

23 August 2021

# Eyeopener

## Polish data this time slightly below forecast

### Moment of calm in the financial markets

Polish construction output and retail sales below expectations in July

Dollar slightly stronger, EURPLN lurking below 4.60

Stabilisation in the global and local debt markets

Today, Polish money supply, slash PMIs in Europe

On Friday equity markets in Europe and USA increased slightly and bond yields in the core markets remained stable. EURUSD also stabilised after earlier turbulent sessions, although the dollar index managed to rise a bit more. Brent oil price declined to nearly \$66 per barrel. In general the FOMC minutes released last Wednesday switched markets into the risk-off mode and the Friday's calm could be disrupted in the coming days, especially in the FX market.

**Construction output** growth slowed to 3.3% y/y in July, missing market consensus 7.1% and our forecast 6.7% y/y. The result looks a bit disappointing and suggests that a revival in construction sector that started earlier this year has stalled due to poor activity in civil engineering. Data from the housing market confirmed that the market remains in rapid expansion mode. We think that the activity in the construction sector should resume recovery later this year, as the broad investment activity will be picking up. **Retail sales** rose in July by just 3.9% y/y, below forecasts (we: 5.5%, market: 5.1%), durables and clothes were the source of disappointment - It seems that we underestimated the Poles' urge to go on holidays after the lockdowns, away from shopping malls. Sales should accelerate from now. Sectoral **business sentiment indicators** were mostly stable in August. More in [Economic Comment](#).

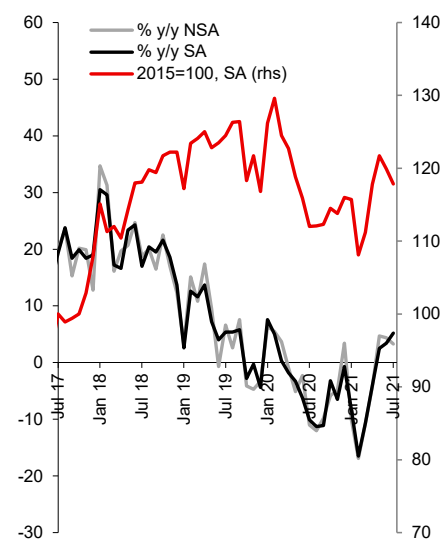
**EURUSD** remained on Friday near 1.1680 but during the day managed to move below Thursday's minimum for a while. After the weekend the EURUSD is higher near 1.1720 but it is likely the dollar might continue its strengthening this week before the Jackson Hole summit (just before the weekend it was announced that the meeting will be held virtually on Friday, instead of a 3-day in-person conference). The trend of the exchange rate in the next days will depend on the information regarding the timing and scale of upcoming Fed tapering. Important support line remains near 1.1620, half a cent below Friday's close.

**EURPLN** for the most part of the Friday session remained between 4.58 and 4.59, on Monday opens near 4.5760. We expect that this week the EURPLN level of 4.600 will finally break as the latest zloty losses vs the strengthening dollar were noticeably smaller than the losses of the commodity currencies like AUD, CAD, NOK. On Friday USDPLN reached the highest level since March 2021 (3.93-ish).

As for the **other CEE currencies**, Czech koruna was still on the back foot and closed the day at 25.53 vs EUR. We have witnessed another day of strengthening HUF as EURHUF has been preparing for a plausibly hawkish news from the NBH (interest rate setting meeting this Tuesday, market expect a hike to 1.50% from current 1.20%). The RUB lost another 0.2% on the continued fall in oil prices (Friday USDRUB close at 74.40, today open near 74.15).

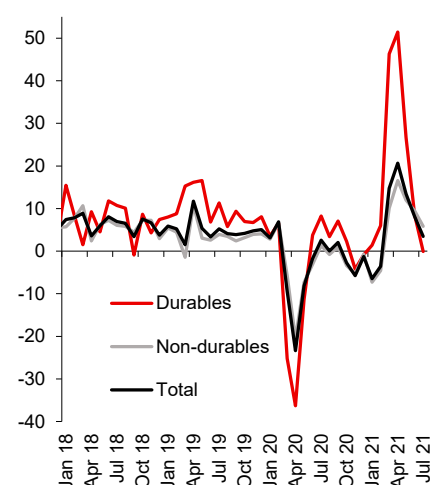
**On the Polish fixed income market** we saw one more day of idle bond yield curve (10Y stuck in 1.70%-1.75% since Tuesday). This time also the IRS curve, more volatile in the previous days, did not show any notable move. The nearest days may be affected by expectations for the Jackson Hole meeting's message and thus the market, still partly in holiday mode, could remain in horizontal trend, so the 10Y bond yield could be in 1.65%-1.75% range. On Friday the NBP sold bills worth PLN246bn, setting the new record of weekly liquidity absorption (up c.5% vs. previous week).

### Construction output



Source: GUS, Santander

### Retail sales in constant prices, %/y



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.5763	CZKPLN	0.1791
USDPLN	3.9059	HUFPLN*	1.2969
EURUSD	1.1715	RUBPLN	0.0528
CHFPLN	4.2766	NOKPLN	0.4371
GBPPLN	5.3323	DKKPLN	0.6122
USDCNY	6.4929	SEKPLN	0.4460

\*for 100HUF

Last session in the FX market						20/08/2021
	min	max	open	close	fixing	
EURPLN	4.573	4.594	4.580	4.588	4.588	
USDPLN	3.917	3.936	3.918	3.925	3.930	
EURUSD	1.166	1.169	1.169	1.169	-	

**Interest rate market** 20/08/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.39	-8
DS0726 (5Y)	1.05	-2
DS0432 (10Y)	1.71	-1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.51	1	0.17	0	-0.54	0
2L	0.83	-1	0.32	0	-0.50	0
3L	1.07	0	0.54	0	-0.46	0
4L	1.22	-1	0.72	1	-0.43	-1
5L	1.34	0	0.86	2	-0.38	0
8L	1.52	0	1.14	1	-0.23	0
10L	1.63	0	1.26	2	-0.12	-1

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	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	0.35	0

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

Term	%	Change (bps)
1x4	0.24	0
3x6	0.41	0
6x9	0.61	0
9x12	0.81	0
3x9	0.48	2
6x12	0.71	3

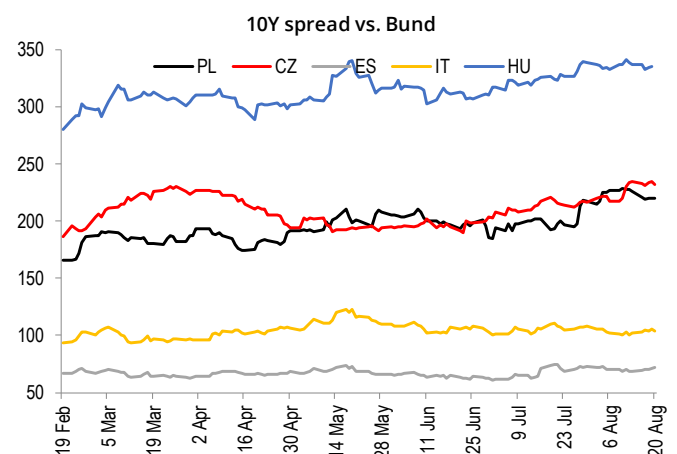
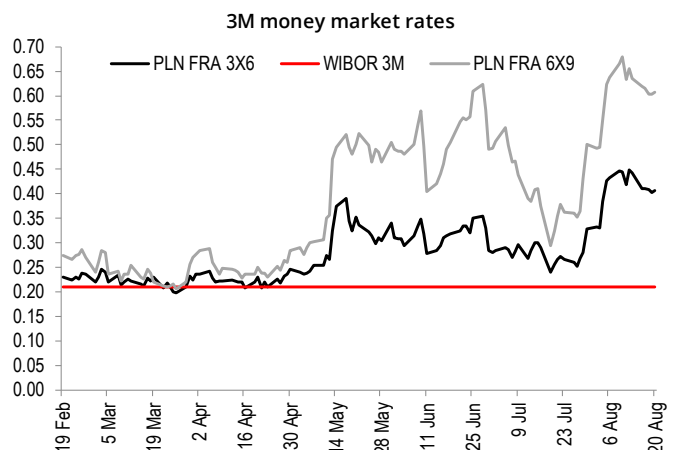
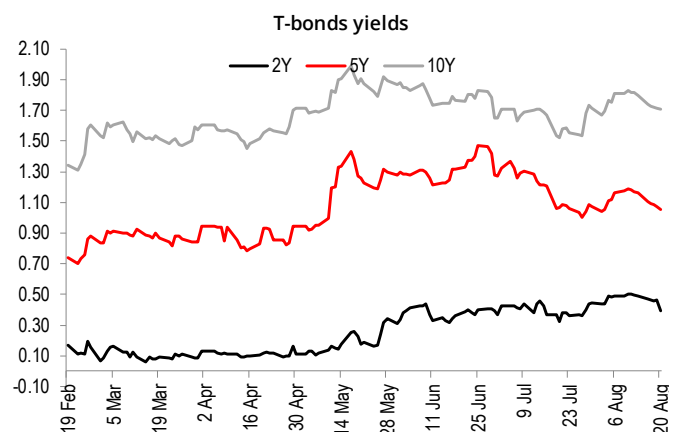
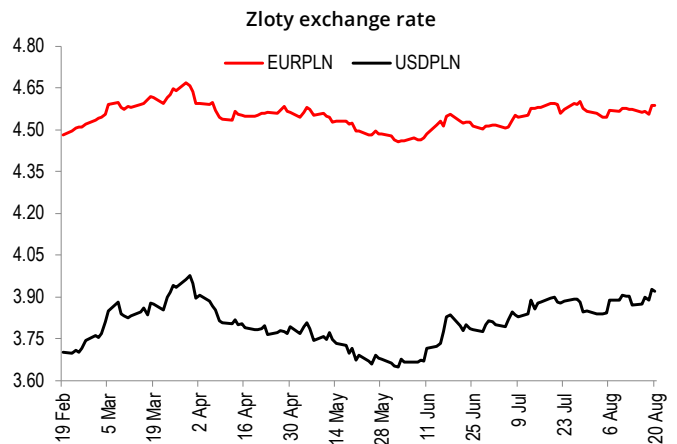
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	220	0
France	9	0	34	0
Hungary	55	0	#N/D!	#N/D!
Spain	30	0	72	0
Italy	43	0	104	-2
Portugal	21	0	61	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



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
<b>FRIDAY (20 August)</b>								
10:00	PL	Construction Output	Jul	% y/y	6.8	7.0	3.3	4.4
10:00	PL	Retail Sales Real	Jul	% y/y	4.7	5.5	3.9	8.6
<b>MONDAY (23 August)</b>								
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	-	7.4
16:00	US	Existing Home Sales	Jul	% m/m	-0.3		-	1.4
<b>TUESDAY (24 August)</b>								
08:00	DE	GDP WDA	2Q	% y/y	9.2		-	9.2
10:00	PL	Unemployment Rate	Jul	%	5.8	5.8	-	5.9
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
<b>WEDNESDAY (25 August)</b>								
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
<b>THURSDAY (26 August)</b>								
14:30	US	GDP Annualized	2Q	% Q/Q	6.6		-	6.5
14:30	US	Initial Jobless Claims		k			-	348.0
<b>FRIDAY (27 August)</b>								
	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, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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