3 August 2023

Eyeopener

Revival in mortgage loan market

Today, services PMIs, BoE and CNB to decide on interest rates
Sharp rise in demand for mortgage loans in July
Minimal changes of the zloty, bond yields slightly higher

Today, new final services PMIs will be published. The indices for Germany and the Eurozone will likely confirm their flash values (52.0 pts and 51.1 pts, respectively). The Chinese PMI was published overnight, showing a slight increase to 54.1 pts, above expectations. In turn, German export and import data - which have also already been released - disappointed, respectively rising by 0.1% and falling by 3.4% m/m. New data will also flow-in from the US, presenting last week's number of new jobless claims, and, from the industrial sector, data on durable goods orders and industrial orders, whose growth, according to consensus, slowed in June. Finally, the Bank of England and the Czech National Bank will decide about interest rates. We expect the BoE to raise interest rates by 25bp to 5.25% and the CNB to keep the rates unchanged at 7%, while maintaining its hawkish rhetoric. Last night, the Bank of Brazil cut interest rates by 50bp, more than expected, signalling further cuts ahead.

Demand for mortgages surged. According to the BIK, demand for mortgages increased by 273.1% y/y in July. The number of applications for mortgages amounted to 43.5k, which is 208% more than a year ago, and the average value of an applied-for mortgage rose 21% y/y. This was the best result recorded since the data are collected, i.e. 2008. A key driver of the increase in the demand was the new programme 'Secure Mortgage 2%'. According to the government, around 20k mortgage applications have been made so far under the programme.

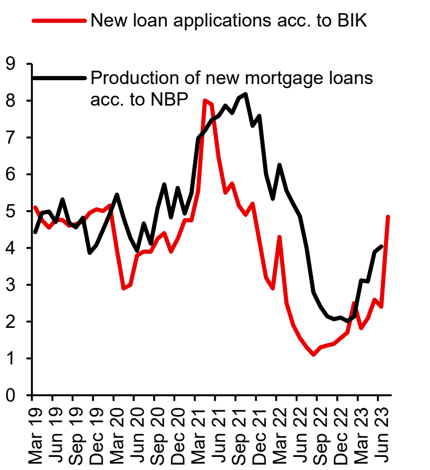
Government officials herald interest rate cuts. Waldemar Buda, Minister of Development and Technology, said that a 50bp rate cut this year is a realistic option. Artur Soboń, deputy finance minister, said that inflation will be for sure in single digits in September and there is a 50% chance that it will also be in August. He added that there is certainly room for an interest rate cut decision and that as inflation keeps falling, the room will increase.

The US labour market is again surprisingly positive. According to the ADP report, 324k jobs were added in the private sector in July, against an expected increase of 185k, following an above-average increase in June (by 455k, revised from 497k). Again, the vast majority of jobs were created in the services sector (303k). The worst performing sector was manufacturing, where job losses are now in their fifth month, amounting to 36k jobs in July. It is worth remembering though that the ADP data sometimes decouple substantially from the official employment numbers.

The zloty remained largely unchanged near 4.44. The EURPLN exchange rate fluctuated in a narrow range of 4.43-4.46 and was almost unchanged from the previous day's close despite the dollar's strengthening against the euro. The dollar gained in response to stronger-than-forecast ADP data, among other factors, with EURUSD falling to 1.094 and USDPLN rising to 4.06. Currencies in the region behaved weaker and both the forint and the Czech koruna lost against the euro. A factor that potentially may not have supported the currencies of emerging economies was the downward revision of the US rating by Fitch, but also some EM currencies strengthened yesterday, so the impact of this factor was rather limited. Today, support for the koruna may come from the CNB's hawkish tone.

Slight increases in yields. Yesterday's session saw FRA rates rise by 2-6 bp, IRS rates by around 3 bp and bond yields by 3-5 bp. This may have been supported by anticipation of today's switch auction or a correction of the still excessive expectations of interest rate cuts. Movements in the core markets were mixed, after rate falls in the first part of the session in reaction to the US rating downgrade by Fitch in the afternoon, US yields rose strongly, certainly in reaction to US labour market data. Given that in our view the market is pricing in the scale of interest rate cuts too aggressively, we see room for an upward adjustment in rates.

New loan applications vs sales of new mortgage loans, PLNbn



Source: BIK, NBP, Santander

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FX market

Today's opening

EURPLN	4.4443	CZKPLN	0.1852
USDPLN	4.0691	HUFPLN*	1.1363
EURUSD	1.0922	RUBPLN	0.0434
CHFPLN	4.6277	NOKPLN	0.3954
GBPPLN	5.1653	DKKPLN	0.5966
USDCNY	7.1912	SEKPLN	0.3795

*for 100HUF

Last session in the FX market **02/08/2023**

	min	max	open	close	fixing
EURPLN	4.4359	4.4600	4.4495	4.4443	4.4484
USDPLN	4.0396	4.0845	4.0495	4.0634	4.0497
EURUSD	1.0916	1.1000	1.0987	1.0936	-

Interest rate market **02/08/2023**

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.45	3
WS0428 (5Y)	5.36	2
DS1033 (10Y)	5.49	4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.97	2	5.59	-2	3.88	-2
2L	5.25	3	5.07	-3	3.68	-4
3L	4.88	4	4.67	-3	3.45	-3
4L	4.72	4	4.42	-2	3.30	-3
5L	4.65	4	4.29	1	3.23	-2
8L	4.66	4	4.11	3	3.13	-2
10L	4.76	5	4.08	4	3.12	-1

WIRON rate

Term	%	Change (bps)
WIRON	6.26	88

WIBOR rates

Term	%	Change (bps)
O/N	6.73	17
T/N	6.81	-1
SW	6.82	-4
1M	6.82	-3
3M	6.74	2
6M	6.59	-1
1Y	6.55	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.58	0
3x6	6.18	5
6x9	5.46	4
9x12	4.98	3
3x9	6.04	4
6x12	5.32	3

Measures of fiscal risk

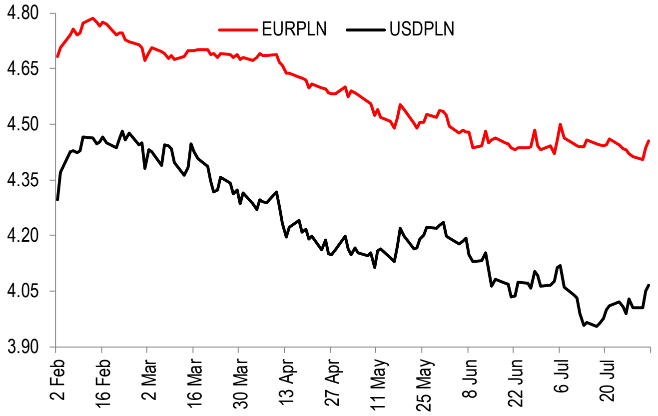
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	0	299	5
France	13	0	57	0
Hungary	156	0	496	-1
Spain	48	0	107	2
Italy	35	1	169	2
Portugal	36	0	77	0
Ireland	17	0	44	-1
Germany	10	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

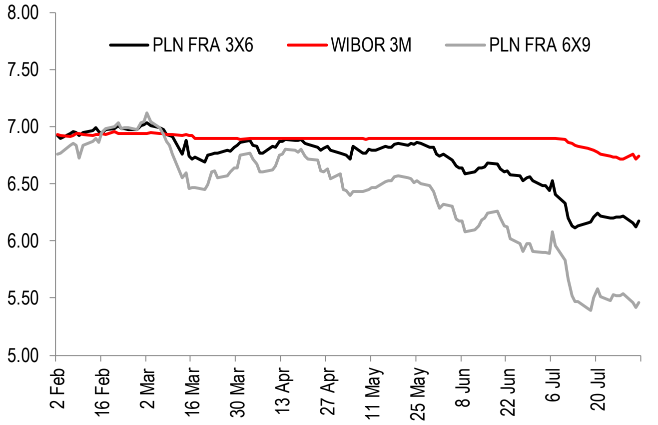
Source: Refinitiv, Datastream

Zloty exchange rate

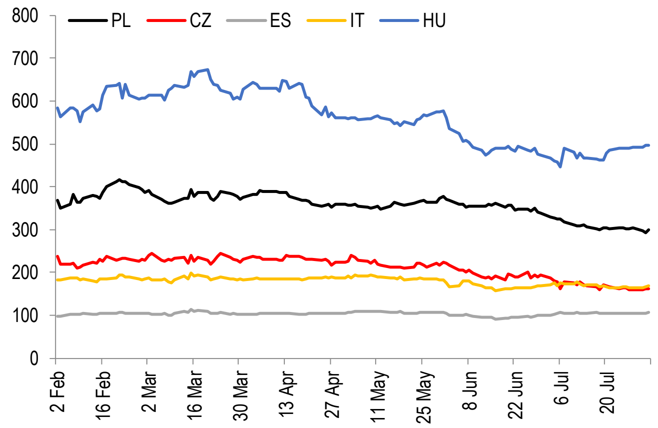


T-bonds yields

3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (28 July)					
11:00	EZ	ESI	Jul	pct.	95.0	-	94,5	95,3
14:00	DE	HICP	Jul	% m/m	0.55	-	0,5	0,4
14:30	US	Personal Spending	Jun	% m/m	0.4	-	0,5	0,2
14:30	US	Personal Income	Jun	% m/m	0.5	-	0,3	0,5
14:30	US	PCE Deflator SA	Jun	% m/m	0.2	-	0,2	0,1
16:00	US	Michigan index	Jul	pts	72.6	-	71,6	72,6
			MONDAY (31 July)					
08:00	DE	Retail Sales	Jun	% m/m	-0.3	-	-0.8	1.9
09:00	CZ	GDP SA	2Q	% y/y	0.0	-	-0,6	-0.5
10:00	**PL**	**CPI**	**Jul**	**% y/y**	**11.0**	**10,9**	**10,8**	**11.5**
10:00	DE	GDP WDA	2Q	% y/y	-0.3	-	-0,1	-0.5
11:00	EZ	Flash HICP	Jul	% y/y	5.2	-	5,3	5.5
11:00	EZ	GDP SA	2Q	% y/y	0.4	-	0,6	1.1
			TUESDAY (1 August)					
09:00	**PL**	**Poland Manufacturing PMI**	**Jul**	**pts**	**44.3**	**44.5**	**43,5**	**45.1**
09:55	DE	Germany Manufacturing PMI	Jul	pts	38.8	-	38,8	38.8
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	42.7	-	42,7	42.7
11:00	EZ	Unemployment Rate	Jun	%	6.5	-	6,4	6.5
16:00	US	ISM manufacturing	Jul	pts	47.0	-	46,4	46.0
			WEDNESDAY (2 August)					
14:15	US	ADP report	Jul	k	185.0	-	324	497.0
			THURSDAY (3 August)					
03:45	CN	Caixin China PMI Services	Jul	pts	52.7	-	54.1	53.9
08:00	DE	Exports SA	Jun	% m/m	0.0	-	0.1	0.3
09:55	DE	Markit Germany Services PMI	Jul	pts	52.0	-	-	52.0
10:00	EZ	Eurozone Services PMI	Jul	pts	51.1	-	-	51.1
13:00	UK	BOE Rate Decision	Aug	%	5.25	-	-	5.00
14:30	US	Durable Goods Orders	Jun	% m/m	1.3	-	-	4.7
14:30	US	Initial Jobless Claims	Aug.23	k	235	-	-	221
14:30	CZ	Central Bank Rate Decision	Aug	%	7.00	-	-	7.00
16:00	US	ISM services	Jul	pts	53.1	-	-	53.9
16:00	US	Factory Orders	Jun	% m/m	-0.05	-	-	0.3
			FRIDAY (4 August)					
08:00	DE	Factory Orders	Jun	% m/m	-2.4	-	-	6.4
08:30	HU	Industrial Production SA	Jun	% y/y	0.0	-	-	-4.6
11:00	EZ	Retail Sales	Jun	% m/m	0.0	-	-	0.0
14:30	US	Change in Nonfarm Payrolls	Jul	k	190.0	-	-	209.0
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*

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.