

Eyeopener

Zloty boosted by solid data

Equity markets slightly lower
 Bund yield up more than UST after Eurozone inflation
 Zloty gained almost 1% after high CPI and high GDP prints
 Polish bonds weaker, IRS and FRA higher
 Today, manufacturing PMI and ISM

On Tuesday stock exchanges slightly fell, the dollar weakened by 0.2%. The 10Y UST yield initially increased to 1.30% (+3bp) but then retraced in the latter part of the day back to 1.27%. The sudden reversal might have to do with the worse-than-expected consumer confidence indicator reading in the US (Conference Board to 113.8 vs 123.0 expected). The S&P Case Shiller real estate index has increased to a record 19.1%/y/y vs 18.6% expected. The Bund yield has increased by even more than the UST yield which is uncommon – by 4bp to -0.40%. The reason being higher than expected August inflation in the Eurozone (3.0%/y/y vs 2.7% expected), France (2.4%/y/y vs 2.1% expected) and Italy (2.6%/y/y vs 2.1% expected). The ECB's Robert Holzmann from Austria said that the bank should start a debate on how to quit from the pandemic emergency programme and then focus on its main goal – the inflation one. Today's morning data on German retail sales slightly disappointed and were lower than a year ago.

CPI inflation rose to 5.4% y/y in August, according to flash data, boosted by higher food prices as well as higher core inflation. We expect that in the next two quarters inflation rate will remain near 5% and it may even approach 6% for a moment. **GDP growth accelerated to a record 11.1% y/y in 2Q21** (the highest reading in history). Such a high print partially resulted from the low base effect, but also from the solid rebound of the domestic demand, mainly consumption and inventories. Investments clearly disappointed after strongly increasing in 1Q21, however we expect investments to re-accelerate over the coming quarters. We still predict the 2021 GDP growth at 5%. The accelerating economic growth (fueled mainly by consumption) and accelerating inflation increase the probability of monetary policy normalization start in November. The factor which potentially could delay the decision to begin the hiking cycle is the evolution of Covid-19 pandemic in the coming months.

After the publication of the inflation data **MPC member Eugeniusz Gatnar** said that he is worried by the elevated price dynamics and that a (gentle) hiking cycle should have already started. In both June and July Mr. Gatnar was voting in favour of a rate hike. **Mr. Jerzy Żyżyński** said on the other hand that despite the inflation, interest rates should remain unchanged till the end of 2021 (similarly to the USA). **Ms. Grażyna Ancyparowicz** repeated that decision on interest rate hikes should wait till the publication of November NBP staff projection. She acknowledge that inflation is elevated, however in her opinion, this is happening as a “non-monetary” factors that is ones that are potentially out of reach of NBP's monetary policy instruments. In our opinion, in November there will be a majority within MPC to vote for interest rate increase.

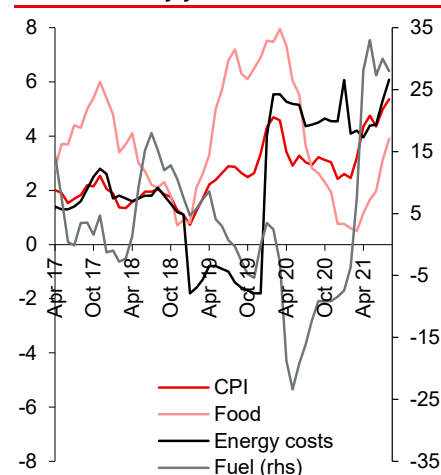
EURUSD increased 0.2% to 1.1830, while the total rebound since the low following the publication of July Fed minutes on 20 August is already at 1.3%.

EURPLN reacted to high GDP and high inflation data with strong downward move. The daily drop reached 0.9% and the rate approached 4.52. Such strong move resulted in breaching the 200-day moving average (4.5350), which automatically became a resistance level, which may be tested from the downside in the coming days. In the entire August EURPLN fell by 1.1%.

As for **other CEE currencies**, EURHUF rebounded up from the level 348.0 and thus it has drawn the double bottom formation. Tuesday's close was at 349.2 (+0.4%). June's data on wages showed slowdown to 3.5% from 8.2% y/y. In the entire August EURHUF decreased by 2.5%. EURCZK fell on Tuesday by 0.4% to 25.45 after 2Q21 GDP data, which showed solid 8.2% y/y growth. EURCZK has barely changed since the start of August. USDRUB was also declining, to 73.2, and so it also has barely changed since early August.

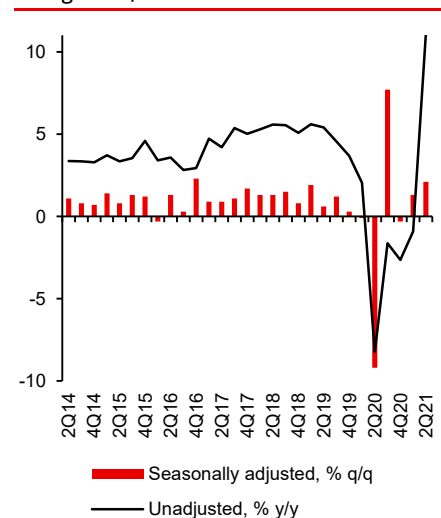
On the **interest rate market** the bond yield curve went up by c. 4bp and IRS by 2-3bp. Short-term FRAs increased c.5bp and the contract covering November MPC meeting shows that the market is anticipating a rate hike by 22bp. NBP will hold one bond purchase auction this month, on September 15. The Ministry of Finance plans two switching auctions (on September 2 and 16) and no outright sale auction. BGK also plans two bond auctions: on September 8 and 22.

CPI inflation, % y/y



Source: GUS, Santander

GDP growth, %



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.5536	CZKPLN	0.1780
USDPLN	3.8514	HUFPLN*	1.2996
EURUSD	1.1827	RUBPLN	0.0525
CHFPLN	4.2090	NOKPLN	0.4456
GBPPLN	5.3116	DKKPLN	0.6124
USDCNY	6.4619	SEKPLN	0.4475

*for 100HUF

Last session in the FX market						30.08.2021
	min	max	open	close	fixing	
EURPLN	4.559	4.579	4.574	4.561	4.569	
USDPLN	3.862	3.882	3.876	3.866	3.872	
EURUSD	1.178	1.181	1.180	1.179	-	

Interest rate market 30.08.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.37	-8
DS0726 (5Y)	1.15	-2
DS0432 (10Y)	1.80	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.52	0	0.16	0	-0.54	0
2L	0.89	-1	0.29	-1	-0.49	1
3L	1.15	-1	0.52	-2	-0.45	0
4L	1.32	-1	0.70	-3	-0.41	0
5L	1.45	-1	0.85	-3	-0.36	0
8L	1.66	-1	1.16	-3	-0.19	-1
10L	1.76	-2	1.29	-3	-0.07	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.09	-1
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.22	1
6M	0.25	0
1Y	0.39	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.24	1
3x6	0.38	-1
6x9	0.61	-2
9x12	0.85	1
3x9	0.48	3
6x12	0.71	0

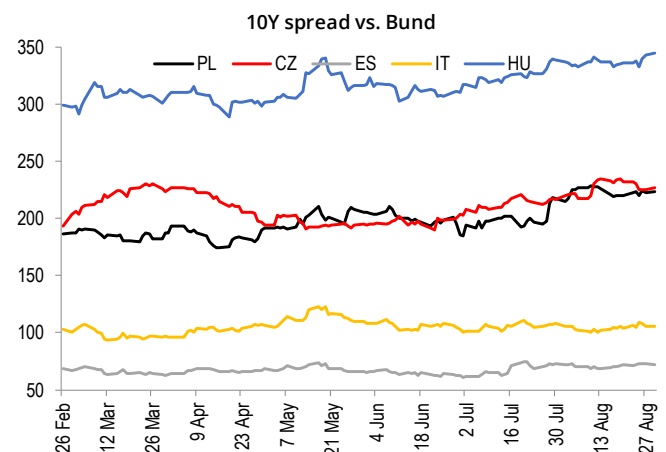
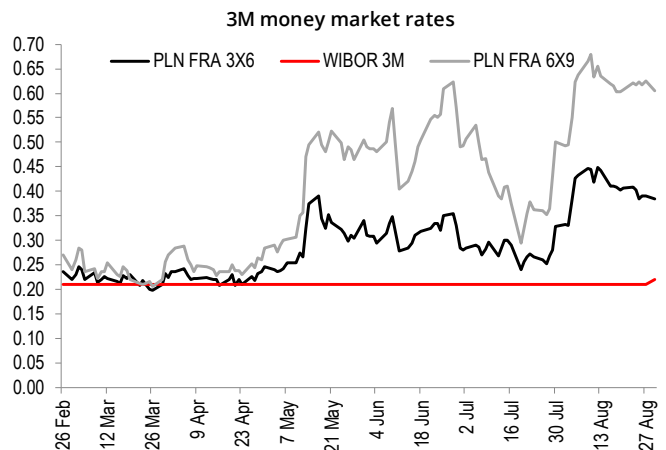
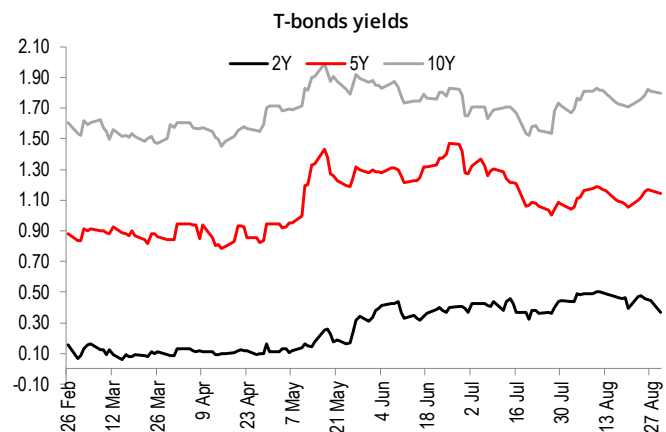
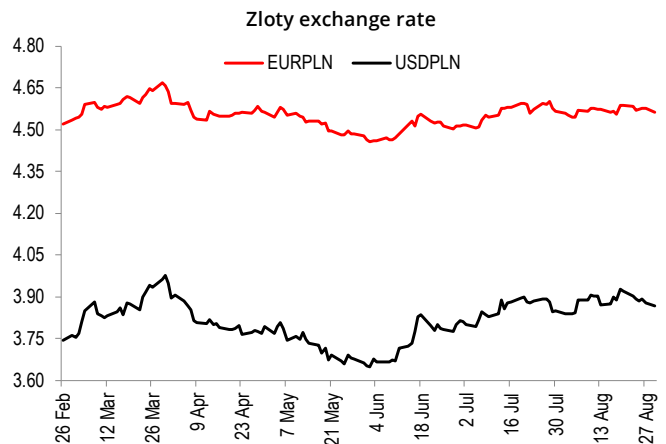
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	223	0
France	9	0	35	0
Hungary	55	0	345	2
Spain	30	0	72	-1
Italy	43	0	105	-1
Portugal	21	0	61	0
Ireland	10	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		
FRIDAY (27 August)							
14:30	US	Personal Spending	Jul	% m/m	0.4	0.3	1.0
14:30	US	Personal Income	Jul	% m/m	0.2	1.1	0.1
14:30	US	PCE Deflator SA	Jul	% m/m	0.4	0.4	0.5
16:00	US	Michigan index	Aug	pts	70.8	70.3	70.2
MONDAY (30 August)							
11:00	EZ	ESI	Aug	pts	118.0	117.5	119.0
14:00	DE	HICP	Aug	% m/m	0.1	0.0	0.9
16:00	US	Pending Home Sales	Jul	% m/m	0.3	-1.8	-2.0
TUESDAY (31 August)							
09:00	CZ	GDP SA	2Q	% y/y	7.8	8.2	7.8
10:00	PL	CPI	Aug	% y/y	5.1	5.1	5.4
10:00	PL	GDP	2Q	% y/y	10.9	10.9	10.9
11:00	EZ	Flash HICP	Aug	% y/y	2.6	3.0	2.2
16:00	US	Consumer Conference Board	Aug	pts	123.0	113.8	129.1
WEDNESDAY (1 September)							
08:00	DE	Retail Sales	Jul	% m/m	-1.0	-5.1	4.2
09:00	PL	Poland Manufacturing PMI	Aug	pts	57.0	56.8	56.0
09:00	HU	GDP	2Q	% y/y	-	-	17.9
09:55	DE	Germany Manufacturing PMI	Aug	pts	62.7	-	62.7
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	61.5	-	61.5
11:00	EZ	Unemployment Rate	Jul	%	7.6	-	7.7
14:15	US	ADP report	Aug	k	650.0	-	330.0
16:00	US	ISM manufacturing	Aug	pts	58.7	-	59.5
THURSDAY (2 September)							
14:30	US	Initial Jobless Claims		k		-	353,0
16:00	US	Durable Goods Orders	Jul	% m/m		-	-0.1
16:00	US	Factory Orders	Jul	% m/m	0.3	-	1.5
FRIDAY (3 September)							
03:45	CN	Caixin China PMI Services	Aug	pts	51.3	-	54.9
09:55	DE	Markit Germany Services PMI	Aug	pts	61.5	-	61.5
10:00	EZ	Eurozone Services PMI	Aug	pts	59.7	-	59.7
11:00	EZ	Retail Sales	Jul	% m/m	-0.4	-	1.5
14:30	US	Change in Nonfarm Payrolls	Aug	k	787.0	-	943.0
14:30	US	Unemployment Rate	Aug	%	5.2	-	5.4
16:00	US	ISM services	Aug	pts	62.0	-	64.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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