

## Eyeopener

### Today important data from the US

Polish core inflation higher  
 Main stock indices lower  
 Currencies relatively stable, EURPLN near 4.56  
 POLGB yields and IRS lower, following core markets  
 Today Q2 GDP in the Eurozone and Hungary, in the US retail sales

Market started the week worried about US consumption after Friday's release of Michigan consumer confidence index, showing the lowest level since 2011. Sentiment was also negatively affected by the fall of Afghanistan to the Taliban. As a result, main European and US stock indices fell by 0.5-1.0% and core yields went down (10Y UST below 1.25%). The oil price declined by USD1.0bbl, similarly as on Friday. The yen and the Swiss franc gained while the dollar was stable against basket of main currencies. In our view today's US retail sales could prove crucial for the dollar and for the general market sentiment: a low reading would fuel worries about consumer demand in this country. In general, levels of expected volatility on the FX market suggest that investors want to wait until the Jackson Hole conference at the end of August.

**All four measures of the core inflation** calculated by the NBP increased markedly in July: inflation ex most volatile prices to 3.3% y/y (highest in one year), 15% trimmed mean to 3.6% y/y (highest in September 2012), ex food and energy prices to 3.7% y/y (highest since May 2021), and ex administered prices to 4.7% y/y (highest in a decade). These statistics show that the upward pressure on prices is not weakening and is increasingly more generated by factors that can be influenced by the monetary policy. In our view the main measure of core inflation (ex food and energy prices) is likely to remain in 3.5-4.0% range at least until end of 2022.

**Foreign trade data from GUS** showed that exports rose in June by 26% y/y while imports by 41% y/y. Export to Germany was 21% higher than its average level in 2019, export to France higher by 30%, to UK by 1% and to Russia lower by 2%. Exports to developing countries was 37% higher than average in 2019, to EU higher by 22%, to developed countries outside EU by 9%. On import side there was a clear rise of value of goods from Russia (for the first time since January 2020 it was higher than average in 2019, by 15%), so as a result Poland's trade balance with Russia was the lowest since late 2018. Import from China was c.25% higher than average in 2019 and from South Korea by 9% (even though previous months saw increases around +40% - perhaps this is reflecting the global semiconductors shortage).

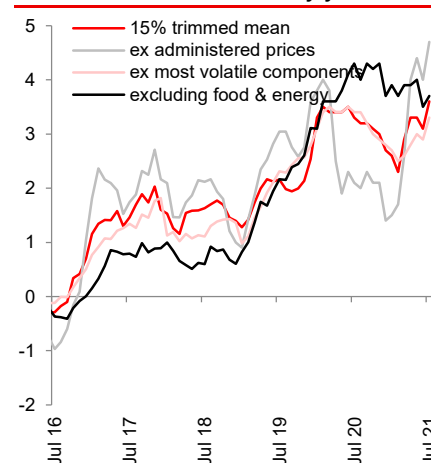
**EURUSD** remained 1.18 throughout the session and during the day it was slowly descending to 1.178. We think that for the dollar strength today's US retail sales data may be particularly important and the euro zone's flash 2Q GDP data may be also relevant.

**EURPLN** EURPLN fell from 4.5650 to 4.5600 amid low turnover for the better part of the day. Friday's dollar weakening gave some room for zloty strengthening, but in our view this room is not very big and EURPLN may remain this week in 4.55-4.60 range. Testing the upper end of the range would require solid data releases from the USA that would firm the dollar.

**As for the other CEE currencies:** koruna weakened as slightly as on Friday and at the end of the day EURCZK was near 25.43. Meanwhile, the forint gained c.0.3% versus euro in quite unfavourable environment (worries about global growth, EURHUF fell from 352.5 to 351.5. The same factor kept the ruble, which has been strengthening recently, near 73.4 vs dollar.

**On the Polish fixed income market** the 10Y segment of the yield curve went down by over 6bp, 5Y by 4bp and 2Y climbed to 0.47% from 0.44%. Monday's prolongation of the Friday decline's decline of US yields was less pronounced (3bp). German 10Y government paper gained 2bp during the day but eventually remained close to last week's levels. The Polish IRS curve declined by 6-7bp in the middle and longer end and by 4bp at the front end.

Core CPI measures, Poland, % y/y



Source: NBP, Santander

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**FX market**

Today's opening			
EURPLN	4.5642	CZKPLN	0.1791
USDPLN	3.8783	HUFPLN*	1.2853
EURUSD	1.1765	RUBPLN	0.0528
CHFPLN	4.2288	NOKPLN	0.4400
GBPPLN	5.3548	DKKPLN	0.6122
USDCNY	6.4810	SEKPLN	0.4492

\*for 100HUF

Last session in the FX market						16/08/2021
	min	max	open	close	fixing	
EURPLN	4.557	4.569	4.564	4.558	4.565	
USDPLN	3.867	3.881	3.870	3.872	3.873	
EURUSD	1.177	1.179	1.179	1.178	-	

**Interest rate market** 16/08/2021

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.47	-2
DS0726 (5Y)	1.11	-6
DS0432 (10Y)	1.74	-6

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.51	-3	0.16	0	-0.54	0
2L	0.85	-4	0.29	-1	-0.50	0
3L	1.11	-5	0.52	-1	-0.46	0
4L	1.28	-6	0.70	-1	-0.42	0
5L	1.40	-7	0.83	-2	-0.37	1
8L	1.59	-7	1.14	0	-0.22	1
10L	1.69	-8	1.26	-2	-0.10	1

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	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	0.33	2

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	0.24	-2
3x6	0.41	-3
6x9	0.62	-1
9x12	0.84	-2
3x9	0.47	-3
6x12	0.72	-2

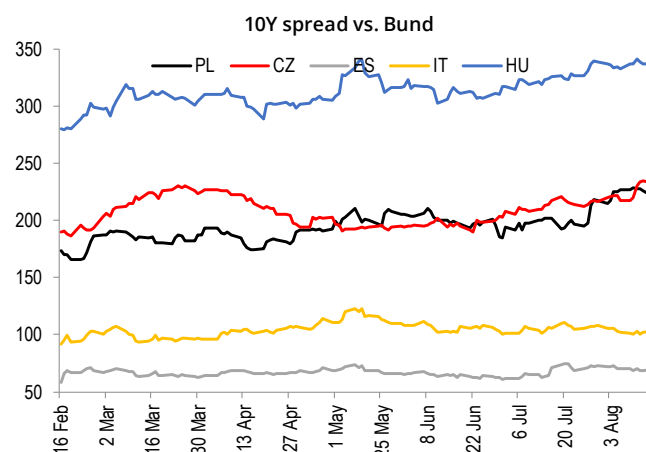
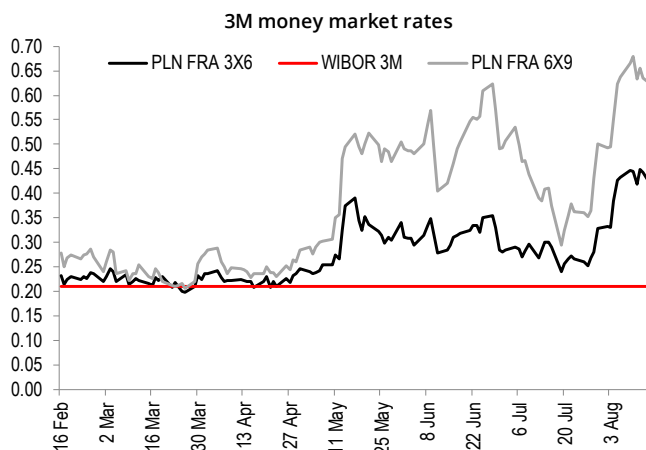
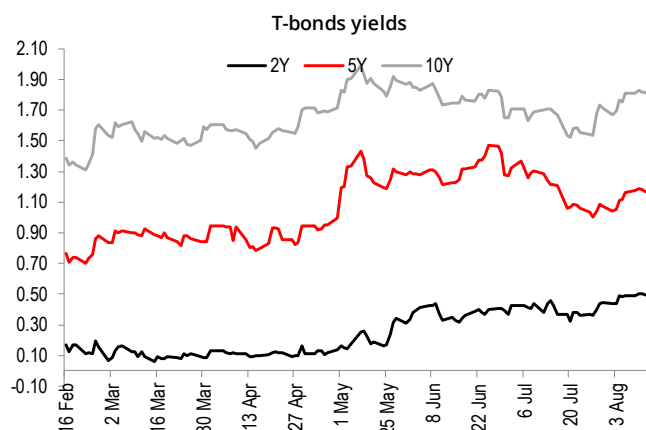
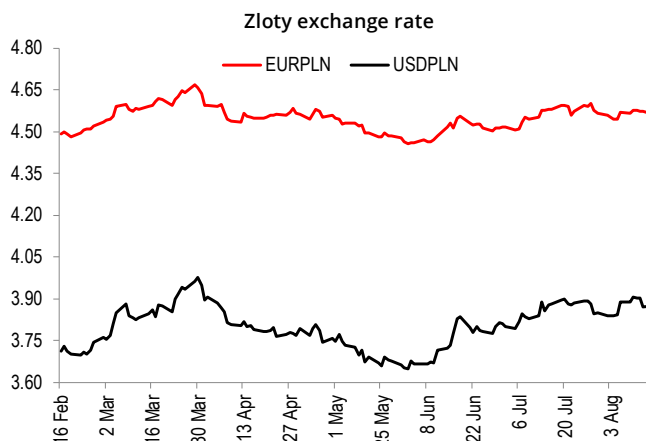
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	221	-5
France	9	0	35	1
Hungary	55	0	337	0
Spain	30	0	70	1
Italy	43	0	103	2
Portugal	21	0	58	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		
<b>FRIDAY (13 August)</b>								
10:00	PL	CPI	Jul	% y/y	5.0	5.0	5.0	5.0
10:00	PL	GDP	2Q	% y/y	10.7	10.6	10.9	-0.9
14:00	PL	Current Account Balance	Jun	€mn	456	76	281	129
14:00	PL	Trade Balance	Jun	€mn	848	869	761	185
14:00	PL	Exports	Jun	€mn	23783	24038	23680	22636
14:00	PL	Imports	Jun	€mn	22908	23169	22919	22451
16:00	US	Michigan index	Aug	pts	81.2		70.2	81.2
<b>MONDAY (16 August)</b>								
14:00	PL	CPI Core	Jul	% y/y	3.6	3.6	3.7	3.5
<b>TUESDAY (17 August)</b>								
09:00	HU	GDP	2Q	% y/y	16.0		17.9	-2.1
11:00	EZ	GDP SA	2Q	% y/y	13.7		-	13.7
14:30	US	Retail Sales Advance	Jul	% m/m	-0.2		-	0.6
15:15	US	Industrial Production	Jul	% m/m	0.5		-	0.4
<b>WEDNESDAY (18 August)</b>								
10:00	PL	Employment in corporate sector	Jul	% y/y	2.0	2.0	-	2.8
10:00	PL	Average Gross Wages	Jul	% y/y	8.8	8.9	-	9.8
11:00	EZ	HICP	Jul	% y/y	2.2		-	2.2
14:30	US	Housing Starts	Jul	% m/m	-2.2		-	6.3
20:00	US	FOMC Meeting Minutes	Jul/21					
<b>THURSDAY (19 August)</b>								
10:00	PL	Sold Industrial Output	Jul	% y/y	10.6	8.5	-	18.4
10:00	PL	PPI	Jul	% y/y	7.7	8.0	-	7.0
14:30	US	Initial Jobless Claims		k			-	375.0
14:30	US	Index Philly Fed	Aug		24.2		-	21.9
<b>FRIDAY (20 August)</b>								
10:00	PL	Construction Output	Jul	% y/y	7.1	6.7	-	4.4
10:00	PL	Retail Sales Real	Jul	% y/y	5.1	5.5	-	8.6

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

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