

3 August 2022

## Eyeopener

### OPEC+ to decide on oil output

OPEC+ to decide on oil output today  
 Rising geopolitical tension between China and USA given N. Pelosi's visit on Taiwan  
 Chinese PMI in services and German export above expectations  
 EURPLN near 4.72, yields markedly higher

**Today**, in the absence of major domestic publications on the calendar, the main event of the day will be the OPEC+ meeting. OPEC member states and 12 non-cartel countries, including Russia, will discuss further stabilisation of production levels or possibly a slight increase, although the latter seems less likely. Maintaining existing production levels from OPEC+ could stimulate inflation expectations and negatively impact global investment appetites. From overseas data, at in the morning we got to see the Chinese service sector PMI reading for July and German export data for June. Both measures were better than expected. Still ahead of us are service sector PMI data from Germany and the euro zone, and in the afternoon a series of data from the US: durable goods orders, industrial orders for June and the service sector ISM for July. The published data are likely to confirm signs of a gradual slowdown in the world's major economic areas.

China has announced that it will not leave **a visit to Taiwan** by the third person in the US power hierarchy i.e. House of Representatives Speaker Nancy Pelosi unanswered. In anticipation of this visit, China has deployed military aircraft near the median of the Taiwan Strait, as well as stepped up live-fire exercises and deployed the navy near one of the minor islands near Taiwan. Rising geopolitical tensions undermined the risk appetite.

Prime Minister Mateusz Morawiecki said the **total cost of the government's inflation-related support is about PLN50bn for now**, of which about PLN30bn is the result of VAT and excise tax cuts, and the remaining PLN20bn is heating support, including an anticipated PLN10-12bn of aid for other types of heat sources than coal.

**Joanna Tyrowicz** is for now the only candidate of the Senate majority to the MPC, for whose candidacy the collection of signatures is underway, said Kazimierz Kleina, chairman of the Senate Budget and Public Finance Committee. A vote on her candidacy is expected to take place in September. In January, the Senate appointed Ludwik Kotecki and Przemysław Litwiniuk to the MPC. In addition to 1 vacancy on the MPC from the Senate side, 2 seats remain to be filled by the Sejm.

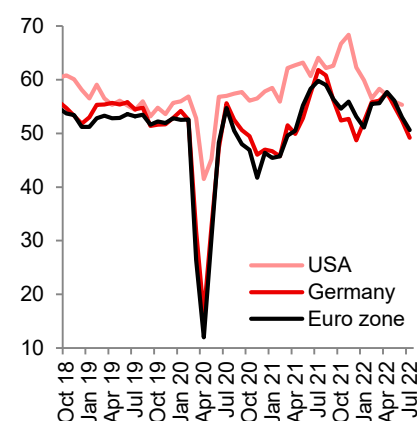
**EURUSD** slipped below 1.02 from 1.0250. The dollar strengthened due to the increase in geopolitical tensions in US-China relations and statements by dovish Fed members (Evans, Daly) supporting significant rate hikes in the US and the determination of the Fed to combat inflation.

**EURPLN** from went down to 4.71 from 4.72. In the absence of domestic data, the exchange rate tried to go down to 4.70, but the strengthening dollar stopped these tendencies. This morning the exchange rate is again near 4.72. Global market sentiment will determine the exchange rate movements in the next few days.

**Other CEE currencies:** EURCZK rose from near 24.62 to 24.65. The Czech koruna is weakening ahead of Thursday's CNB meeting. EURHUF fell from around 399 to near 397. High NBH interest rates began to support the forint. The 3-month Hungarian interbank market rate reached 12%, well above current levels of the NBH base rate (10.75%).

**Debt market:** The domestic yield curve rose by about 20bp on average. Monday's strengthening of domestic debt after a weaker PMI reading was completely offset. Markets were again concerned about rising inflation in the wake of the OPEC+ meeting. ASW spreads widened by several points. The fundamentals for at least a temporary upward correction were also building in the main markets. After trying to set new 3-month lows, yields in Germany and the US ended the day on the upside.

PMI indices in services, pts



Source: S&P Global, Santander

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### FX market

#### Today's opening

EURPLN	4.7184	CZKPLN	0.1911
USDPLN	4.6374	HUFPLN*	1.1773
EURUSD	1.0174	RUBPLN	0.0770
CHFPLN	4.8447	NOKPLN	0.4746
GBPPLN	5.6397	DKKPLN	0.6334
USDCNY	6.7512	SEKPLN	0.4527

\*for 100HUF

#### Last session in the FX market 02/08/2022

	min	max	open	close	fixing
EURPLN	4.7018	4.7249	4.7191	4.7114	4.7092
USDPLN	4.5891	4.6368	4.5931	4.6215	4.5984
EURUSD	1.0179	1.0276	1.0269	1.0194	-

### Interest rate market 02/08/2022

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.81	15
DS0726 (5Y)	6.15	27
DS0432 (10Y)	5.64	26

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.49	9	3.45	12	0.95	7
2L	6.94	7	3.29	18	1.18	6
3L	6.38	9	3.10	21	1.24	6
4L	5.96	11	2.96	23	1.31	7
5L	5.68	12	2.88	24	1.42	10
8L	5.36	12	2.80	22	1.57	6
10L	5.33	12	2.81	19	1.67	5

#### WIBOR rates

Term	%	Change (bps)
O/N	6.77	0
T/N	6.86	6
SW	6.82	4
2W	6.83	4
1M	6.77	3
3M	7.01	0
6M	7.30	0
1Y	7.43	-1

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

Term	%	Change (bps)
1x4	7.16	4
3x6	7.44	8
6x9	7.47	10
9x12	7.20	10
3x9	7.60	9
6x12	7.58	10

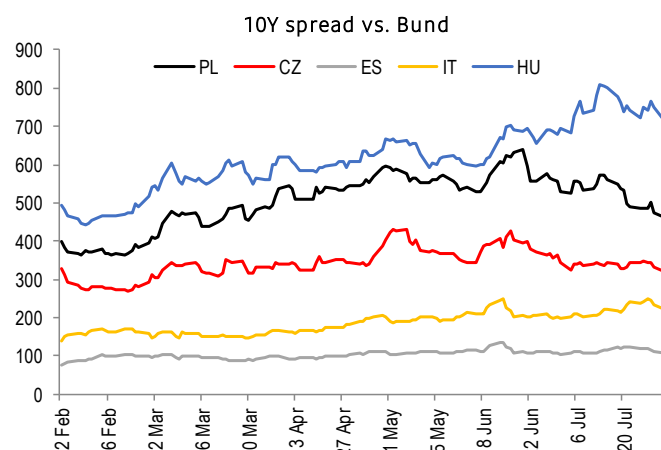
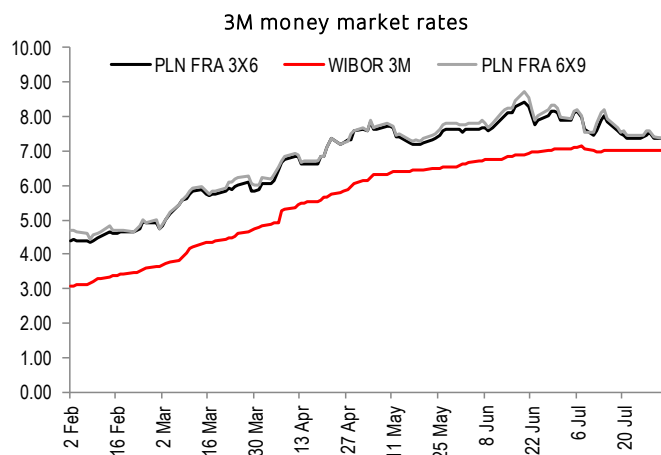
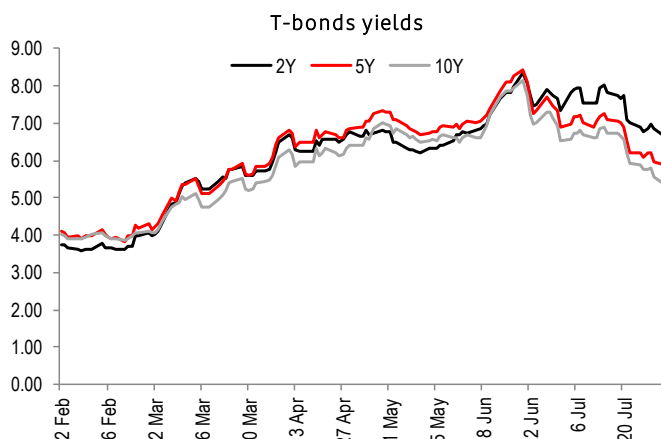
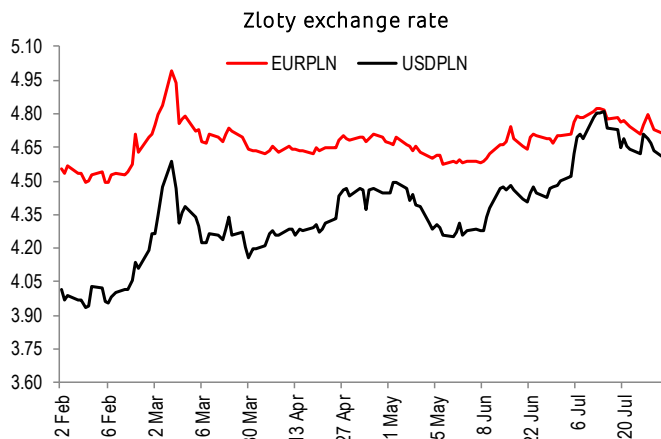
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	134	4	486	24
France	15	0	60	3
Hungary	197	3	722	6
Spain	55	2	115	6
Italy	75	0	226	4
Portugal	42	2	109	6
Ireland	13	0	68	2
Germany	13	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 (29 July)</b>							
09:00	CZ	GDP SA	2Q	% y/y	3.3	3.6	4.9
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Jul</b>	<b>% y/y</b>	<b>15.6</b>	<b>15.5</b>	<b>15.5</b>
10:00	DE	GDP WDA	2Q	% y/y	1.7	1.4	3.6
11:00	EZ	Flash HICP	Jul	% y/y	8.7	8.9	8.6
11:00	EZ	GDP SA	2Q	% y/y	3.4	4.0	5.4
14:30	US	Personal Spending	Jun	% m/m	0.9	1.1	0.3
14:30	US	Personal Income	Jun	% m/m	0.5	0.6	0.6
14:30	US	PCE Deflator SA	Jun	% m/m	0.9	1.0	0.6
16:00	US	Michigan index	Jul	pts	51.1	51.5	51.1
<b>MONDAY (1 August)</b>							
03:45	CN	Manufacturing PMI	Jul	pts	51.5	50.4	51.7
08:00	DE	Retail Sales	Jun	% m/m	0.4	-1.6	1.2
<b>09:00</b>	<b>PL</b>	<b>Manufacturing PMI</b>	<b>Jul</b>	<b>pts</b>	<b>42.9</b>	<b>42.9</b>	<b>42.1</b>
09:55	DE	Manufacturing PMI	Jul	pts	49.2	49.3	52.0
10:00	EZ	Manufacturing PMI	Jul	pts	49.6	49.8	52.1
11:00	EZ	Unemployment Rate	Jun	%	6.6	6.6	6.6
16:00	US	ISM manufacturing	Jul	pts	52.1	52.8	53.0
<b>TUESDAY (2 August)</b>							
No key events or releases							
<b>WEDNESDAY (3 August)</b>							
03:45	CN	Services PMI	Jul	pts	54.0	55.5	54.5
08:00	DE	Exports SA	Jun	% m/m	1.0	4.5	1.3
09:55	DE	Services PMI	Jul	pts	49.2	-	52.4
10:00	EZ	Services PMI	Jul	pts	50.6	-	53.0
11:00	EZ	Retail Sales	Jun	% m/m	0.0	-	0.2
16:00	US	Durable Goods Orders	Jun	% m/m	-	-	1.9
16:00	US	ISM services	Jul	pts	53.9	-	55.3
16:00	US	Factory Orders	Jun	% m/m	0.8	-	1.6
<b>THURSDAY (4 August)</b>							
08:00	DE	Factory Orders	Jun	% m/m	-1.2	-	0.1
14:30	US	Initial Jobless Claims	week	k	-	-	256
14:30	CZ	Central Bank Rate Decision		%	7.00	-	7.00
<b>FRIDAY (5 August)</b>							
08:00	DE	Industrial Production SA	Jun	% m/m	-0.4	-	0.2
09:00	HU	Industrial Production SA	Jun	% y/y	-	-	3.4
14:30	US	Change in Nonfarm Payrolls	Jul	k	250	-	372
14:30	US	Unemployment Rate	Jul	%	3.6	-	3.6

Source: Santander Bank Polska. Bloomberg. Parkiet

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

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