

27 July 2021

Eyeopener

Weak data abroad, zloty losing again

Weak German Ifo and US new homes sales
 Zloty losing markedly despite weaker dollar
 Temporary decline of yields in Poland and on core markets
 Today decision on rates in Hungary, US consumer confidence and orders

In the first hours of Monday trading yields on core markets were much lower than on Friday afternoon, but the analogy with what happened at the start of the previous week did not go any further than this. This time the drop of yields was started to be reversed quickly, stock exchanges saw minor gains instead of a collapse a week earlier. Daily decline of oil prices per barrel was c.1US\$ while on the previous Monday it was c.5US\$. The dollar was visibly losing value (EURUSD above 1.18). After the solid flash PMI readings from Europe released on Friday, on Monday we got to see indexes for Japan showing a deterioration of business sentiment in manufacturing and services (output and orders the weakest in half a year due to new pandemic restrictions, while cost pressure remained strong). The Ifo index for Germany dropped in July against expectations for a rise – the expectations component inched down, the current situation component rose less than expected. June US new home sales data showed another month of a big disappointment – a drop by almost 8% m/m in May was followed by another large one, -6.6% m/m, while the market had expected a rebound by 4%.

MPC's Eryk Łon thought that interest rates may stay in place for a long time due to high economic uncertainty. He would want to avoid raising credit cost and public debt servicing cost for the sake of easier exit from the pandemic trough. In his view only a very strong conviction that the pandemic-related economic risks were gone could let the Council consider rate hikes.

The Ministry of Finance showed a bill introducing tax changes proposed in the Polish Deal plan. The annual cost of the program to public finances was assessed at PLN8.5bn, with the central budget paying PLN7.2bn, the cost to local governments at PLN13.7bn, while the national health system would gain PLN12.4bn. The total cost is to be covered in PLN6bn from further improvement of tax compliance.

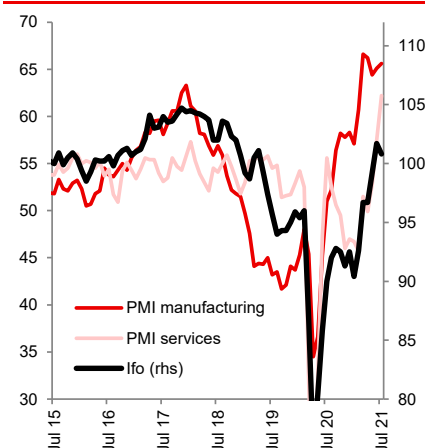
EURUSD started the week from a rise above 1.18. During the session there were no attempts to set a new lower low. The week's agenda includes plenty of important data from the USA and Europe (i.a. on GDP and inflation) which can impact the fx rate. In our view the news flow will be working against a further rise of EURUSD or might even direct it again below 1.18.

EURPLN showed on Monday a large increase to around 4.595, offsetting almost the whole appreciation of the zloty seen in the second half of the past week. The rise of EURPLN occurred when the dollar was losing – which in general created a positive environment for many EM currencies, including in CEE.

As for the other CEE currencies, EURHUF having broken 360 at the end of last week, on Monday moved easily above 362, albeit it closed somewhat below the level. Today the Hungarian central bank decides on rates and is expected to deliver a 10-15bp hike. Importantly, the weakness felt yesterday by the zloty and the forint was not seen on CZK and RUB. The former currency was temporarily losing 0.2% vs the euro and the latter was down c.0.8% vs the dollar but both ended the day almost unchanged vs the Friday close.

On the domestic interest rate market the behaviour of the longer end of the yield curve was following the core markets – first they curve went down strongly and then the move was gradually being reversed for the rest of the day. Polish 10Y yields declined temporarily below 1.50% but then returned to 1.54% at the end of the day, while 10Y UST was temporarily lower by 6bp and Bund by 2-3bp. A transitory decline was also visible on the IRS curve. BGK announced it is going to sell covid bonds FPC0328 and FPC0621 worth at least PLN1bn on 28 July.

Business sentiment indexes for Germany



Source: Markit, Ifo, Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5953	CZKPLN	0.1781
USDPLN	3.8953	HUFPLN*	1.2584
EURUSD	1.1795	RUBPLN	0.0528
CHFPLN	4.2506	NOKPLN	0.4409
GBPPLN	5.3789	DKKPLN	0.6146
USDCNY	6.4792	SEKPLN	0.4508

*for 100HUF

Last session in the FX market						26.07.2021
	min	max	open	close	fixing	
EURPLN	4.575	4.596	4.578	4.592	4.586	
USDPLN	3.881	3.902	3.886	3.888	3.892	
EURUSD	1.177	1.182	1.178	1.181	-	

Interest rate market 26.07.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.37	1
DS0725 (5Y)	1.04	-3
DS1030 (10Y)	1.54	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.33	-1	0.17	0	-0.54	0
2L	0.59	-2	0.28	0	-0.49	0
3L	0.85	-1	0.48	1	-0.45	0
4L	1.04	0	0.66	1	-0.40	0
5L	1.18	-1	0.81	1	-0.34	1
8L	1.43	-1	1.13	1	-0.17	1
10L	1.55	0	1.28	2	-0.04	2

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	0.26	-1
6x9	0.36	0
9x12	0.49	-1
3x9	0.30	-1
6x12	0.44	1

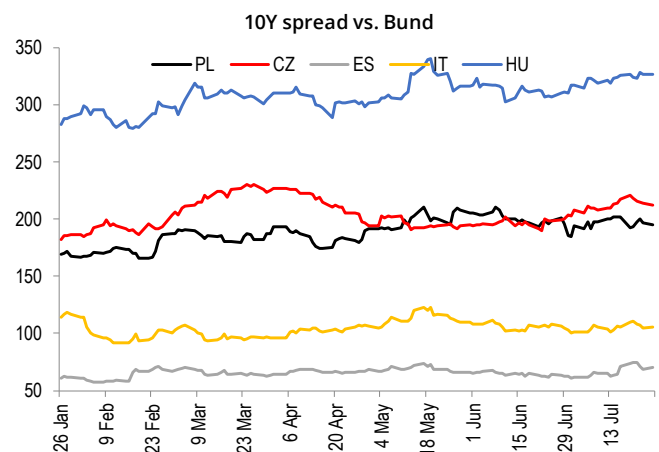
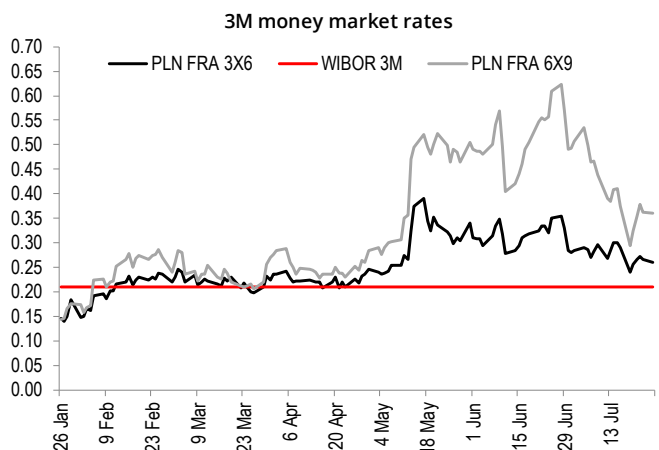
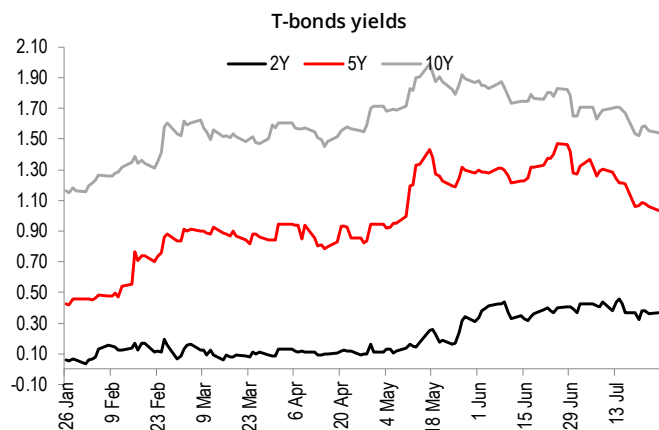
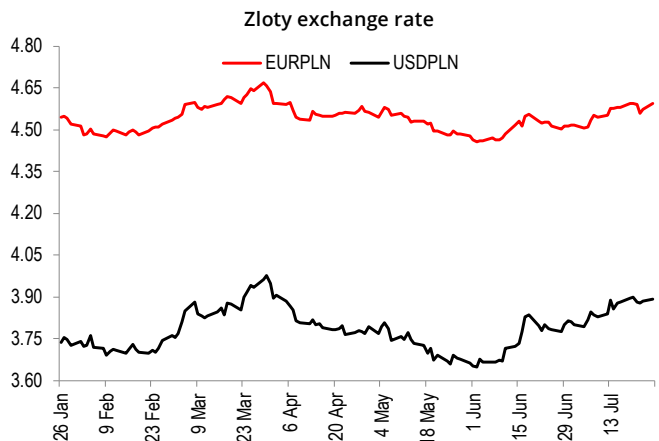
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	195	-2
France	9	0	34	1
Hungary	55	0	326	0
Spain	30	0	70	1
Italy	44	0	105	1
Portugal	21	0	62	1
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		100.8	101.7
16:00	US	New Home Sales	Jun	% m/m	4.0		-6.6	-7.8
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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