

26 August 2021

## Eyeopener

### Stabilisation ahead of Jackson Hole

Another day of calm equities and stable dollar  
 Core yields go up and Polish bonds take cue  
 EURPLN stable around 4.5750  
 Today MPC minutes, second GDP reading for 2Q21

On Wednesday the stock markets have barely changed for a second day in a row, e.g. at European close both the EuroStoxx50 as well as S&P500 indices have increased by as little as 0.1%. Investors were awaiting the annual (virtual this time) central banking conference in Jackson Hole, scheduled for Friday. EURUSD was not volatile either – it hovered around 1.1750. The core market yields have kept climbing – since the recent post-FOMC minutes yields low the 10Y UST has gained 9bp (to 1.33%) while Bund 6bp (to -0.43%). Wednesday's Bund yield increase might have further be boosted by the comments from ECB's Luis de Guindos who said that the ECB might improve the economic forecasts in September after the recent positive macroeconomic data. The German business cycle indicators Ifo were mixed: the expectations measure missed 2.5pp printing at 97.5, similarly the business climate missed by 1.0pp to 99.4. The current assessment has beaten forecasts by 0.6pp to 101.4. The German consumer confidence index GfK published this morning fell to -1.2 (0.7pp miss). In Switzerland the investors' sentiment index collapsed to -7.8 from 42.0 because of growing fears regarding the spread of new Covid-19 variants. At the same time the assessment of the current economic situation improved considerably. Italian July PPI slightly slowed to 13.0% y/y (from 15.4% a month before). In the US the preliminary July durable goods orders beat 0.2pp (excluding transport as well). Overnight the Bank of Korea has increased interest rates by 25bp joining the camp of pioneers of post-pandemic monetary policy normalization.

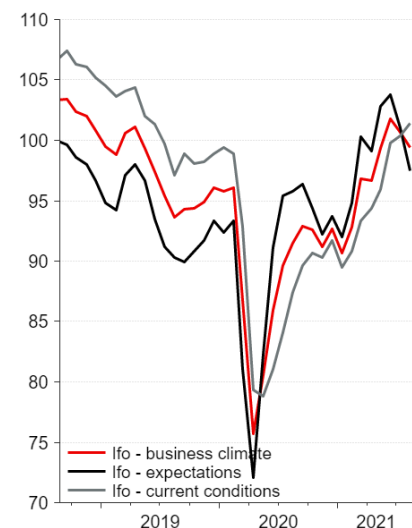
**EURUSD** continued low volatility on Wednesday and has de facto not moved over the last 2 days, while the moves in either direction were not larger than 0.0020.

**EURPLN** remained near 4.5750. Despite gaining vs EUR by around 0.4% over a handful of days, zloty still remains at a level which makes breaking the EURPLN 4.6000 likely. Only breaking below the nearby important technical levels (near 4.53-4.54) would make further PLN gains more likely (which is not our base scenario).

**In the CEE universe** the EURHUF exchange rate calmed after 2.8% decline recorded since the start of the month and the Tuesday's MNB decision to hike rates to 1.50%. In our view, after short consolidation EURHUF is likely to move up again. EURCZK did not change and was oscillating around 25.55. Despite stable Brent oil price, on Wednesday the ruble basket and USDRUB climbed: the former by 0.4% and the latter to 74.0. We are expecting the ruble to weaken in the short and in the longer term.

**The domestic interest rate market** was following core markets – the IRS curve climbed by 2bp (10Y to 1.76%) and bond curve by 3bp (10Y to 1.78%). At the end of August we are expecting 10Y bond yield to reach 1.90%. 10Y spread to Bund amounted to 220bp yesterday.

German Ifo index



Source: Refinitiv Datastream, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 22 534 18 87  
 Marcin Luziński +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	4.5713	CZKPLN	0.1791
USDPLN	3.8850	HUFPLN*	1.3001
EURUSD	1.1767	RUBPLN	0.0524
CHFPLN	4.2479	NOKPLN	0.4402
GBPPLN	5.3416	DKKPLN	0.6122
USDCNY	6.4838	SEKPLN	0.4475

\*for 100HUF

Last session in the FX market						25/08/2021
	min	max	open	close	fixing	
EURPLN	4.564	4.579	4.574	4.574	4.568	
USDPLN	3.882	3.906	3.897	3.890	3.887	
EURUSD	1.172	1.176	1.174	1.176	-	

**Interest rate market** 25/08/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.46	-2
DS0726 (5Y)	1.16	4
DS0432 (10Y)	1.79	3

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.53	1	0.17	0	-0.54	0
2L	0.90	2	0.32	-1	-0.49	1
3L	1.16	3	0.55	1	-0.45	1
4L	1.32	2	0.75	2	-0.40	2
5L	1.46	3	0.90	3	-0.35	2
8L	1.65	2	1.21	4	-0.18	4
10L	1.76	3	1.35	5	-0.06	4

**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	0.37	1

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

Term	%	Change (bps)
1x4	0.24	0
3x6	0.39	-2
6x9	0.62	0
9x12	0.83	0
3x9	0.46	-1
6x12	0.73	0

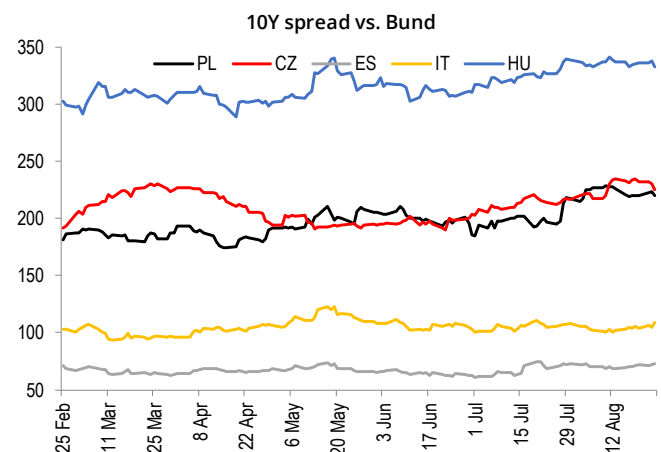
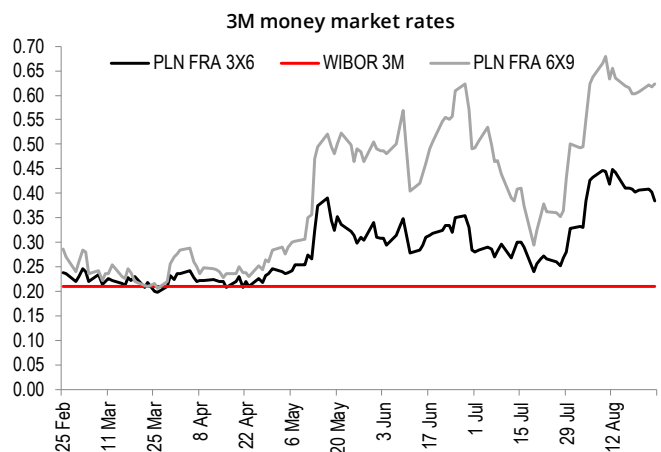
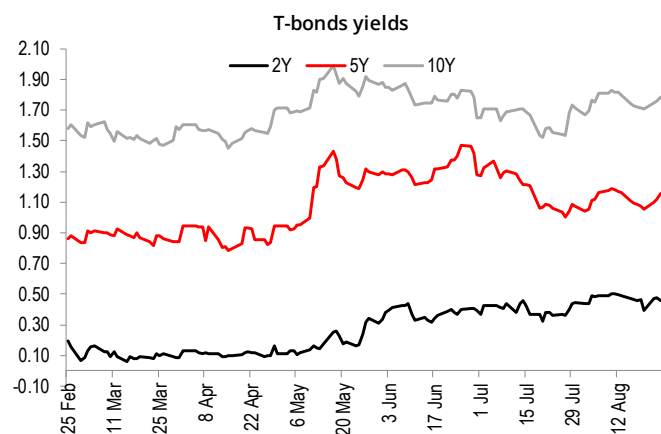
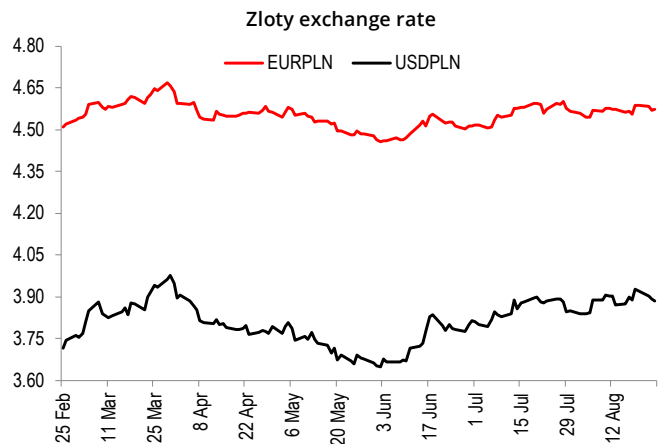
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	220	-3
France	9	0	36	1
Hungary	55	0	333	-5
Spain	30	0	73	1
Italy	43	0	109	4
Portugal	20	0	62	0
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 (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		62.7	65.9
09:30	DE	Markit Germany Services PMI	Aug	pts	61.0		61.5	61.8
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	62.0		61.5	62.8
10:00	EZ	Eurozone Services PMI	Aug	pts	59.5		59.7	59.8
14:00	PL	Money Supply M3	Jul	% y/y	8.2	8.3	8.8	7.4
16:00	US	Existing Home Sales	Jul	% m/m	-0.5		2.0	1.4
<b>TUESDAY (24 August)</b>								
08:00	DE	GDP WDA	2Q	% y/y	9.2		9.4	9.2
10:00	PL	Unemployment Rate	Jul	%	5.8	5.8	5.8	5.9
14:00	HU	Central Bank Rate Decision	Aug/21	%	1.5		1.5	1.2
16:00	US	New Home Sales	Jul	% m/m	3.1		1.0	-2.6
<b>WEDNESDAY (25 August)</b>								
10:00	DE	IFO Business Climate	Aug	pts	100.0		97.5	101.0
14:30	US	Durable Goods Orders	Jul	% m/m	-0.3		-0.1	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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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.