

4 August 2021

Eyeopener

Markets idle

Asia is feeling the new wave of Covid-19 more and more
 EURUSD still stable, zloty slightly stronger
 Bond yields in Poland and abroad with no major change
 Today services PMIs and ISM, US ADP report

On Tuesday markets were roughly unchanged. Some news were positive like the economic ones from the US economy (better than expected factory orders) on the other hand some were slightly negative as the pandemic keeps evolving (radical moves by the Chinese government: launch of mass testing in Wuhan city, limited inbound travel into Beijing). On top of that Japan signalled the risk of overcrowding the hospitals and pre-selection of patients on hospital admissions. US 10Y yields after initially tried to increase to 1.20%, moved back lower to 1.16% - the Monday lows. Equity markets barely moved. EURUSD did not move much either. It is difficult to talk about a proper risk-off mood right now, however it is worth noting that from the beginning of July both USDJPY and EURCHF fell by around 2% and the trend continues in the first days of August. Brent oil price fell for a second day in a row to below \$72 per barrel.

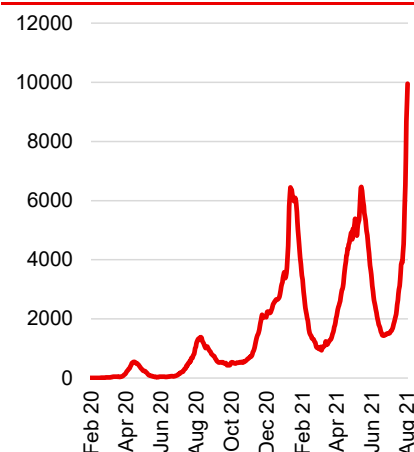
EURUSD remained within range set during the two previous sessions. The rate closed near 1.1870. Market awaits more economic data from the US (today ADP report as well as ISM non-manufacturing; on Friday non-farm payrolls and wages) in order to decide on the further currency pair direction.

EURPLN was moving down for another day and dipped below 4.55 intraday. While the pandemic situation in Poland still looks under control (the only reason to worry may be the relatively low vaccination level vs other EU countries, and the share of population awaiting the second dose in particular) the global news on the spread of the virus may soon cause a risk off reaction among investors which would hurt the zloty, among other EM currencies. A risk factor for PLN is also the Polish government's argument with the EU on rule of law.

Other CEE currencies, just like the zloty, experienced some strengthening, but their performance did not move in one direction during the day. The Russian ruble was the exception, as it returned above 73 per USD. EURCZK decreased to 25.45, i.e. below the July's range. EURHUF is only half way between July's high and low and at the end of the day it was near 356.

On the domestic interest rate market there was no big move of the yield curve on a daily basis. Core debt markets also remained quite stable. The swap curve decreased by 2-3bp in all maturities.

Daily new cases of Covid-19 in Japan, smoothed data



Source: ourworldindata.org, Santander

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FX market

Today's opening

EURPLN	4.5521	CZKPLN	0.1785
USDPLN	3.8354	HUFPLN*	1.2645
EURUSD	1.1871	RUBPLN	0.0526
CHFPLN	4.2433	NOKPLN	0.4350
GBPPLN	5.3390	DKKPLN	0.6120
USDCNY	6.4587	SEKPLN	0.4456

*for 100HUF

Last session in the FX market 03/08/2021

	min	max	open	close	fixing
EURPLN	4.545	4.560	4.558	4.552	4.553
USDPLN	3.825	3.841	3.836	3.838	3.832
EURUSD	1.185	1.189	1.188	1.186	-

Interest rate market 03/08/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.44	0
DS0725 (5Y)	1.06	1
DS1030 (10Y)	1.69	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.41	-2	0.15	0	-0.54	0
2L	0.74	-2	0.25	0	-0.50	0
3L	0.99	-2	0.42	-1	-0.47	0
4L	1.19	-2	0.59	-1	-0.43	-1
5L	1.32	-3	0.73	-1	-0.38	0
8L	1.52	-3	1.04	-2	-0.22	-1
10L	1.61	-4	1.18	-1	-0.11	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.09	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	0.23	0
3x6	0.33	0
6x9	0.50	0
9x12	0.67	-1
3x9	0.41	-2
6x12	0.58	-1

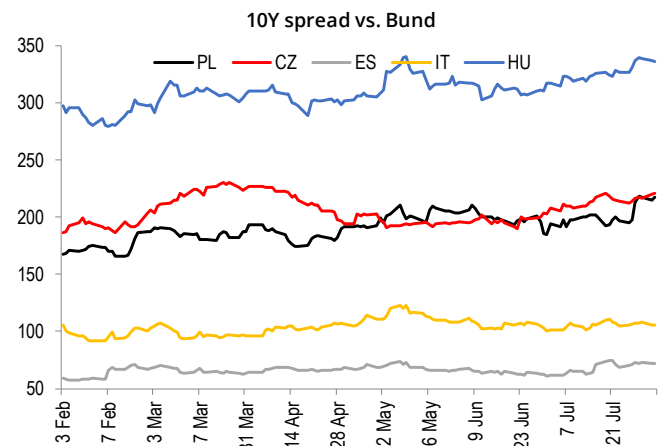
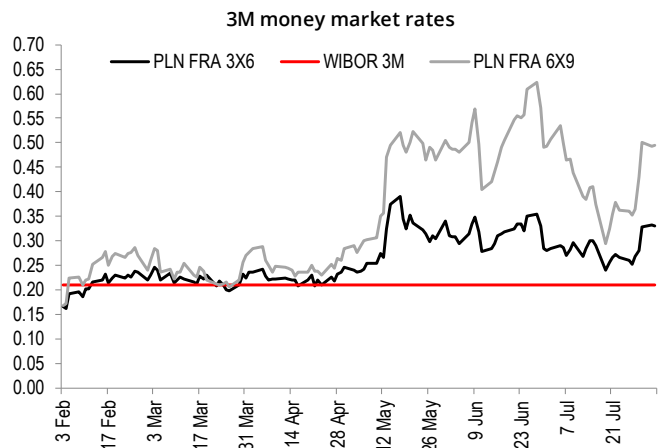
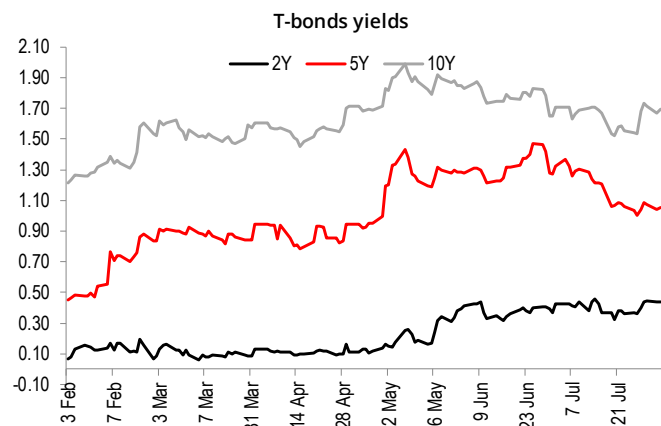
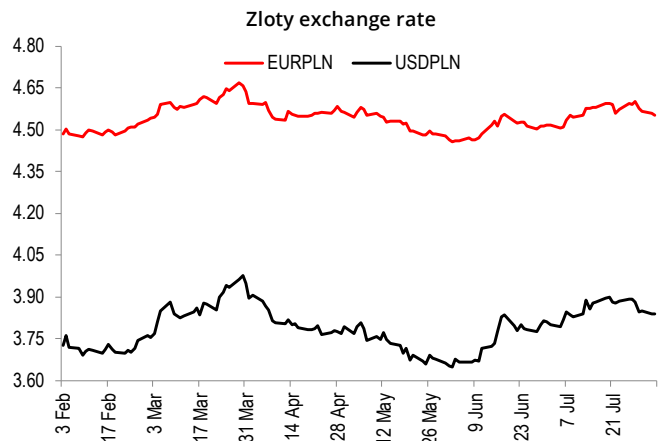
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	218	2
France	9	0	35	0
Hungary	55	0	336	-1
Spain	30	0	72	1
Italy	43	0	105	0
Portugal	21	0	62	-1
Ireland	11	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			
FRIDAY (30 July)								
09:00	CZ	GDP SA	2Q	% y/y	8.9	7.8	-2.4	
10:00	PL	CPI	Jul	% y/y	4.7	4.6	5.0	4.4
10:00	DE	GDP WDA	2Q	% y/y	9.6	9.2	-3.1	
11:00	EZ	Flash HICP	Jul	% y/y	2.0	2.2	1.9	
11:00	EZ	GDP SA	2Q	% y/y	13.2	13.7	-1.3	
11:00	EZ	Unemployment Rate	Jun	%	7.9	7.7	8.0	
14:30	US	Personal Spending	Jun	% m/m	0.6	1.0	-0.1	
14:30	US	Personal Income	Jun	% m/m	-0.5	0.1	-2.2	
14:30	US	PCE Deflator SA	Jun	% m/m	0.6	0.5	0.5	
16:00	US	Michigan index	Jul	pts	80.8	81.2	80.8	
MONDAY (2 August)								
8:00	DE	Retail sales, constant prices	Jun	%m/m	2.0	-	4.2	4.6
9:00	PL	PMI manufacturing	Jul	pts	59.0	59.0	57.6	59.4
9:55	DE	PMI manufacturing	Jul	pts	65.6	-	65.9	65.1
10:00	EZ	PMI manufacturing	Jul	pts	62.6	-	62.8	63.4
16:00	US	ISM manufacturing	Jul	pts	60.5	-	59.5	60.6
TUESDAY (3 August)								
No key events								
WEDNESDAY (4 August)								
9:55	DE	PMI services	Jul	pts	62.2	-	-	57.5
10:00	EZ	PMI services	Jul	pts	60.4	-	-	58.3
14:15	US	ADP employment change	Jul	k	600	-	-	692
16:00	US	ISM non-manufacturing	Jul	pts	60.2	-	-	60.1
THURSDAY (5 August)								
8:00	DE	Factory orders	Jun	%m/m	2.0	-	-	-3.7
14:30	CZ	Central bank rate decision		%		-	-	0.50%
14:30	US	Trade balance	Jun	USDbn	-71.5	-	-	-71.2
14:30	US	Initial Jobless Claims	week	k		-	-	400
FRIDAY (6 August)								
8:00	DE	Industrial output	Jun	%m/m	0.9	-	-	-0.3
9:00	CZ	Industrial output	Jun	%y/y		-	-	25.3
9:00	HU	Industrial output	Jun	%y/y		-	-	39.1
14:30	US	Non-farm payrolls	Jul	k	926	-	-	850
14:30	US	Unemployment Rate	Jul	%	5.7	-	-	5.9

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

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