

## Eyeopener

### A good day for EM currencies

Positive market moods after the Fed meeting  
 Data from Europea and USA supported higher EURUSD and CEE currencies  
 Polish yield curve further up  
 Today flash inflation in Poland and euro zone, PCE inflation and Germany GDP

Another quiet session in Asia and no items in Wednesday Fed communication that could upset the markets introduced positive mood on Thursday. Stock indices were broadly going up, core markets bond yields were rising. The data released yesterday were divided along a clear criterion – The European ones surprised to the upside (ESI indicators, German inflation), the US ones disappointed (first estimate of 2Q GDP among others). The market responded by reversing the rise of core market yields and an upside move of EURUSD. The dollar-negative data pattern unlocked upside potential in commodity prices (oil up by 1.3% to almost US\$75/barrel, gold up by c.1.5%) and EM currencies. CEE currencies were among the beneficiaries because the yesterday data set included a surprisingly high flash reading of German inflation, reminding about the recently main economic issue in the region. This morning GUS will show flash July CPI for Poland with little hope for a second fall in a row (in June inflation shrank to 4.4% y/y from 4.7%). In our view in July CPI growth rebounded to 4.6%, but there are higher forecasts on the market suggesting a return to the May peak or even its breach (the median forecast is 4.7%).

**July set of ESI indicators** for Poland showed another improvement in services (the highest since September 2019), a quite stable sentiment in construction vs recent months and the second decline in a row in industry and consumer confidence. The aggregate employment index remained at the level seen in the final month before the pandemic (but in March and April it was even higher). In industry a significant drop in current and future output and new orders components was recorded. The stock of finished products gauge was the lowest since 2003 (most likely expressing the supply chain bottlenecks). The expected prices index also eased, but it is still the second highest reading in 17 years. Retail trade and services sectors signalled worse expectations about future activity level. Consumer sentiment deteriorated mostly on worse views on economic outlook and lower appetite for major purchases (both indexes were the lowest in three months). The index of inflation perception was still on the rise in July but inflation expectations eased. The partial and not that deep correction of business and consumer sentiment does not call for macro forecast revisions for the rest of the year in our view.

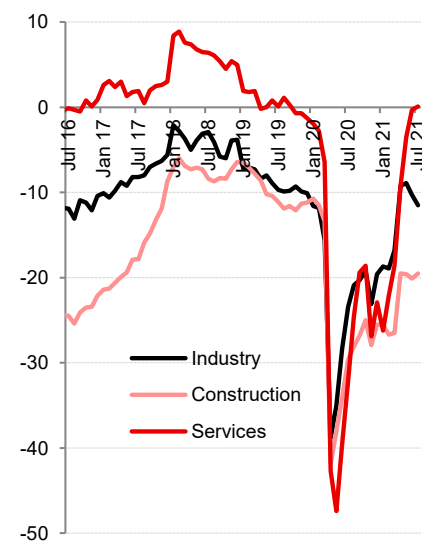
According to the data of the **Polish Leasing Association** in 2Q21 the value of leases amounted to PLN19.7bn which means a rise by 41.1% y/y vs 32.0% y/y in 1Q. The value of transactions regarding cars was up by 53.5% y/y (39.3% in 1Q), machinery and equipment were at +31.1% y/y (12.4% in 1Q). Despite the high annual growth rates caused by low base we see the data as somewhat disappointing. The total value of transactions was lower than in the corresponding period of 2018 and 2019, while in 1Q it was higher than in the previous years. What is more, the April and May data released earlier were quite good so June must have been poor. The data suggest that the 1Q surge of company investments may have weakened in 2Q.

**The central budget** showed a surplus of PLN28.0bn after June compared to PLN9.4bn after May. This does not however express the shape of the whole public finances as during the pandemic many expenditures are counted outside the central budget. Still, it is worth to look at the tax revenues side. In June the VAT revenues were much higher than in the previous years (c.PLN17bn vs PLN11-13bn) while CIT was PLN8bn compared to c.PLN1bn in previous years. This is a sign of improving business climate, albeit the strong reading of CIT is puzzling.

**EURUSD** started the Thursday session below 1.185 and was systematically moving higher to 1.188, this time without any abrupt significant declines intraday. **EURPLN** was under the spell of global factors positive for EM FX and instead of another struggle to break above 4.60 it collapsed to 4.575. The zloty was accompanied by its appreciation by other **CEE currencies**: the koruna (EURCZK down to 25.48) and the forint (EURHUF down to 357.7). USDRUB dropped to 73.3 yesterday morning and remained below for the rest of the day.

**On the domestic interest rate market** the whole bond curve went up by c.5bp while only the farther part of the IRS curve moved in this direction and by only 2bp. 10Y Bund yield closed unchanged at -0.45% while during the session it was 2bp higher. UST yield at first pushed 5bp higher but eventually reduced the rise to 2bp.

ESI, sectoral business sentiment indicators for Poland



Source: European Commission, Santander

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**FX market**

Today's opening			
EURPLN	4.5757	CZKPLN	0.1781
USDPLN	3.8499	HUFPLN*	1.2657
EURUSD	1.1882	RUBPLN	0.0525
CHFPLN	4.2439	NOKPLN	0.4399
GBPPLN	5.3678	DKKPLN	0.6146
USDCNY	6.4619	SEKPLN	0.4499

\*for 100HUF

Last session in the FX market						29.07.2021
	min	max	open	close	fixing	
EURPLN	4.572	4.594	4.593	4.575	4.587	
USDPLN	3.847	3.877	3.874	3.850	3.862	
EURUSD	1.185	1.189	1.186	1.189	-	

**Interest rate market** 29.07.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.44	4
DS0725 (5Y)	1.09	5
DS1030 (10Y)	1.73	5

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.38	4	0.16	0	-0.54	1
2L	0.70	8	0.28	0	-0.49	0
3L	0.97	9	0.48	0	-0.45	0
4L	1.17	9	0.67	2	-0.41	1
5L	1.34	10	0.82	3	-0.36	1
8L	1.58	10	1.14	3	-0.18	1
10L	1.67	7	1.29	5	-0.06	1

**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	0.22	1
3x6	0.28	1
6x9	0.43	7
9x12	0.59	10
3x9	0.33	0
6x12	0.52	6

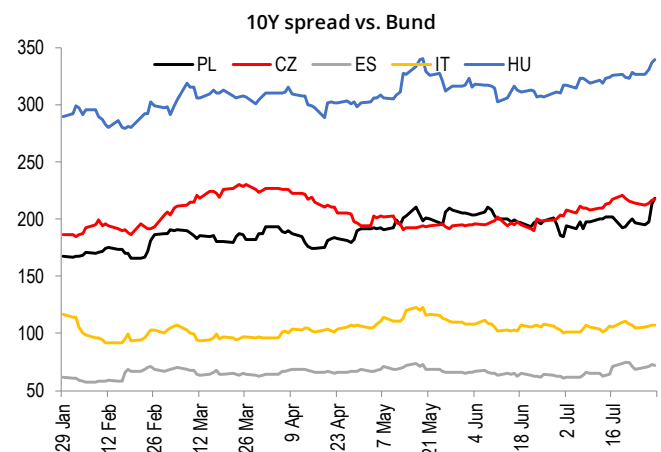
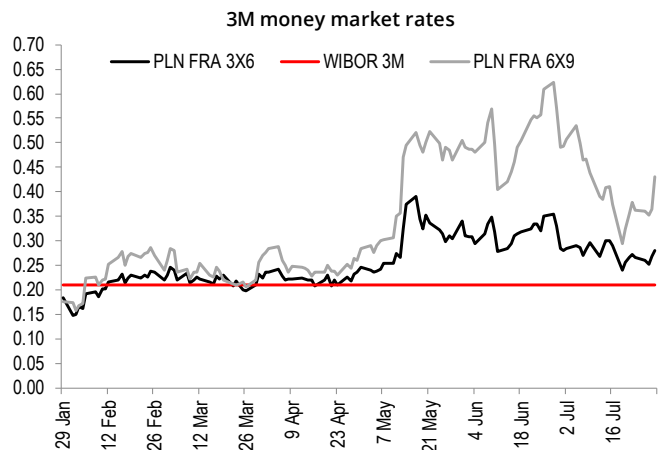
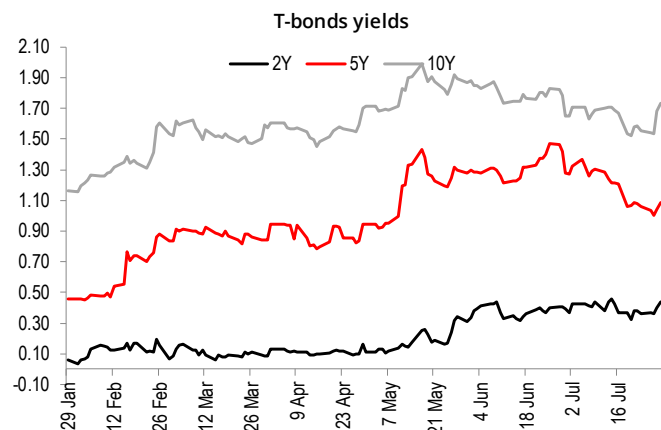
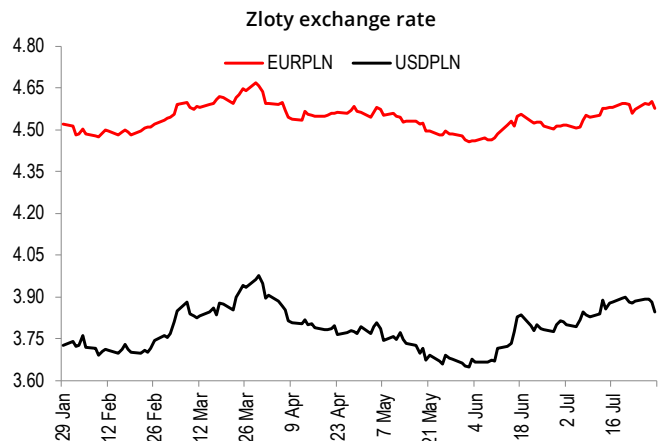
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	218	6
France	9	0	36	-1
Hungary	55	0	339	3
Spain	30	0	72	0
Italy	43	0	107	1
Portugal	20	0	64	-1
Ireland	11	0	41	0
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 (23 July)</b>								
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
<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>5.9</b>	<b>6.1</b>
<b>MONDAY (26 July)</b>								
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
<b>TUESDAY (27 July)</b>								
14:00	HU	Central Bank Rate Decision	Jul/21	%	1.0		1.2	0.9
14:30	US	Durable Goods Orders	Jun	% m/m	2.1		0.8	3.2
16:00	US	Consumer Conference Board	Jul	pts	124.0		129.1	128.9
<b>WEDNESDAY (28 July)</b>								
20:00	US	FOMC decision	Jul/21		0.25		-	0.25
<b>THURSDAY (29 July)</b>								
11:00	EZ	ESI	Jul	pct.	118.5		119.0	117.9
14:00	DE	HICP	Jul	% m/m	0.45		0.5	0.4
14:30	US	GDP Annualized	2Q	% Q/Q	8.5		6.5	6.4
14:30	US	Initial Jobless Claims	Jul/21	k	377.5		400	419.0
16:00	US	Pending Home Sales	Jun	% m/m	0.75		-1.9	8.0
<b>FRIDAY (30 July)</b>								
09:00	CZ	GDP SA	2Q	% y/y	8.85		-	-2.4
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Jul</b>	<b>% y/y</b>	<b>4.7</b>	<b>4.6</b>	<b>-</b>	<b>4.4</b>
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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