

21 July 2021

## Eyeopener

### Today retail sales and construction output

Stock markets stabilise, bond yields go further down  
 Domestic industrial output in line with expectations, PPI up  
 EURUSD below 1.18  
 EURPLN and other CEE currencies stable at elevated levels  
 Polish bonds stable, IRS lower – 10Y ASW above zero  
 Today data from Poland: retail sales and construction output

After large drops on Monday, on Tuesday the equity indices initially stabilised then rebounded. However, the equity market sell-off might be far from over, as the core market yields dropped again: UST by 5bp to 1.15% (down 35bp since the mid of previous week) and Bund by 3bp to -0.43% (down 16bp over the same period). The dollar gained, gold edged up +0.8% to \$1820/oz, MTD increase of +3.3%. German June PPI stood at 8.5% y/y – slightly below expectations but above the May reading of 7.2% y/y, and at the elevated level. In the US the housing starts accelerated to 6.3% m/m (from 3.6% m/m previously) while the building permits fell by 5.1% m/m (after decline of 3.0% m/m in the previous month).

The deputy head of the European Commission (EC) Věra Jourová announced that Polish government has time till 16 August (deadline) to inform the EC about the steps undertaken to execute the European Court of Justice (ECJ) latest ruling regarding putting the Disciplinary Chamber of the Supreme Court on hold. If that does not happen, the EC will ask the ECJ to fine Poland financially. The ECJ fine usually consist of 2 parts: lump sum (typically in amounts reaching dozens of millions of euros) and a daily penalty payment (typically thousands of euros per day). **The conflict between the Polish government and the EC on rule of law** might put pressure on the zloty going forward.

**Industrial output rose by 18.4% y/y in June**, roughly in line with expectations (we: 19.0% y/y, market: 18.0% y/y). Decline in annual growth rate vs May (29.8% y/y) was caused mostly by base effects. We are expecting industry to remain strong in the months to come, yet the annual growth rate will go further down as the statistical base effect from the first coronavirus wave diminishes. **PPI inflation climbed to 7.0% y/y**, in line with our expectations and reached the highest level since January 2012. Cost pressure in companies is clearly rising and this will be feeding in the CPI, in our view. Construction prices advanced by 0.6% m/m posting the highest monthly increase in 12 year. Read more in our [Economic comment](#).

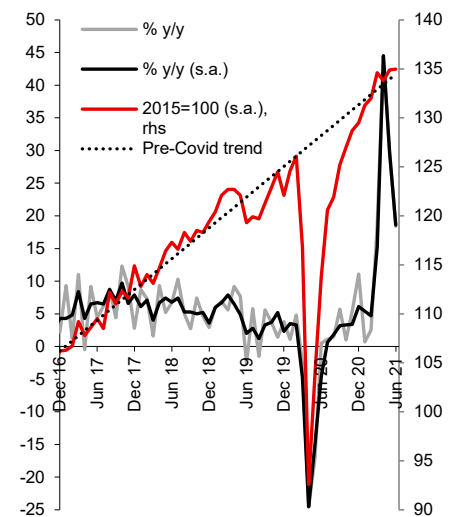
**EURUSD** finally broke the 1.1800 from above and after falling 0.3% reached 1.1770 – the Monday minimum.

**EURPLN** has stabilised, similarly to equity markets. On Tuesday the pair hovered below 4.60. In the nearest future we expect further zloty weakening.

**As for the other CEE currencies**, EURHUF still remains near 360.0, on Tuesday slightly retraced back to 359.4. Similarly, EURCZK slightly declined to close at 25.66. June Czech PPI stood at 6.1% y/y, beating expectations (5.9%) and the previous month's reading (5.1%). It is the highest PPI reading in Czech Republic since 2011. The RUB basket increased by 0.5% to 80.50, USDRUB closed at 74.6.

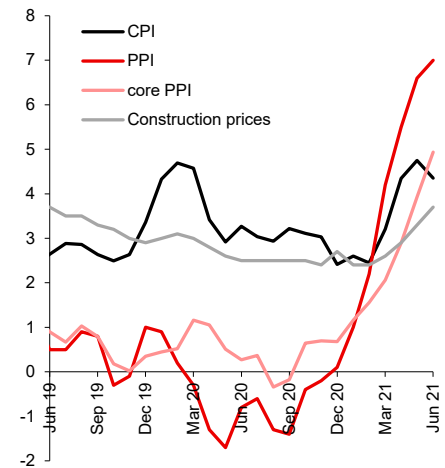
**As for the Polish fixed income market** the bond yield curve was rather stable (small declines of 1-2bp at the long end of the curve) while still further declines were seen on the IRS curve which usually follows core market yields: IRS dropped by 5pb in the 5-10Y segment. As a result, for the first time since January 2020 the 10Y asset swap became positive and closed at +7bp. Spread vs Bund stays at 191bp.

#### Industrial output



Source: GUS, Santander

#### Inflation measures, % y/y



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.5915	CZKPLN	0.1785
USDPLN	3.9045	HUFPLN*	1.2662
EURUSD	1.1765	RUBPLN	0.0524
CHFPLN	4.2342	NOKPLN	0.4315
GBPPLN	5.3099	DKKPLN	0.6173
USDCNY	6.4734	SEKPLN	0.4476

\*for 100HUF

Last session in the FX market						20.07.2021
	min	max	open	close	fixing	
EURPLN	4.585	4.601	4.593	4.592	4.598	
USDPLN	3.890	3.912	3.895	3.902	3.901	
EURUSD	1.175	1.180	1.179	1.177	-	

**Interest rate market** 20.07.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.33	-5
DS0725 (5Y)	1.07	1
DS1030 (10Y)	1.52	-1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.31	1	0.17	0	-0.52	1
2L	0.55	3	0.31	2	-0.47	0
3L	0.78	-2	0.46	-1	-0.43	0
4L	0.96	-3	0.62	-1	-0.39	-1
5L	1.09	-4	0.75	-1	-0.35	-1
8L	1.34	-4	1.05	1	-0.18	-2
10L	1.45	-3	1.20	5	-0.06	-2

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	-1
T/N	0.11	1
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.25	0
1Y	0.26	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	0.21	1
3x6	0.26	2
6x9	0.32	3
9x12	0.43	5
3x9	0.30	0
6x12	0.38	1

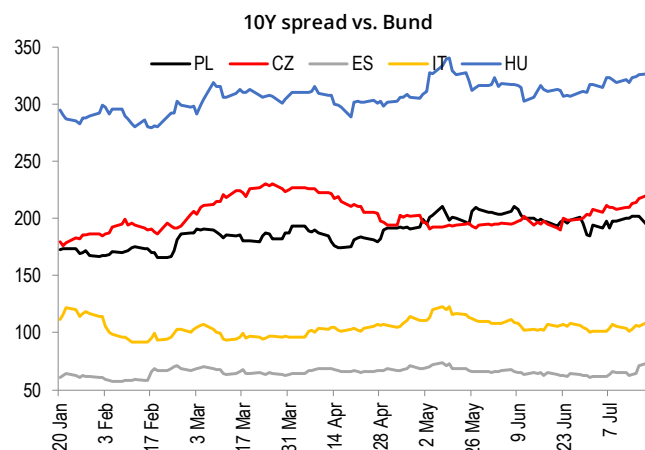
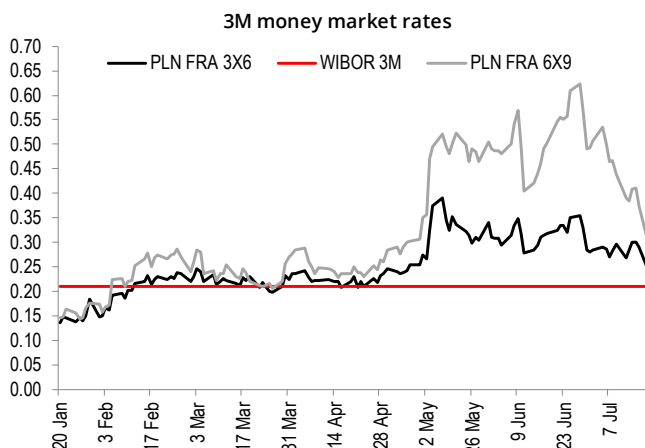
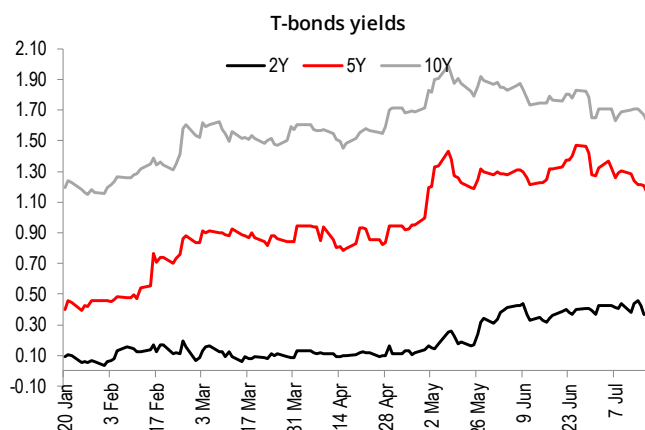
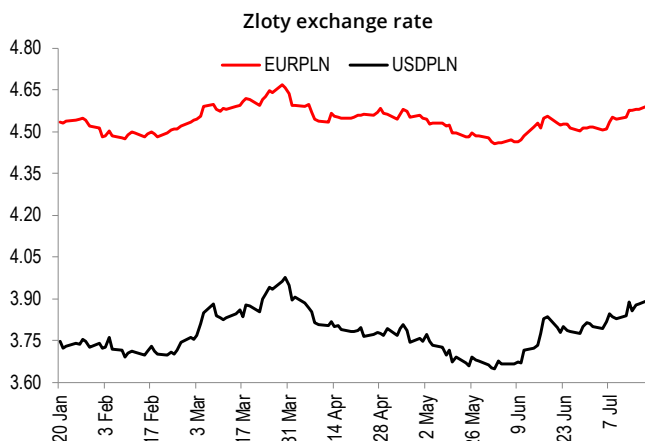
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	193	1
France	10	0	36	1
Hungary	55	0	324	-3
Spain	31	0	75	1
Italy	45	0	110	1
Portugal	21	0	65	2
Ireland	12	0	40	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



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
<b>FRIDAY (16 July)</b>								
11:00	EZ	HICP	Jun	% y/y	1.9		1.9	1.9
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>Jun</b>	<b>% y/y</b>	<b>3.6</b>	<b>3.6</b>	<b>3.5</b>	<b>4.0</b>
14:30	US	Retail Sales Advance	Jun	% m/m	-0.3		0.6	-1.7
16:00	US	Michigan index	Jul	pts	86.5		80.8	85.5
<b>MONDAY (19 July)</b>								
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>Jun</b>	<b>% y/y</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>	<b>2.7</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>Jun</b>	<b>% y/y</b>	<b>9.2</b>	<b>8.8</b>	<b>9.8</b>	<b>10.1</b>
<b>TUESDAY (20 July)</b>								
<b>10:00</b>	<b>PL</b>	<b>Sold Industrial Output</b>	<b>Jun</b>	<b>% y/y</b>	<b>18.0</b>	<b>19.0</b>	<b>18.4</b>	<b>29.8</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>Jun</b>	<b>% y/y</b>	<b>6.8</b>	<b>7.0</b>	<b>7.0</b>	<b>6.5</b>
14:30	US	Housing Starts	Jun	% m/m	1.2		6.3	3.6
<b>WEDNESDAY (21 July)</b>								
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>Jun</b>	<b>% y/y</b>	<b>6.8</b>	<b>7.0</b>	-	<b>4.7</b>
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Jun</b>	<b>% y/y</b>	<b>9.0</b>	<b>7.6</b>	-	<b>13.9</b>
<b>THURSDAY (22 July)</b>								
13:45	EZ	ECB Main Refinancing Rate	Jul/21	%	0.0		-	0.0
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Jun</b>	<b>% y/y</b>	<b>7.5</b>	<b>7.9</b>	-	<b>9.0</b>
14:30	US	Initial Jobless Claims		k			-	360.0
16:00	US	Existing Home Sales	Jun	% m/m	2.6		-	-0.9
<b>FRIDAY (23 July)</b>								
09:30	DE	Germany Manufacturing PMI	Jul	pts	64.6		-	65.1
09:30	DE	Markit Germany Services PMI	Jul	pts	60.0		-	57.5
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	62.5		-	63.4
10:00	EZ	Eurozone Services PMI	Jul	pts	60.0		-	58.3
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Jun</b>	<b>%</b>	<b>6.0</b>	<b>6.0</b>	-	<b>6.1</b>

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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