

11 August 2021

Eyeopener

Deputy PM Gowin to be dismissed

PM Morawiecki asks for dismissal of deputy PM Gowin
Global equities stable, UST yields unchanged, Bund slightly lower
Dollar keeps strengthening, zloty depreciating
Bond yields and IRS higher again, wider spread to Bund
Today July inflation in Germany and USA

On Tuesday global equity markets were stable, yield of 10Y UST remained near 1.32% and Bund yield decreased by 2bp to -0.48%. Dollar broke through the key resistance level, which opens the door for its further appreciation. Gold was stable near \$1720 and Brent oil slightly rebounded, approaching \$70 per barrel. ZEW expectations index fell notably in the euro zone (from 61.2 to 42.7) and in Germany (from 63.3 to 40.4, vs expected 55.0) due to concerns about new Covid-19 mutations. Moreover, ZEW current assessment did not meet expectations (29.3 vs 30.0), but it rose m/m (from 21.9). US index of small companies' optimism NFIB fell but remains at solid level, implying decent rise in activity, however its decline was reflecting troubles with supply chains and employment. Flash 2Q reading showed that productivity growth has slowed and unit labour cost growth persisted at 1%.

Yesterday in the evening PM Mateusz Morawiecki asked the president **to dismiss deputy PM Jarosław Gowin**. Today it will probably turn out what it means for the ruling coalition: a breakup, a loss of parliamentary majority, or just a change of political configuration. One of the first tests of the government's majority will be the vote on the amendment to the media bill today in the Sejm.

Average wage in the whole economy in Q2 stood at PLN 5504.52, which means an increase of 9.6% y/y. In the same period, the average wage in the corporate sector increased by 9.9% y/y. Both are the highest growth rates since 2008, partly because of the transitory stagnation of wages in 2020 (low base effect). But even after adjusting for base effects the wage dynamic is high – comparing to the same quarter 2 years ago, the average wage in the economy grew by 14.0% which is almost the same rate as just before the pandemic, when labor shortages were quickly rising (15.0%).

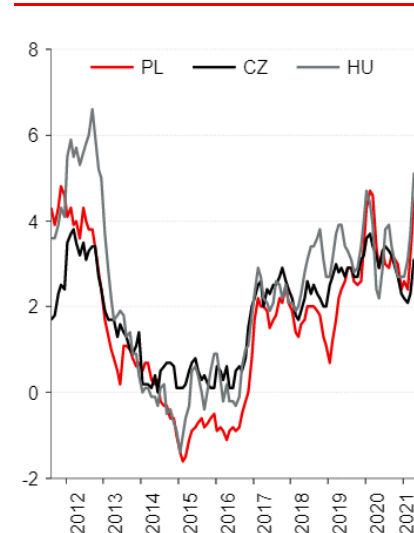
EURUSD on Tuesday fell by 0.2% to 1.1720 – by itself a small move not worth too much a comment. However in the meantime the important support level at 1.1755 was broken (the level which held 4 times in July). At the same time the door is now open for EURUSD to test the 1.1620 level – double bottom from September and November of 2020.

EURPLN gave back all of the Monday strengthening, on Tuesday rose to 4.58 which means that MTD the zloty has weakened. EURPLN may increase further in the short term due to stronger dollar and higher political risk premium being a result of the recent events in the Polish politics: the risk of the governing coalition breakup and/or minority government, conflict with the EU and a risk of worsening relations with US in case the law is passed against the US-owned TVN television station.

As for the other CEE currencies, the July inflation in Hungary fell to 4.6% y/y vs 5.3% y/y in June, below expectations (4.8% y/y), in reaction to which the Hungarian FRA curve moved lower by around 5bp (hikes are still expected, but less so) while EURHUF remained almost unchanged near 353.0. In the Czech Republic the July inflation printed at 3.4% y/y beating expectations at 2.9% y/y (June reading was 2.8% y/y) to which the Czech FRA curve reacted by moving higher by 10-12bp. Despite that the EURCZK remained stable and even temporarily increased to 25.40. The oil which rebounded higher has not helped the rouble – USDRUB increased by 0.6% to 74.00. In the near future we expect further weakening of the CEE currencies.

On the Polish fixed income market the bond yield curve and IRS curve moved up again, this time gently by 1-2bp. 10Y bond yield is now at 1.82%. We expect it to rise further towards 1.90%-1.95%. The spread vs. German Bund widened again and is now at 228bp, the highest level since March 2020. **BGK** at today's auction will offer bonds (FPC0328, FPC0631) worth at least PLN500m. Since the start of the year BGK already issued bonds worth almost PLN30bn.

Inflation in CEE, % y/y



Source: Refinitiv Datastream, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 22 534 18 87
Marcin Łuziński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 18 84

FX market

Today's opening

EURPLN	4.5782	CZKPLN	0.1791
USDPLN	3.9088	HUFPLN*	1.2841
EURUSD	1.1712	RUBPLN	0.0529
CHFPLN	4.2305	NOKPLN	0.4370
GBPPLN	5.4022	DKKPLN	0.6122
USDCNY	6.4828	SEKPLN	0.4481

*for 100HUF

Last session in the FX market

10/08/2021

	min	max	open	close	fixing
EURPLN	4.556	4.581	4.563	4.576	4.568
USDPLN	3.881	3.910	3.887	3.904	3.894
EURUSD	1.171	1.174	1.174	1.172	-

Interest rate market 10/08/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.50	1
DS0726 (5Y)	1.19	1
DS0432 (10Y)	1.83	2

IRS on the interbank market**

RIS on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.56	1	0.17	0	-0.54	0
2L	0.97	2	0.32	2	-0.50	0
3L	1.23	3	0.58	3	-0.46	0
4L	1.40	4	0.77	4	-0.41	0
5L	1.52	2	0.91	3	-0.37	0
8L	1.71	4	1.22	3	-0.21	-1
10L	1.80	2	1.35	2	-0.09	0

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
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	0.30	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.26	0
3x6	0.45	0
6x9	0.68	1
9x12	0.92	2
3x9	0.53	0
6x12	0.80	2

Measures of fiscal risk

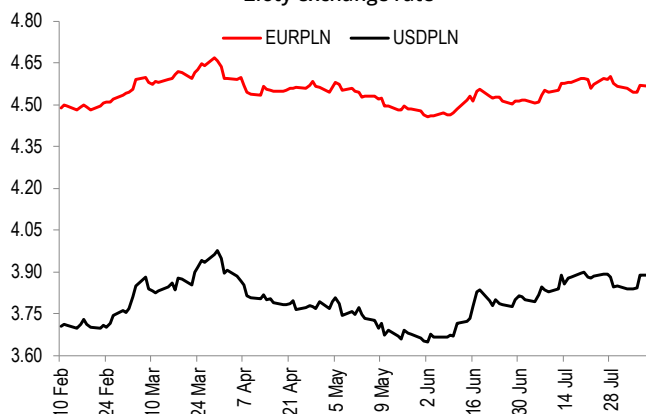
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	228	1
France	9	0	33	-1
Hungary	55	0	337	0
Spain	30	0	69	-1
Italy	43	0	101	-1
Portugal	20	0	57	-1
Ireland	11	0	39	0
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

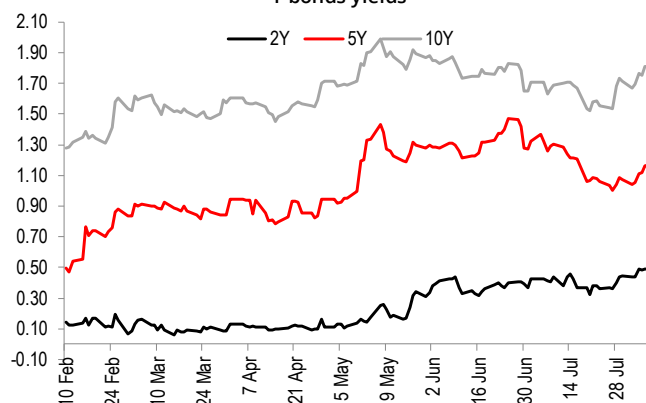
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

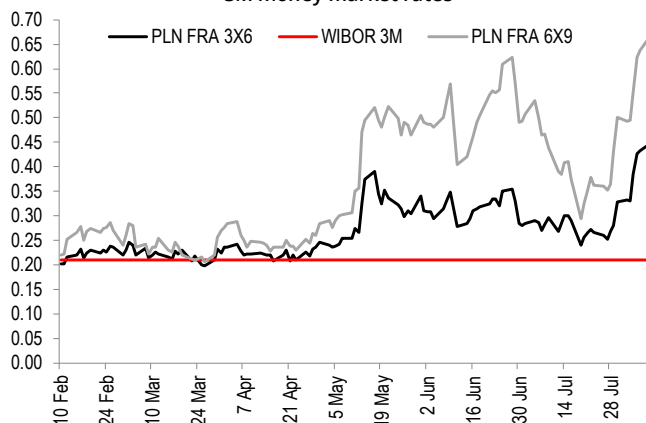
Zloty exchange rate



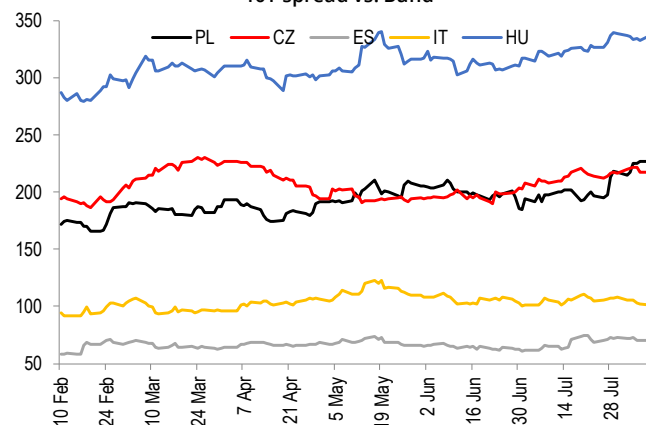
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic Calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (6 August)								
08:00	DE	Industrial Production SA	Jun	% m/m	0.5		-1.3	-0.8
09:00	CZ	Industrial Production	Jun	% y/y	8.3		11.4	32.3
09:00	HU	Industrial Production SA	Jun	% y/y	17.5		18.6	39.9
14:30	US	Change in Nonfarm Payrolls	Jul	k	870.0		943.0	938.0
14:30	US	Unemployment Rate	Jul	%	5.7		5.4	5.9
MONDAY (9 August)								
08:00	DE	Exports SA	Jun	% m/m	0.3		1.3	0.3
TUESDAY (10 August)								
09:00	CZ	CPI	Jul	% y/y	2.9		3.4	2.8
09:00	HU	CPI	Jul	% y/y	4.8		4.6	5.3
11:00	DE	ZEW Survey Current Situation	Aug	pts	31.0		29.3	21.9
WEDNESDAY (11 August)								
08:00	DE	HICP	Jul	% m/m	-		-	0.5
14:30	US	CPI	Jul	% m/m	0.5		-	0.9
THURSDAY (12 August)								
11:00	EZ	Industrial Production SA	Jun	% m/m	0.0		-	-1.0
14:30	US	Initial Jobless Claims		k	383.0		-	400.0
FRIDAY (13 August)								
10:00	PL	CPI	Jul	% y/y	-	5.0	-	4.4
10:00	PL	GDP	2Q	% y/y	10.8	10.4	-	-0.9
14:00	PL	Current Account Balance	Jun	€mn	-96.0	76.0	-	60.0
14:00	PL	Trade Balance	Jun	€mn	801.0	869.0	-	185.0
14:00	PL	Exports	Jun	€mn	23783.0	24038.0	-	22636.0
14:00	PL	Imports	Jun	€mn	22908.0	23169.0	-	22451.0
16:00	US	Michigan index	Aug	pts	81.2		-	81.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.