

# Eyeopener

## Broad investment enthusiasm

NBP's Quick Monitoring shows rising wage-price pressure and strong investments  
 Strong ISM services in the US and weak ADP report moved markets  
 Slight zloty appreciation, higher bond yields and FRAs  
 Today, Czech central bank decision

The pattern of Wednesday data and Fed comments caused plenty of volatility on the market. As we expected, the US labour market data had much impact. Services PMIs from Europe were at historically high levels, but it was quite surprising to see them so much below the flash readings – the Eurozone index was revised from 60.4 pts to 59.8 pts. The afternoon ADP report showed a rise of employment in July by only a half of what had been expected. However, the non-manufacturing ISM report released less than two hours later had record high headline print, clearly beating expectations (the business activity component was 67 pts while the market had expected a rise from 60.4 to just 60.6). Employment component jumped from 49.3 pts to 53.8 and the prices paid component set a new high. The markets responded with large swings in US bond yields and EURUSD. Yesterday comments by Fed members added to the volatility. Richard Clarida thinks that by the end of 2022 all conditions will be met to start rate hikes and he finds the recent decline of yields as quite surprising at this stage. James Bullard mentioned a faster progress of the economy than Fed had expected, the persistence of inflation and the need to get rid of net QE purchases so that rates could be raised already in 2022..

The **NBP's quarterly business cycle survey (Quick Monitoring)** pointed to further improvement in the business cycle in 2Q21, however the current assessment still remains below the pre-pandemic levels. The employment index hit record high – as much as 31.5% of the companies surveyed expect to increase the employment (in 1Q21 it was 25.0%). Increased demand for labor was broad based among the companies. At the same time in 2Q21 the companies felt more pressure from wages (albeit still not as high as before the pandemic). Wage increases are planned in 3Q21 by 36.0% of companies. It is one of the highest readings in history, close to the pre-pandemic levels and consistent with the further inflationary pressure. The report also revealed the strong and broad based increase in the investment optimism resulting both in undertaking new investments (25% of companies plan to start a new project within the next quarter) as well as increasing the investment outlays (the plans are the highest since the survey started in 2012). As for barriers to growth, in 2Q21 the importance of Covid-19 fell significantly, while inflation and commodities costs jumped up to the first place. The expectations of producer prices were record high, and so were the shortages in inventories.

According to Ministry of Development, Jobs and Technology the **unemployment rate fell in July** to 5.8% from 5.9% and was lower by 0.3pp than a year ago and by 0.6pp higher than 2 years ago. On a monthly basis the unemployment has decreased by 17.5k which is a pretty decent fall as far as July is concerned, the highest since 2016.

**MPC member Eryk Łon** listed the conditions which in his opinion have to be met in order to consider interest rate hikes (the time for assessment could be November when the fresh NBP forecasts will be available). The conditions are: CPI above 3.5% for a worryingly long period of time, strong economic outlook for years 2022-2023, investment boom as well as fall of the unemployment rate below the pre-pandemic level.

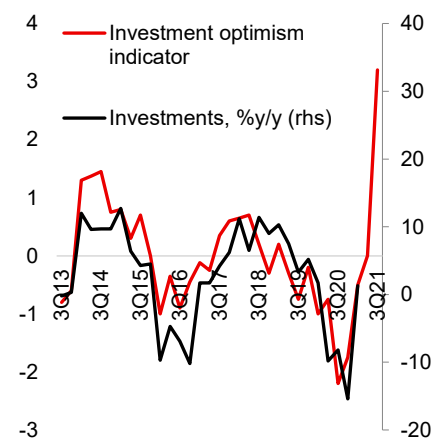
According to Dziennik Gazeta Prawna daily, the opposition **PO started consultations in Senate** regarding Jakub Karnowski's candidature for the MPC member. Karnowski (who is likely to be relatively hawkish) may replace Rafał Sura, who is running for a judge position at the chief administrative court and might theoretically secure presidential appointment before the end of his term in office (November 2022).

**EURUSD**, supported by weak ADP report, tried to attack 1.19, but under the influence of Fed members' comments and ISM report quickly retreated to 1.184, i.e. lowest level in a week.

**EURPLN** continued to gradually decline as if detached from the global markets. For the currency pair the session was pretty similar to the two previous ones where the 4.54 level was tested. **Other CEE currencies** have also gained, EURCZK fell to 25.43 while EURHUF during the day was as low as 354.0. The rouble tried to return towards the levels before the yesterday's weakening, however continuing declines in oil prices moved the USDRUB back above 73.0.

**On the domestic interest rate market**, as one of the most dovish MPC members talked about rate hikes, FRA contracts went broadly up with 3x6 up by 6-7bp. Shortest IRS rates went up by 5-6bp and the yield curve by 4-5bp.

Investment attitude among companies according to Quick Monitoring survey



Source: NBP, GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.5477	CZKPLN	0.1784
USDPLN	3.8434	HUFPLN*	1.2690
EURUSD	1.1831	RUBPLN	0.0525
CHFPLN	4.2351	NOKPLN	0.4345
GBPPLN	5.3352	DKKPLN	0.6115
USDCNY	6.4644	SEKPLN	0.4460

\*for 100HUF

Last session in the FX market						04/08/2021
	min	max	open	close	fixing	
EURPLN	4.532	4.555	4.552	4.544	4.547	
USDPLN	3.808	3.846	3.835	3.838	3.837	
EURUSD	1.183	1.190	1.187	1.184	-	

**Interest rate market** 04/08/2021

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.49	5
DS0726 (5Y)	1.11	5
DS0432 (10Y)	1.76	7

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.47	6	0.15	0	-0.54	0
2L	0.79	5	0.27	2	-0.50	0
3L	1.03	3	0.46	4	-0.47	0
4L	1.20	1	0.62	3	-0.44	-1
5L	1.32	1	0.76	3	-0.39	-1
8L	1.53	1	1.06	2	-0.23	-1
10L	1.63	1	1.19	1	-0.12	-1

**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	0.38	5
6x9	0.55	6
9x12	0.73	6
3x9	0.46	5
6x12	0.64	6

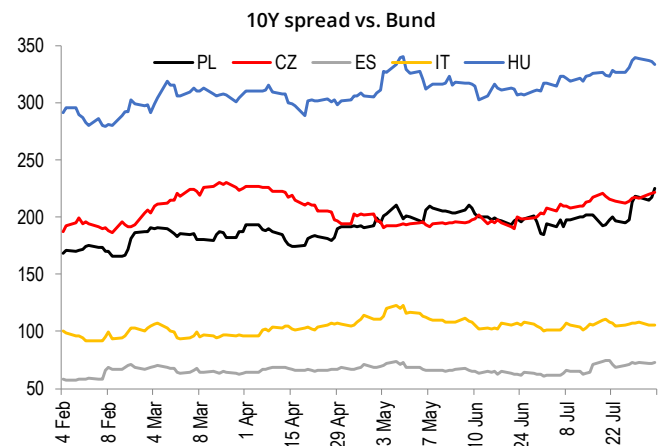
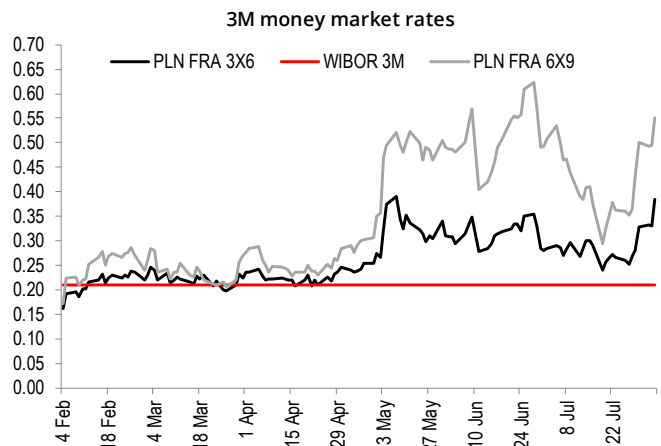
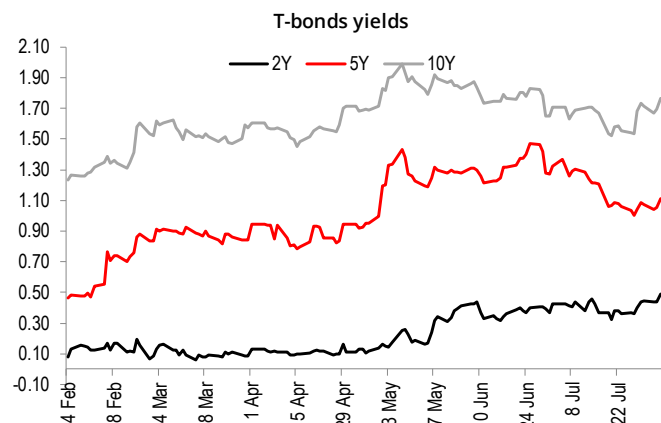
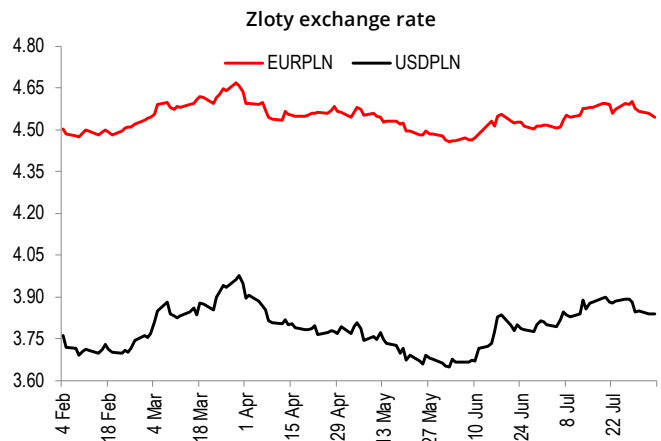
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	225	8
France	9	0	35	0
Hungary	55	0	333	-3
Spain	30	0	73	1
Italy	43	0	106	0
Portugal	20	0	63	1
Ireland	11	0	40	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 (30 July)</b>								
09:00	CZ	GDP SA	2Q	% y/y	8.9		7.8	-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>5.0</b>	<b>4.4</b>
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
<b>MONDAY (2 August)</b>								
8:00	DE	Retail sales, constant prices	Jun	%m/m	2.0	-	4.2	4.6
<b>9:00</b>	<b>PL</b>	<b>PMI manufacturing</b>	<b>Jul</b>	<b>pts</b>	<b>59.0</b>	<b>59.0</b>	<b>57.6</b>	<b>59.4</b>
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
<b>TUESDAY (3 August)</b>								
No key events								
<b>WEDNESDAY (4 August)</b>								
9:55	DE	PMI services	Jul	pts	62.2	-	61.8	57.5
10:00	EZ	PMI services	Jul	pts	60.4	-	59.8	58.3
14:15	US	ADP employment change	Jul	k	600	-	330	692
16:00	US	ISM non-manufacturing	Jul	pts	60.2	-	64.1	60.1
<b>THURSDAY (5 August)</b>								
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
<b>FRIDAY (6 August)</b>								
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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