

4 September 2020

Eyeopener

Zloty weakest since mid-July

Mixed global services PMIs
EURPLN ends consolidation, EURUSD slightly up
Polish bonds stable, FRA and IRS lower
Today US non-farm payrolls

On Thursday the services PMIs for August have been released. In the euro zone and Germany the final readings were even better than flash estimates (by 0.4 and 1.7pp, respectively), while in France the index declined and in Southern Europe not only fell (over 4bp) but also landed below 50. Moreover, German retail sales disappointed showing only 0.4% m/m and -1.3% y/y. US data were mixed: lower number of new jobless claims and Markit's services PMI surprised positively. On the other hand, the US trade deficit reached \$63bn, its highest since 2006, and services ISM was in line with forecast but below previous reading. Dollar strengthened slightly (dollar index already gained 1.3% in three days), Asian and CEE currencies were depreciating, and those of commodities exporters were gaining – which is atypical when the crude oil price goes down (lower by c.2%) and base metal prices remain stable. Bond yields in core debt markets slightly fell (UST 0.64%, Bund -0.49%).

Moody's rating agency analyst for Poland Heiko Peters said that the current outlook for the country is balanced. In his opinion, weakening of the rule of law negatively impacts the credit assessment. On the other hand, expected return of the economy to the growth path in the medium term and obeying to the EU fiscal discipline might contribute in a positive way. Peters underscored and enumerated the factors potentially impacting the Polish rating to the upside: finishing the dispute between EU and Poland regarding the judiciary system, as well as reforms of the educational and pension systems which would improve the medium term potential of the economy. Moody's might review the Polish rating on 11 September (A2, outlook stable), while 2 weeks after that Fitch could issue a rating report while on 2 October S&P may express its opinion.

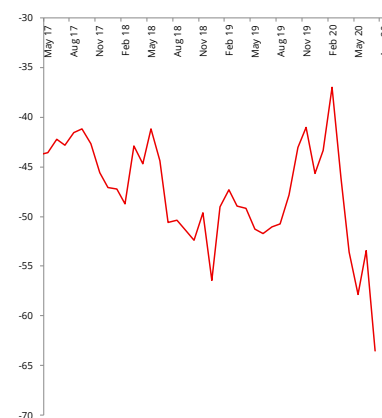
EURUSD on Thursday only briefly remained at the Tuesday close (temporarily trading lower at 1.179). Later in the day, the euro gained and at the end of day reached 1.185 while the slight boost for the common currency might have come from better than expected final readings of Eurozone and German services PMIs. Today in the afternoon there are US non-farm payrolls. The latest ADP report was rather weak hence if the government data would surprise to the upside, the dollar might gain towards the end of the week.

EURPLN significantly increased for a second day in a row, on Thursday alone by another 0.3% to 4.434, however the 2-day move currently equals 1.1%. We sustain our view that EURPLN will move towards 4.46 in the coming days.

In the CEE region EURHUF was stable around 358.7. Hungarian July retail sales climbed 0.4% y/y and was above last month's reading (-0.1% y/y) but markedly below expectations. We think that the pair is likely to break 360 soon. EURCZK climbed only by 0.2% to 26.4 but the intraday volatility was exceptionally high (first fell by 0.3% and then rebounded by 0.5%). Czech data on wages in 2Q surprised negatively (-2.5% y/y). USDRUB went slightly down below 75.0, but given that on Wednesday the rate went up by as much as 2%, such a scale of correction is in our view too small and USDRUB is likely to go towards 77.0 soon.

On the domestic interest rate market, FRA contracts were sliding for the second day in a row, with 9x12 down to 0.20%, 21x24 down to 0.30%, both by 2bp. 2Y IRS slid to 0.29% and 2Y bond yield to 0.11% - both by about 1bp. On the longer end yields were stable (1.37%), but IRS went slightly down (1.07%), so asset swap spread approached 30bp. Given slightly lower yields on core markets, the spread to Bund widened to 185bp. **The Finance Ministry** sold bonds worth PLN60mn net on a switching tender (PLN2.96bn sold, PLN2.90bn purchased). The Ministry sold OK0423, PS0435, WZ0525, WZ1129, DS1030 and purchased DS1020, WZ0121, PS0421, OK0521, PS0721.

US monthly trade balance, USD bn



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4,4362	CZKPLN	0,1676
USDPLN	3,7482	HUFPLN*	1,2237
EURUSD	1,1838	RUBPLN	0,0499
CHFPLN	4,1138	NOKPLN	0,4192
GBPPLN	4,9715	DKKPLN	0,5959
USDCNY	6,8425	SEKPLN	0,4278

*for 100HUF

Last session in the FX market

03.09.2020

	min	max	open	close	fixing
EURPLN	4,412	4,442	4,415	4,438	4,418
USDPLN	3,732	3,760	3,739	3,752	3,734
EURUSD	1,179	1,185	1,181	1,183	-

Interest rate market 03.09.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0722 (2Y)	0,15	1
PS0425 (5Y)	0,72	0
DS1030 (10Y)	1,38	-1

IRS on the interbank market**

Rate on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0,21	-1	0,23	0	-0.50	0
2L	0,28	-2	0,22	0	-0.47	-1
3L	0,37	-3	0,23	-1	-0.46	0
4L	0,50	-4	0,26	-1	-0.44	-1
5L	0,64	-4	0,32	0	-0.41	0
8L	0,93	-3	0,52	-1	-0.30	-1
10L	1,06	-2	0,65	-1	-0.21	-1

WIBOR rates

Term	%	Change (bps)
O/N	0,09	-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	0,23	0
3x6	0,20	-1
6x9	0,21	1
9x12	0,22	1
3x9	0,24	-1
6x12	0,27	2

Measures of fiscal risk

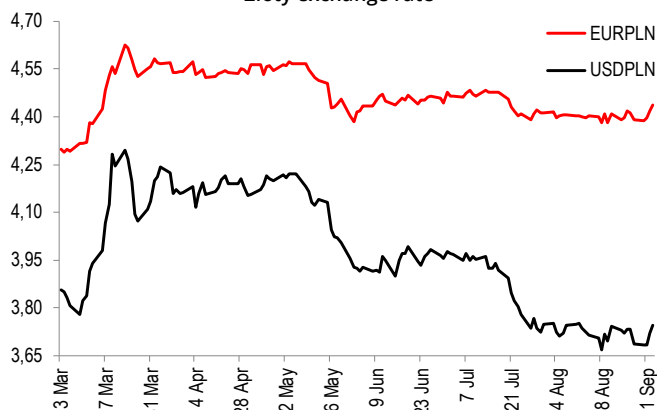
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	187	1
France	10	0	30	1
Hungary	64	-1	292	7
Spain	54	0	82	1
Italy	93	0	155	5
Portugal	36	0	84	1
Ireland	18	0	36	1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

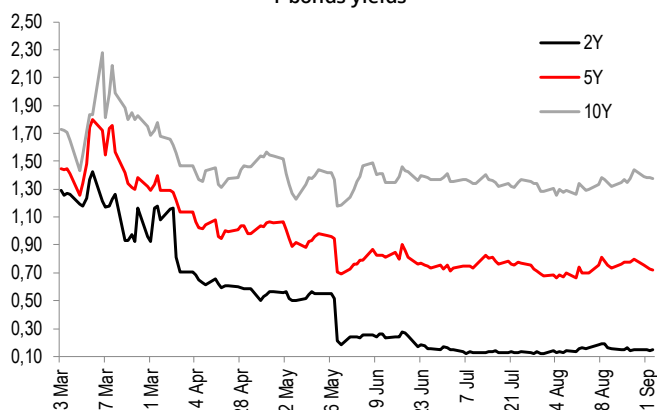
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

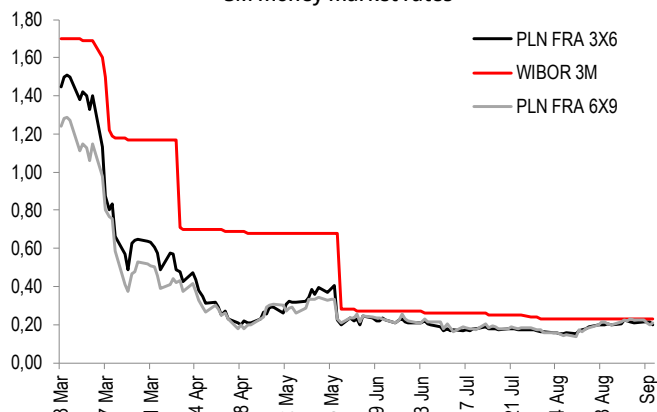
Zloty exchange rate



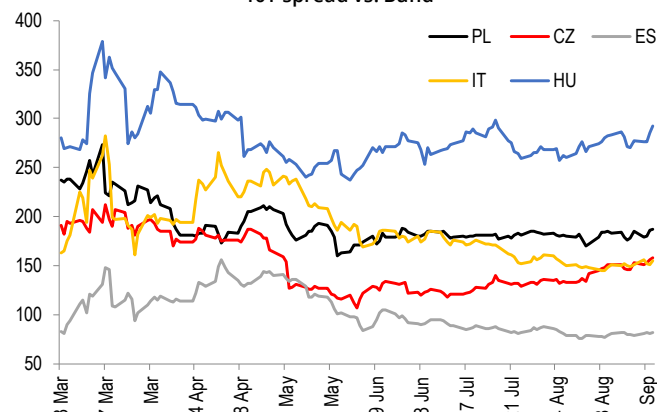
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

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	1000	-	428	121
16:00	US	Durable Goods Orders	Jul	% m/m	11.2	-	11.4	11.2
16:00	US	Factory Orders	Jul	% m/m	6.1	-	6.4	6.2
21:45	CN	Caixin China PMI Services	Aug	pts	54.0	-	54.0	54.1
THURSDAY (3 September)								
09:55	DE	Markit Germany Services PMI	Aug	pts	50.8	-	52.5	50.8
10:00	EZ	Eurozone Services PMI	Aug	pts	50.1	-	50.5	50.1
11:00	EZ	Retail Sales	Jul	% m/m	1.0	-	-1.3	5.7
14:30	US	Initial Jobless Claims	week	k	950	-	881	1 011
16:00	US	ISM services	Aug	pts	57.0	-	56.9	58.1
FRIDAY (4 September)								
08:00	DE	Factory Orders	Jul	% m/m	6.0	-	2.8	28.8
09:00	HU	Industrial Production SA	Jul	% y/y	-9.5	-	-8.1	-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

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