministry of Finance announced that on the 3 September switch auction it will buy back the bonds of 5 series: DS1020, WZ0121, PS0421, OK0521, PS0721 while will sell the following 5 series: OK0423, PS0425, WZ0525, WZ1129, DS1030.

CPI and its selected components, % y/y



Source: GUS, Santander

Business climate in manufacturing according to different surveys, pts.



Source: GUS, EC, IHS Markit, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: 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	4,3879	CZKPLN	0,1669
USDPLN	3,6894	HUFPLN*	1,2230
EURUSD	1,1894	RUBPLN	0,0500
CHFPLN	4,0472	NOKPLN	0,4201
GBPPLN	4,9291	DKKPLN	0,5895
USDCNY	6,8285	SEKPLN	0,4239

\*for 100HUF

### Last session in the FX market

01.09.2020

	min	max	open	close	fixing
EURPLN	4,383	4,397	4,391	4,390	4,395
USDPLN	3,655	3,680	3,663	3,674	3,671
EURUSD	1,193	1,201	1,199	1,195	-

## Interest rate market 01.09.2020

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0,15	0
PS0425 (5Y)	0,74	-1
DS1030 (10Y)	1,39	-1

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0,23	0,23	-0,48
2L	0,32	0,22	-0,44
3L	0,44	0,23	-0,43
4L	0,57	0,26	-0,41
5L	0,71	0,32	-0,38
8L	1,00	0,54	-0,25
10L	1,14	0,67	-0,16

### WIBOR rates

Term	%	Change (bps)
O/N	0,10	0
T/N	0,10	-1
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	0,21	-2
9x12	0,22	-2
3x9	0,27	0
6x12	0,27	-2

### Measures of fiscal risk

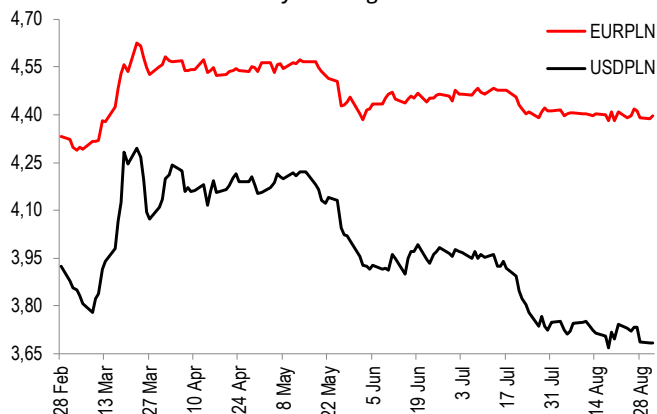
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	58	180
France	10	30
Hungary	73	277
Spain	54	82
Italy	93	152
Portugal	36	85
Ireland	18	36
Germany	8	-

\* 10Y treasury bonds over 10Y Bunds

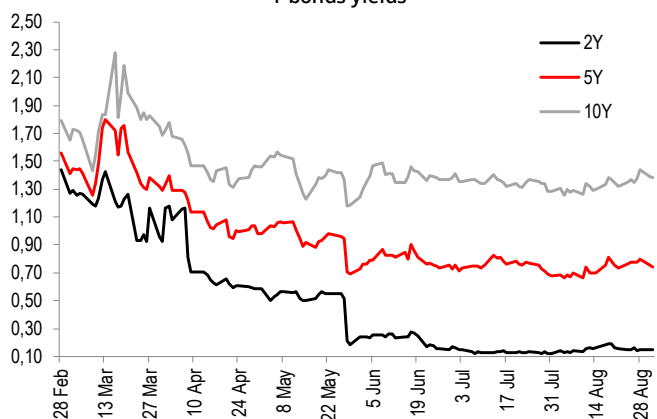
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

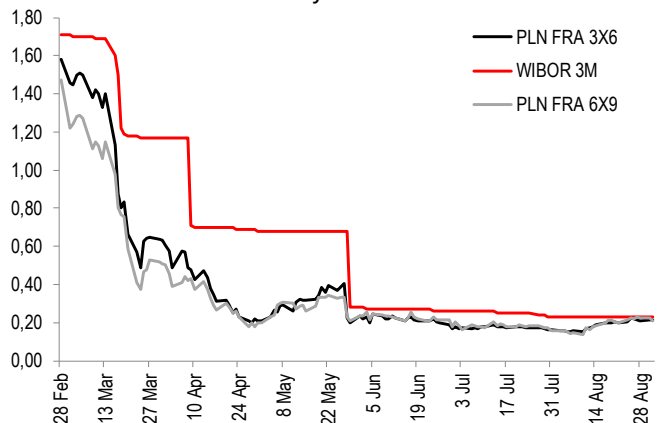
## Zloty exchange rate



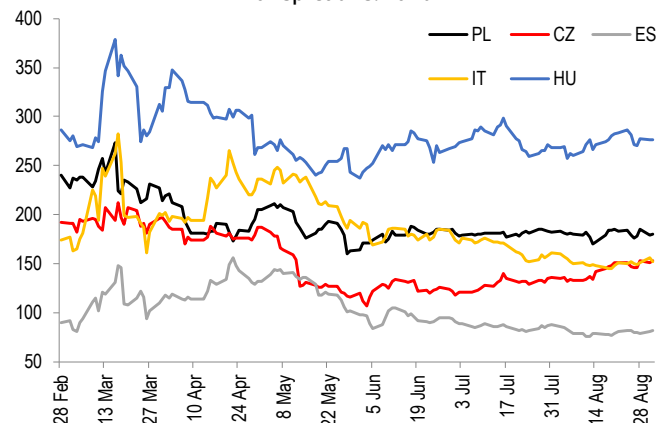
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (28 August)								
11:00	EZ	ESI	Aug	pct.	85.0	-	87.7	82.3
14:30	US	Personal Spending	Jul	% m/m	1.6	-	1.9	6.2
14:30	US	Personal Income	Jul	% m/m	-0.2	-	0.4	-1.0
14:30	US	PCE Deflator SA	Jul	% m/m	0.4	-	0.3	0.5
16:00	US	Michigan index	Aug	pts	72.8	-	74.1	72.8
MONDAY (31 August)								
10:00	PL	GDP	2Q	% y/y	-8.2	-8.2	-8.2	-8.2
10:00	PL	Private consumption	2Q	% y/y	-10.0	-8.0	-10.9	1.2
10:00	PL	Investments	2Q	% y/y	-12.0	-12.0	-10.9	0.9
14:00	DE	HICP	Aug	% m/m	0.0	-	-0.2	-0.5
TUESDAY (1 September)								
09:00	CZ	GDP SA	2Q	% y/y	-10.7	-	-11.0	-10.7
09:00	PL	Poland Manufacturing PMI	Aug	pts	52.9	53.0	50.6	52.8
09:00	HU	GDP	2Q	% y/y	-13.6	-	-13.6	-13.6
09:55	DE	Germany Manufacturing PMI	Aug	pts	53.0	-	52.2	53.0
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	51.7	-	51.7	51.7
10:00	PL	CPI	Aug	% y/y	3.0	3.0	2.9	3.0
11:00	EZ	Flash HICP	Aug	% y/y	0.2	-	-0.2	0.4
11:00	EZ	Unemployment Rate	Jul	%	8.0	-	7.9	7.8
16:00	US	ISM manufacturing	Aug	pts	54.3	-	56.0	54.2
WEDNESDAY (2 September)								
08:00	DE	Retail Sales	Jul	% m/m	0.5	-	-0.9	-1.9
14:15	US	ADP report	Aug	k	900	-		167
16:00	US	Durable Goods Orders	Jul	% m/m	-	-		11.2
16:00	US	Factory Orders	Jul	% m/m	3.8	-		6.2
THURSDAY (3 September)								
03:45	CN	Caixin China PMI Services	Aug	pts	54.0	-		54.1
09:55	DE	Markit Germany Services PMI	Aug	pts	50.8	-		50.8
10:00	EZ	Eurozone Services PMI	Aug	pts	50.1	-		50.1
11:00	EZ	Retail Sales	Jul	% m/m	1.0	-		5.7
14:30	US	Initial Jobless Claims	week	k	1 000	-		1 006
16:00	US	ISM services	Aug	pts	57.2	-		58.1
FRIDAY (4 September)								
08:00	DE	Factory Orders	Jul	% m/m	6.0	-		27.9
09:00	HU	Industrial Production SA	Jul	% y/y	-9.5	-		-12.19
14:30	US	Change in Nonfarm Payrolls	Aug	k	1 518	-		1 763
14:30	US	Unemployment Rate	Aug	%	9.8	-		10.2

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

\*\* estimate after CPI inflation data

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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>.