

2 September 2021

Eyeopener

Polish PMI below expectations

Stock markets in black after August ISM in USA
 Polish PMI below expectations
 Dollar weaker, zloty stronger, UST – Bund stronger narrower
 POLGBs lose following Bund, 10Y at 1.88%
 Today industrial orders and for durable goods in USA

On Wednesday main stock indices gained, the dollar weakened, the UST yields fell 3bp to 1.29%. What is not typical, in contrast to the UST, the Bund yields have increased by 2bp to -0.37% and this despite the weaker-than-expected reading of the German July retail sales yesterday morning (reading at -5.2% m/m after +4.2% a month earlier).

On Wednesday the publication of the August manufacturing PMIs continued. Final readings in Japan (52.7), Australia (52.0), Eurozone (61.4), Germany (62.6), France (57.5) and the US (61.2) have not differed from the preliminary readings by more than 0.3pp and in general remained at the elevated levels. The preliminary readings were released in Italy (60.9) and Spain (59.5) and were by 0.5-0.6pp better than a month earlier. The Chinese PMI was weak (decline to 49.2 from 50.3), and especially its new orders component. In the US the ISM manufacturing edged up to 59.9pts, more than expected. The labour market data (ADP) printed much worse than expected and new jobs in the private sector expanded by 374k vs 625k expected. In the UK in the August the house prices increased by 11.0% y/y beat expectations by 2.4pp and contribute to the bubble fears.

Polish manufacturing PMI fell to 56.0 in August, below expectations (market consensus 57.0, our forecast 56.8) and to the lowest level since April, but remained clearly in the expansionary zone, which signals that the sector keeps growing albeit at slower pace than in the last four months. Output, new orders and purchases continued rising, even though at a slowing pace. New export orders kept accelerating, which bodes well for Polish exports' outlook. Companies continued to expand workforce, but at a clearly slower pace. The survey confirms that supply shortages and delays were still constraining output and contributing to price pressures. Input and output price inflation eased somehow but remained elevated. We think the survey confirms further expansion of Polish industrial production, albeit at slowing pace in 2H21

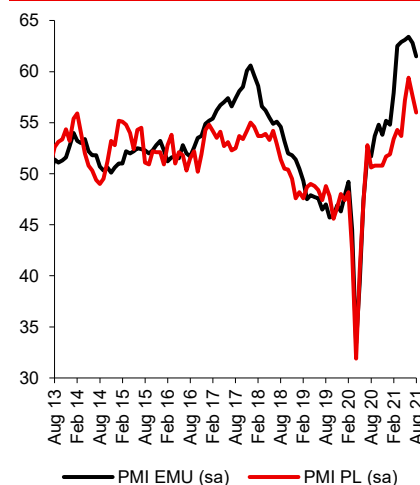
EURUSD after a volatile Tuesday, on Wednesday opened near 1.1800 and during the day attacked the 1.1850 level (second time in 2 days). Worse-than-expected US labour market data increase the likelihood of the move continuing in the short term. Today's durables and industrial output data might have a noticeable impact on the EURUSD exchange rate.

EURPLN started September by declining 0.4% to 4.5050, which means that the three-day streak of drops brought the rate already 1.6% lower, in reaction to higher than expected inflation and strong GDP numbers. Such strong downward move to some degree must have resulted from the realisation of stop loss orders and is a normal component of market dynamics. We think that the rate may re-start its upward move in the nearest days.

As for other CEE currencies, EURHUF third time in a week attempted to break the 348.0 level to the downside, but again unsuccessfully. August manufacturing PMI reached 55.9 vs. 55.6 one month earlier. The final GDP for 2Q21 confirmed growth at 17.9% y/y. EURCZK remained near 25.40. Czech PMI reached 61.0 vs. 62.0 in July (still above expected 60.5). USDRUB fell to 73.0 (by 0.5%), which resulted from weaker dollar. Ruble strengthening took place despite lower oil price (Brent -1.1%) and worsening manufacturing PMI, which fell to 46.5 in August from July's 47.5 and vs expected 48.8.

On the interest rate market bond yields soared 5bp along the curve, 5Y closed at 1.23% and 10Y at 1.88%. IRS curve was rising vigorously during the day only to settle in the afternoon, however it also went up by 4-5bp. FRA rates increased in a similar scale, and 3M WIBOR rose for the second day in a row (1bp per day, to 0.23%). 10Y spread vs German Bund reached 255bp.

PMI in manufacturing, pts



Source: Markit, Santander

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FX market

Today's opening			
EURPLN	4.5079	CZKPLN	0.1773
USDPLN	3.8074	HUFPLN*	1.2818
EURUSD	1.1839	RUBPLN	0.0522
CHFPLN	4.1608	NOKPLN	0.4374
GBPPLN	5.2468	DKKPLN	0.6062
USDCNY	6.4615	SEKPLN	0.4417

*for 100HUF

Last session in the FX market						01.09.2021
	min	max	open	close	fixing	
EURPLN	4.500	4.527	4.523	4.505	4.518	
USDPLN	3.795	3.839	3.834	3.801	3.824	
EURUSD	1.179	1.186	1.180	1.185	-	

Interest rate market 01.09.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.51	2
DS0726 (5Y)	1.25	5
DS0432 (10Y)	1.89	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.60	3	0.16	0	-0.53	0
2L	1.01	4	0.30	0	-0.48	0
3L	1.28	4	0.52	0	-0.44	0
4L	1.44	4	0.71	-1	-0.39	0
5L	1.56	6	0.85	-1	-0.33	0
8L	1.73	4	1.17	-2	-0.14	1
10L	1.83	4	1.30	-2	-0.02	1

WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.09	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.23	0
6M	0.27	1
1Y	0.41	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.28	0
3x6	0.48	4
6x9	0.73	6
9x12	0.94	2
3x9	0.57	6
6x12	0.84	7

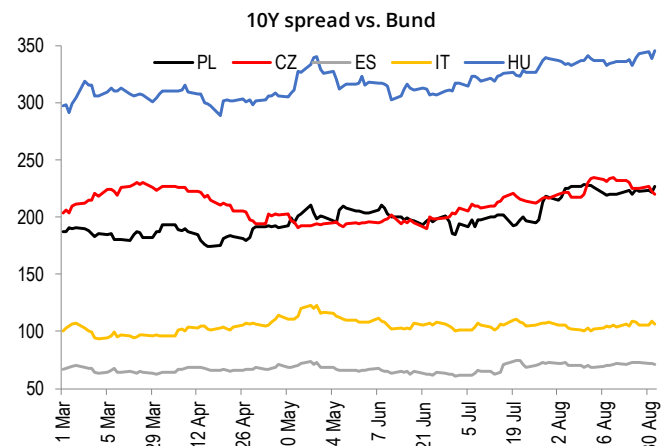
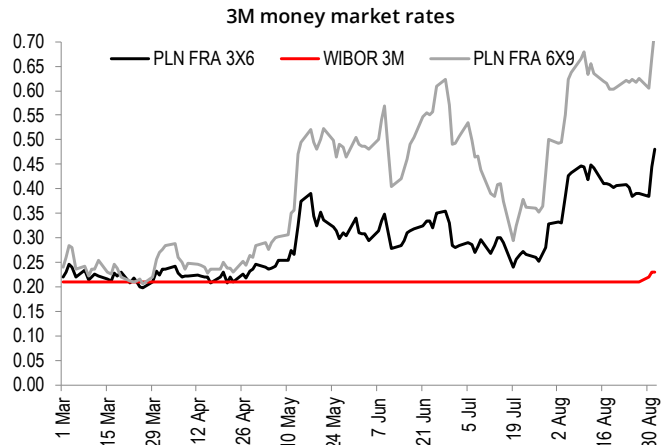
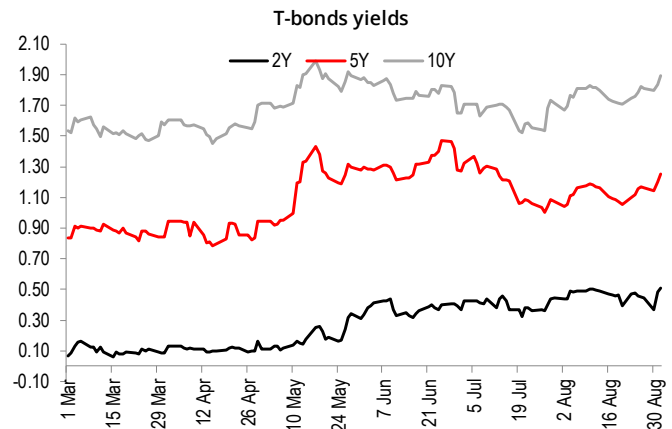
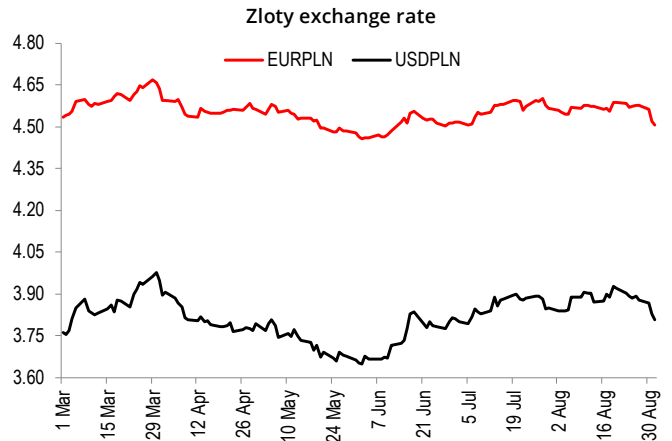
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	227	5
France	9	0	35	-1
Hungary	55	0	345	6
Spain	30	0	71	-1
Italy	44	0	107	-2
Portugal	21	0	59	-1
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	5.0
10:00	PL	GDP	2Q	% y/y	10.9	10.9	11.1	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	57.6
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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