

26 July 2021

Eyeopener

Week strong in data from abroad

Continuation of stock market rebound, but with lower momentum
 Dollar stable, EM yields stable
 EURPLN resuming upward march, IRS stable, yield curve lower
 Today Ifo in Germany, new home sales in USA

On Friday stock exchanges continued the rebound: European indices rose by more than 1% and the US by almost 0.5%. The dollar was stable and held at the strongest level vs the euro since the start of July (1.1760) which increases the probability of its further appreciation. Core market yields were stable (10Y UST 1.28%, Bund -0.42%). Some weakness was seen on the zloty and oil.

On Friday we got the first readings out of the pack of **flash July PMIs** for manufacturing and services. The readings for Eurozone and Germany surprised positively (the industrial ones rose to 62.6 pts and 65.6 pts respectively; services indexes to 60.5 and 62.2). The UK and French readings were disappointing. In the USA these data were mixed – manufacturing PMI beat expectations by rising to 63.1 pts while the services index came below expectations and fell to 59.8.

The June rise of **Polish corporate employment** by 21k was due to positive tendencies in many sectors. The employment was up i.a. in manufacturing (+6k), trade (+4k), transport (+3k). The number of the employed rose by 17k, which means that the increasing employment was caused to a large extent by recruitment and to a limited extent by rising worktime.

The registered unemployment rate in June was at 5.9%, slightly below the estimate of the Ministry of Labour (6.0%). This is hardly a positive surprise – we signalled after the ministry's information that the final print may as well be 5.9% as 6.0% due to rounding.

The nominal value of construction production of reporting companies (i.e. not done by contractors) rose in 2Q by 8.4% y/y vs a decline by 11.2% y/y in 1Q. The cause of the improvement were industrial buildings (+8.3% y/y vs -15.7% y/y in 1Q), housing construction (+3.8% y/y vs -6.7% in 1Q) and pipelines and telecomm lines (+7.1% y/y vs -9.7% in 1Q). In our view the rise in industrial buildings may be a sign of higher infrastructure investments of companies (in 1Q the rebound was caused by investment outlays on machinery and transport equipment) and the higher spending on civil engineering may signal improvement in the public sector investments (however outlays on roads and railroads were stagnant in 2Q).

EURUSD was stable at c.1.1760 and this stability at a strong level lasting for several days already means that there is a continuous demand for the dollar. We expect a further drop of EURUSD in the coming days and weeks, possibly to even below 1.1600.

EURPLN on Friday went up a bit (to 4.5700 from 4.5650) after two days of declines from around 4.6000. There are little fundamental factors supporting the zloty now and the escalation of the conflict with the EU and the approaching Supreme Court sitting on fx loans (2 September) may make investors cautious about PLN purchases. We expect the fx rate to rise towards 4.65.

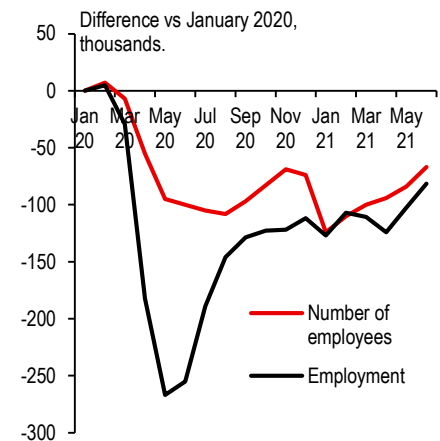
As for the other CEE currencies, EURHUF having tackled 360.0 for several days, cleared on Thursday the weak stop losses up to 357.0 and on Friday rose back to 360.0. We are not optimistic when it comes to the forint's outlook, we expect to see a record high 370 on EURHUF soon followed by its breach higher. EURCZK was stable around 26.65. The central bank of Russia (CBR) hiked rates by 100bp to 6.5% (the hikes already total 225bp since the start of the cycle in March 2021) in response to high inflation and high inflation expectations. The CBR head Elvira Nabiullina said that high inflation expectations cannot be ignored, and cannot be allowed to anchor at current high level, which would force CBR to hike even more. The ruble basket was stable and USDRUB moved around 73.60.

On the domestic interest rate market, in contrast to the previous day, the IRS curve was stable and the yield curve decreased by c.3bp (10Y yield down to 1.54%). The ASW spread was again negative in the 10Y segment, but we think this is temporary.

Finance Ministry sold bonds worth PLN6.5bn. Demand was equal to PLN8.8bn. The offer comprised of 5 bond series: 3 fixed-coupon papers and 2 floaters. Top-up auction saw sales of PLN0.3bn, PLN6.8bn in total. After the auction the Ministry informed that gross borrowing needs are covered in 79%.

The NBP sold 7-days bills worth PLN233bn, only PLN1.6bn less than at the previous record auction.

Employment and employees in the corporate sector



Source: GUS, Santander

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FX market

| Today's opening | | | |
|-----------------|--------|---------|--------|
| EURPLN | 4.5786 | CZKPLN | 0.1781 |
| USDPLN | 3.8877 | HUFPLN* | 1.2578 |
| EURUSD | 1.1778 | RUBPLN | 0.0525 |
| CHFPLN | 4.2312 | NOKPLN | 0.4383 |
| GBPPLN | 5.3409 | DKKPLN | 0.6146 |
| USDCNY | 6.4855 | SEKPLN | 0.4474 |

*for 100HUF

| Last session in the FX market | | | | | | 23.07.2021 |
|-------------------------------|-------|-------|-------|-------|--------|------------|
| | min | max | open | close | fixing | |
| EURPLN | 4.559 | 4.575 | 4.561 | 4.574 | 4.575 | |
| USDPLN | 3.875 | 3.891 | 3.878 | 3.889 | 3.885 | |
| EURUSD | 1.175 | 1.179 | 1.177 | 1.176 | - | |

Interest rate market 23.07.2021

| T-bonds on the interbank market** | | |
|-----------------------------------|------|--------------|
| Benchmark (term) | % | Change (bps) |
| WS0922 (2Y) | 0.36 | -2 |
| DS0725 (5Y) | 1.06 | -2 |
| DS1030 (10Y) | 1.56 | -3 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|-------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 0.34 | 1 | 0.17 | 0 | -0.54 | 0 |
| 2L | 0.61 | 1 | 0.28 | 0 | -0.49 | -1 |
| 3L | 0.86 | 1 | 0.48 | 0 | -0.45 | -1 |
| 4L | 1.04 | 0 | 0.65 | -1 | -0.40 | 0 |
| 5L | 1.19 | 2 | 0.79 | -1 | -0.35 | 0 |
| 8L | 1.44 | 1 | 1.12 | 0 | -0.18 | 0 |
| 10L | 1.56 | 2 | 1.26 | -1 | -0.06 | 0 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 0.10 | 0 |
| T/N | 0.10 | 0 |
| 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 | 0 |
| 3x6 | 0.27 | 0 |
| 6x9 | 0.36 | -2 |
| 9x12 | 0.50 | -2 |
| 3x9 | 0.31 | -1 |
| 6x12 | 0.43 | -1 |

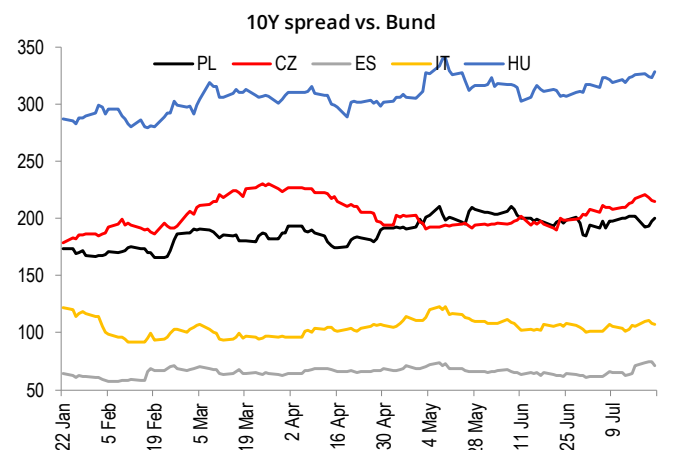
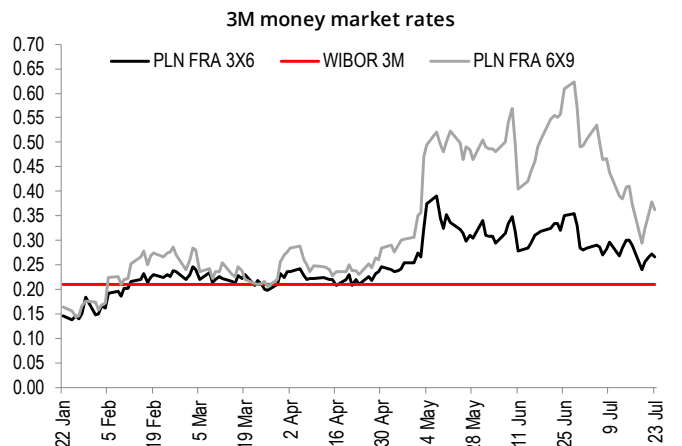
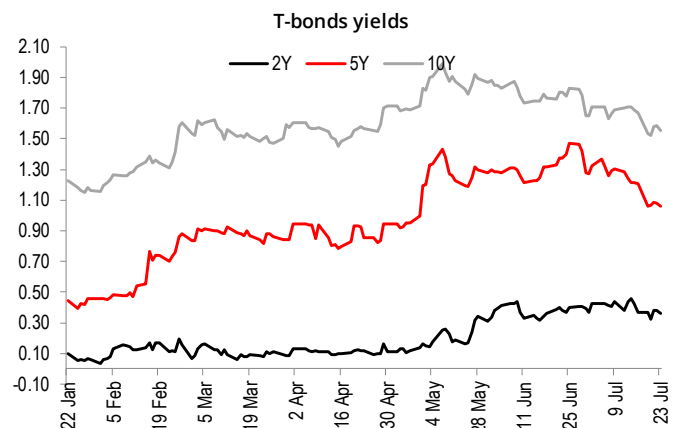
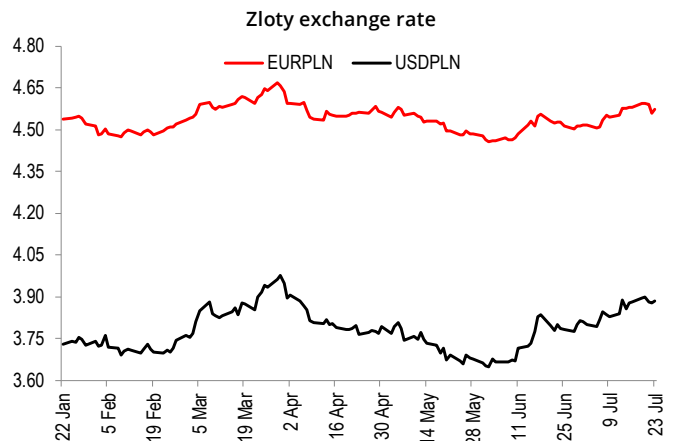
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 46 | 0 | 200 | 3 |
| France | 9 | 0 | 34 | -1 |
| Hungary | 55 | 0 | 328 | 5 |
| Spain | 30 | 0 | 72 | -3 |
| Italy | 43 | -1 | 107 | -2 |
| Portugal | 21 | -1 | 63 | -2 |
| Ireland | 11 | 0 | 39 | -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 | | |
| FRIDAY (23 July) | | | | | | | | |
| 09:30 | DE | Germany Manufacturing PMI | Jul | pts | 64.1 | | 65.6 | 65.1 |
| 09:30 | DE | Markit Germany Services PMI | Jul | pts | 59.5 | | 62.2 | 57.5 |
| 10:00 | EZ | Eurozone Manufacturing PMI | Jul | pts | 62.5 | | 62.6 | 63.4 |
| 10:00 | EZ | Eurozone Services PMI | Jul | pts | 59.3 | | 60.4 | 58.3 |
| 10:00 | PL | Unemployment Rate | Jun | % | 6.0 | 6.0 | 5.9 | 6.1 |
| MONDAY (26 July) | | | | | | | | |
| 10:00 | DE | IFO Business Climate | Jul | pts | 102.4 | | - | 101.8 |
| 16:00 | US | New Home Sales | Jun | % m/m | 4.03 | | - | -5.9 |
| TUESDAY (27 July) | | | | | | | | |
| 14:00 | HU | Central Bank Rate Decision | Jul/21 | % | 1.05 | | - | 0.9 |
| 14:30 | US | Durable Goods Orders | Jun | % m/m | 2.0 | | - | 2.3 |
| 16:00 | US | Consumer Conference Board | Jul | pts | 124.0 | | - | 127.3 |
| WEDNESDAY (28 July) | | | | | | | | |
| 20:00 | US | FOMC decision | Jul/21 | | 0.25 | | - | 0.25 |
| THURSDAY (29 July) | | | | | | | | |
| 11:00 | EZ | ESI | Jul | pct. | 118.5 | | - | 117.9 |
| 14:00 | DE | HICP | Jul | % m/m | 0.45 | | - | 0.4 |
| 14:30 | US | GDP Annualized | 2Q | % Q/Q | 8.5 | | - | 6.4 |
| 14:30 | US | Initial Jobless Claims | Jul/21 | k | 377.5 | | - | 419.0 |
| 16:00 | US | Pending Home Sales | Jun | % m/m | 0.75 | | - | 8.0 |
| FRIDAY (30 July) | | | | | | | | |
| 09:00 | CZ | GDP SA | 2Q | % y/y | 8.85 | | - | -2.4 |
| 10:00 | PL | CPI | Jul | % y/y | 4.7 | 4.5 | - | 4.4 |
| 10:00 | DE | GDP WDA | 2Q | % y/y | 9.6 | | - | -3.1 |
| 11:00 | EZ | Flash HICP | Jul | % y/y | 2.0 | | - | 1.9 |
| 11:00 | EZ | GDP SA | 2Q | % y/y | 13.2 | | - | -1.3 |
| 11:00 | EZ | Unemployment Rate | Jun | % | 7.9 | | - | 7.9 |
| 14:30 | US | Personal Spending | Jun | % m/m | 0.6 | | - | 0.0 |
| 14:30 | US | Personal Income | Jun | % m/m | -0.5 | | - | -2.0 |
| 14:30 | US | PCE Deflator SA | Jun | % m/m | 0.6 | | - | 0.4 |
| 16:00 | US | Michigan index | Jul | pts | 80.8 | | - | 80.8 |

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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