

6 September 2022

Eyeopener

Pessimism grows in European service sector

Today, data from the Czech Republic industry and US services
 Services PMIs in Germany and the Eurozone worse than initially calculated
 OPEC+ will minimally reduce oil supply in October
 EURUSD down to 0.99, CEE currencies weaker, domestic 10-year bonds cheapened

Today the new Prime Minister of the United Kingdom is to be sworn in. Liz Truss served so far as the foreign affairs minister. During the week she is to present her views on energy policy and support for energy receivers. In Poland the Economic Forum in Karpacz is starting. From the Czech Republic we will get to see July industrial output.

The final August PMI readings for services turned out to be worse than their preliminary calculations in the case of Germany and the Eurozone. Today we will see the most closely tracked indicator describing the health and expectations of the service sector in the USA. German industrial orders data for July released this morning showed a sixth consecutive decline in m/m terms.

OPEC+ surprised with a decision to reduce October oil supply by 100k barrels per day by affiliated countries. This decision reverses the September increase. Saudi Arabia, commenting on the decision, pointed out that this is an example of proactive action to stabilize the oil market. In general, the price of oil abandoned its downward trend in August, but fell quite rapidly at the turn of the month amid growing concerns about the energy crisis and the global economic slump.

Polish Prime Minister Mateusz Morawiecki told Polskie Radio that the price of electricity may be frozen in 2023, but only up to a certain level of its consumption.

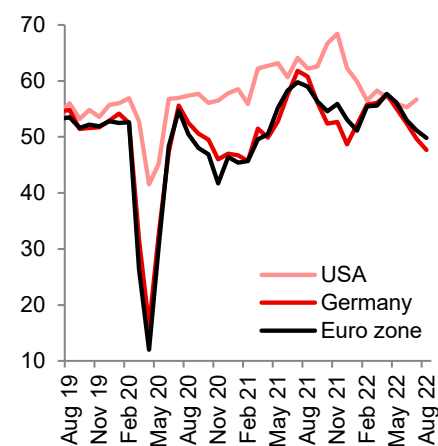
EURUSD from about 0.9950 moved closer to the level of 0.99, although early Monday, influenced by the news of Gazprom's "indefinite" suspension of gas supplies through the NS1 pipeline, the increase in global risk aversion caused the exchange rate to try to test levels below 0.99. The scale of the strengthening of the dollar may have been limited by the absence of US investors due to the Labor Day holiday in the US.

EURPLN from near 4.71, tried to attack the level of 4.74, but finally ended the day near 4.72. The specter of a gas crisis in Europe as a result of the suspension of gas supplies through the NS1 pipeline negatively affected the risk perception of CEE currencies, including the Polish zloty. The strengthening of the dollar on global markets also worked against the zloty.

Other CEE currencies: EURCZK rose to around 24.60 from around 24.52. CNB President Aleš Michl said that interest rates are already at high levels, which weakens domestic demand pressures. In his view, three factors are needed to lower inflation in the Czech Republic: reducing the state's debt, preventing a wage-price spiral, and keeping and stabilizing interest rates at a higher level than in the past 10 years. **EURHUF** rose to 404 from around 400 at the opening of the week, with the Hungarian currency losing ground on growing market concerns about a possible gas crisis in Europe.

Debt market: The domestic yield curve rose at the longer end by about 8 bps, but fell at the shorter end by about 7 bps. The entire IRS curve moved up by about 8 bps. FRA contracts also rose gently. The market is concerned that a potential gas crisis could have long-term implications for the domestic and European markets, but the factor limiting the increases, at least for now, is expectations of only small rate hikes by the NBP in the coming months.

Services sentiment indexes: PMIs and ISM



Source: Markit, ISM, Santander

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FX market

Today's opening

EURPLN	4,7166	CZKPLN	0,1912
USDPLN	4,7365	HUFPLN*	1,1584
EURUSD	0,9958	RUBPLN	0,0779
CHFPLN	4,8316	NOKPLN	0,4757
GBPPLN	5,4768	DKKPLN	0,6335
USDCNY	6,9408	SEKPLN	0,4389

*For 100HUF

Last session in the FX market 05.09.2022

	min	max	open	close	fixing
EURPLN	4,7127	4,7441	4,7341	4,7157	4,7263
USDPLN	4,7483	4,7832	4,7779	4,7514	4,769
EURUSD	0,9875	0,9943	0,9904	0,9927	-

Interest rate market 05.09.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0722 (2Y)	6,98	-7
DS0727 (5Y)	6,67	8
DS0432 (10Y)	6,15	8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,87	7	3,89	5	1,83	6
2L	7,55	6	3,80	6	2,18	6
3L	7,04	7	3,66	11	2,22	9
4L	6,70	9	3,55	12	2,26	12
5L	6,54	9	3,45	10	2,30	8
8L	6,27	9	3,27	2	2,41	10
10L	6,19	9	3,30	3	2,50	11

WIBOR rates

Term	%	Change (bps)
O/N	6,74	-2
T/N	6,83	4
SW	6,92	3
2W	6,97	2
1M	7,05	9
3M	7,16	1
6M	7,36	1
1Y	7,51	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7,42	4
3x6	7,74	5
6x9	7,85	4
9x12	7,71	4
3x9	7,92	6
6x12	7,99	1

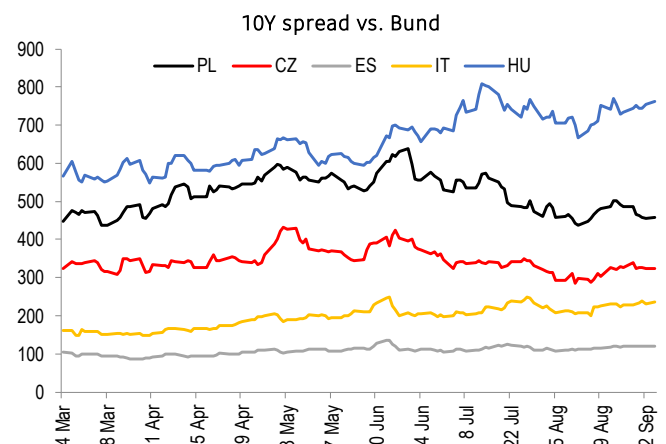
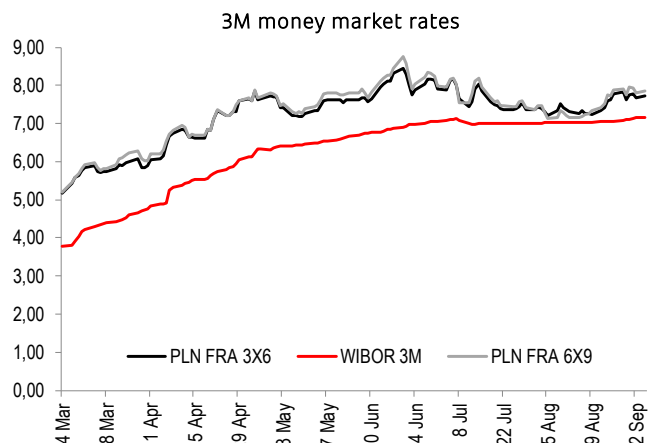
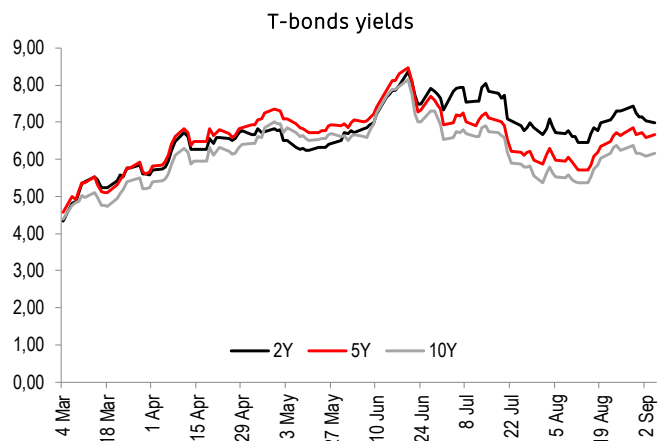
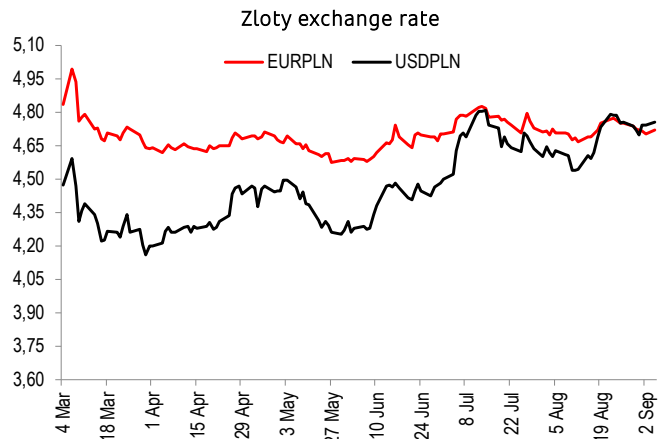
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	145	0	459	3
France	13	0	63	0
Hungary	196	0	761	6
Spain	53	0	121	1
Italy	70	0	237	6
Portugal	40	0	112	1
Ireland	14	0	66	1
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		
FRIDAY (2 September)								
08:00	DE	Exports SA	Jul	% m/m	-2.75	-	-2.1	4.4
14:30	US	Change in Nonfarm Payrolls	Aug	k	300	-	315	526
14:30	US	Unemployment Rate	Aug	%	3.5	-	3.7	3.5
16:00	US	Durable Goods Orders	Jul	% m/m	0.0	-	-0.1	0.0
16:00	US	Factory Orders	Jul	% m/m	0.2	-	-1.0	1.8
MONDAY (5 September)								
03:45	CN	Caixin China PMI Services	Aug	pts	54.0	-	55.0	55.5
09:55	DE	Markit Germany Services PMI	Aug	pts	48.2	-	47.7	49.7
10:00	EZ	Eurozone Services PMI	Aug	pts	50.2	-	49.8	51.2
11:00	EZ	Retail Sales	Jul	% m/m	0.5	-	0.3	-1.0
TUESDAY (6 September)								
08:00	DE	Factory Orders	Jul	% m/m	-0.5	-	-1.1	-0.3
09:00	CZ	Industrial Production	Jul	% y/y	-1.6	-		1.7
16:00	US	ISM services	Aug	pts	55.2	-		56.7
WEDNESDAY (7 September)								
	PL	MPC decision		%	6.75	6.75		6.5
08:00	DE	Industrial Production SA	Jul	% m/m	-0.5	-		0.4
09:00	HU	Industrial Production SA	Jul	% y/y	0.0	-		4.8
11:00	EZ	GDP SA	2Q	% y/y	3.9	-		3.9
THURSDAY (8 September)								
09:00	HU	CPI	Aug	% y/y	16.0	-		13.7
14:15	EZ	ECB Main Refinancing Rate	Sep/22	%	1.25	-		0.5
14:30	US	Initial Jobless Claims	Sep/22	k	247.5	-		232.0
FRIDAY (9 September)								
03:30	CN	Inflation	VIII	% r/r	2.8	-		2.7
03:30	CN	PPI	VIII	% r/r	3.2	-		4.2

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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