

20 August 2021

Weekly Economic Update

The dollar goes to the summit

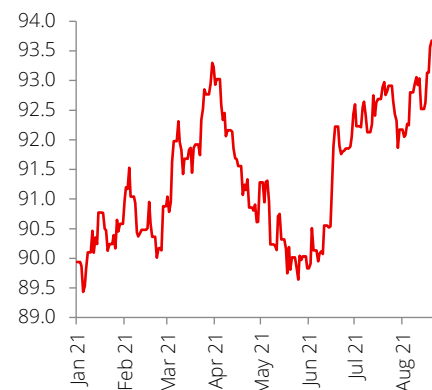
Economy next week

- The calendar for the coming week includes again more important releases from abroad than local ones. In Europe, on Monday there will be flash PMIs for the Eurozone and Germany. Important German releases will also be coming later next week, e.g. final 2Q GDP (Tuesday, the preliminary estimate showed 9.2% y/y), August Ifo index (Wednesday) and July retail sales (Friday). On Tuesday the Hungarian central bank decides on rates and the market expects it to hike rates again in the cycle started in July this year, this time to 1.50% from the current level of 1.20%. In the USA there will be data on real estate (house sales on Monday, new home sales on Tuesday), labour market (Thursday) and, on Friday, the PCE deflator as well as consumer spending and incomes plus the flash reading for August of the Michigan index. **On Thursday 26 August the Jackson whole conference starts**, and hopefully it will offer more precise information on the steps the Fed plans to take regarding its QE program (the timing and the size of asset purchase tapering). In Poland on Monday money supply data for July will be released (market expects 8.2% y/y, we 8.3%), on Tuesday we will get July unemployment rate (market and our expectations at 5.8%).

Markets next week

- Currency markets switched into the *risk-off* mode post the Wednesday FOMC *minutes*. Since then the dollar has gained vs almost every currency in the world, including the zloty, and it seems like the trend will continue into the next week till the economic conference in Jackson Hole, Wyoming. During the same period the zloty has gained vs the so called commodity currencies (e.g. AUD, CAD, NOK) by 1.2-1.8% which means that the zloty has not weakened as much as it could. In other words, there is a noticeable potential for the PLN to catch up and weaken in the near term. **We expect the EURPLN level of 4.60 to finally break in the coming week.**
- In the passing week the US bond yield curve has declined by 2-4pb, the German one by 1-2pb, which is not much – most of the yield declines took place only in the previous Friday post the negative surprise in the Michigan index. Comparing to this, the yield declines on the POLGB curve of ~10bp (bonds) and ~14bp (IRS) seem like a lot – but this is likely the result of POLGBs reacting to the Michigan index with 1 day delay – most of the moves happened only on Monday. Neither the small NBP bond purchase auction (QE) on Wednesday nor the Ministry of Finance switch auction on Thursday have not impacted the fixed income market by much. In the nearest days the market is likely to focus on the potential outcomes from the Jackson Hole summit hence **during most of the week POLGBs might range trade within the 1.65-1.75% band**, we reckon, amid the lower liquidity of the holiday period.

US Dollar index



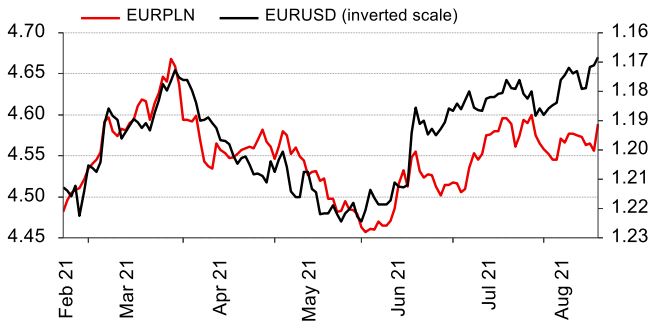
Source: Bloomberg, Santander

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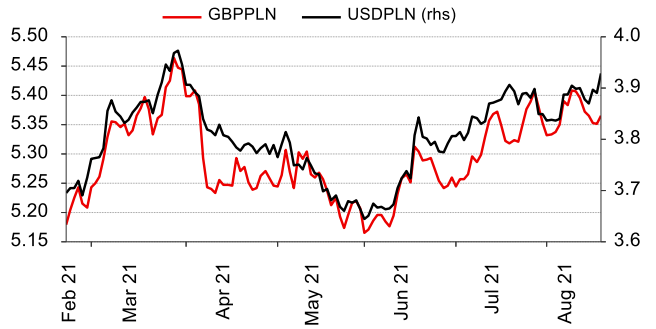
FX and FI markets

EURPLN and EURUSD



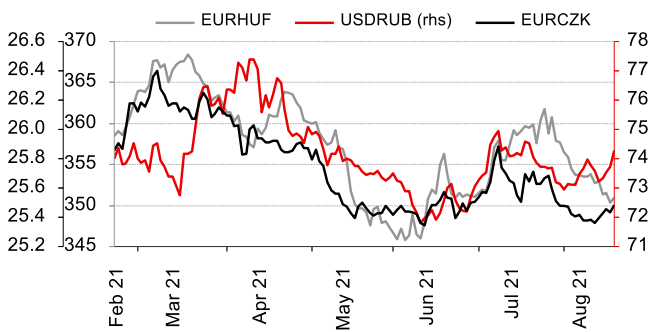
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



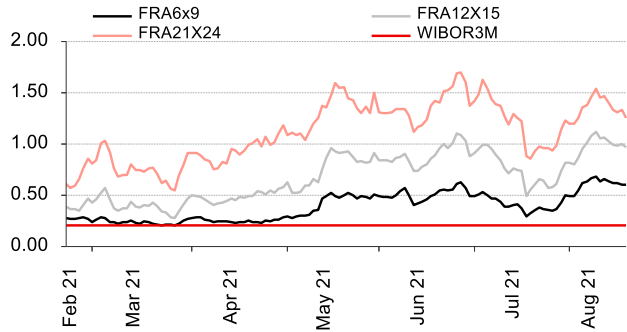
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



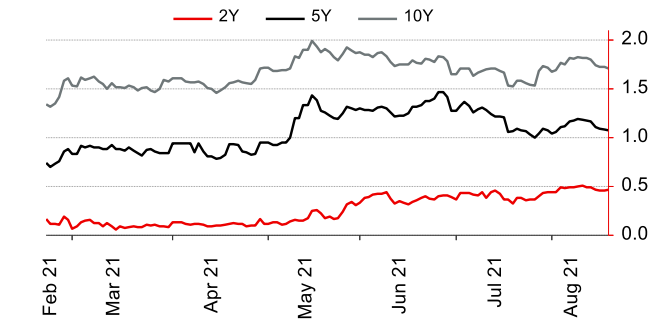
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



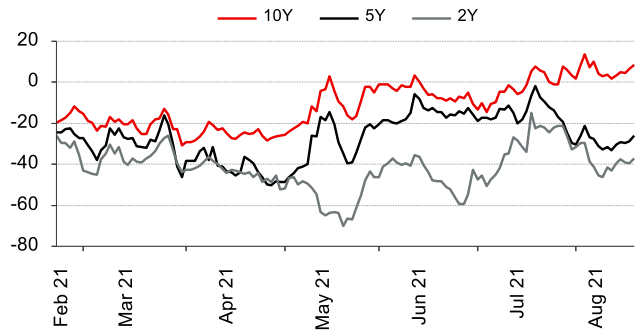
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



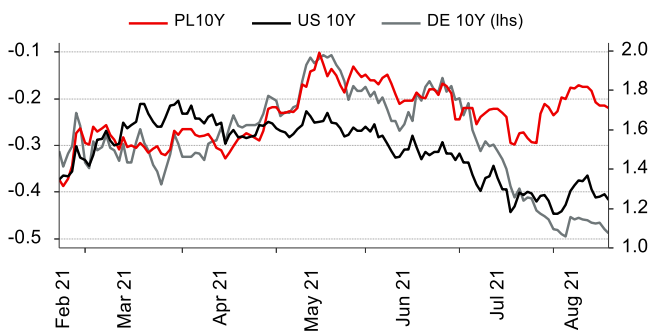
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



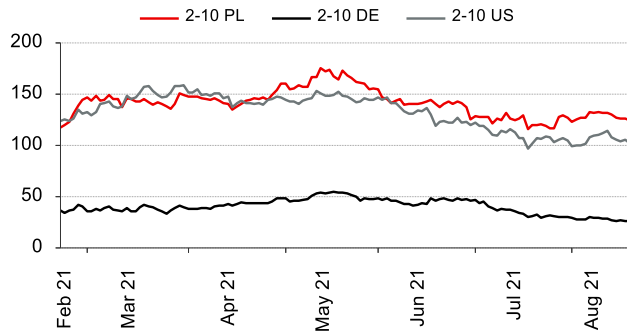
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander Bank Polska

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
MONDAY (23 August)						
09:30	DE	Germany Manufacturing PMI	Aug	pts	65.0	65.9
09:30	DE	Markit Germany Services PMI	Aug	pts	62.0	61.8
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	61.5	62.8
10:00	EZ	Eurozone Services PMI	Aug	pts	60.0	59.8
14:00	PL	Money Supply M3	Jul	% y/y	8.2	8.3
16:00	US	Existing Home Sales	Jul	% m/m	-0.3	1.4
TUESDAY (24 August)						
08:00	DE	GDP WDA	2Q	% y/y	9.2	9.2
10:00	PL	Unemployment Rate	Jul	%	5.8	5.8
14:00	HU	Central Bank Rate Decision	Aug/21	%	1.5	1.2
16:00	US	New Home Sales	Jul	% m/m	3.6	-6.6
WEDNESDAY (25 August)						
10:00	DE	Ifo Business Climate	Aug	pts	100.5	101.2
14:30	US	Durable Goods Orders	Jul	% m/m	-0.3	0.9
THURSDAY (26 August)						
14:30	US	GDP Annualized	2Q	% Q/Q	6.6	6.5
14:30	US	Initial Jobless Claims		k		348.0
FRIDAY (27 August)						
	DE	Retail Sales	Jul	% m/m		4.2
14:30	US	Personal Spending	Jul	% m/m	0.4	1.0
14:30	US	Personal Income	Jul	% m/m	0.2	0.1
14:30	US	PCE Deflator SA	Jul	% m/m	0.4	0.5
16:00	US	Michigan index	Aug	pts	70.9	70.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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