

8 August 2024

Eyeopener

Investors' sentiment still unstable

Today, new jobless claims in the USA
Uncertain future of the government's mortgage subsidy programme
Poland negotiates with EU a "technical" extension of RRF deadline
Further zloty selloff, market rates went higher

Today, the US will publish data on the number of initial jobless claims in the last week. According to the market consensus, the data should show a decline in the number of new unemployed, but it is still expected to remain clearly above the levels observed before June. In addition, in the morning, July CPI inflation print was released in Hungary and this time around it was slightly higher than had been expected, showing an acceleration of inflation to 4.1% y/y from 3.7% in June (median forecast stood at 4.0% y/y).

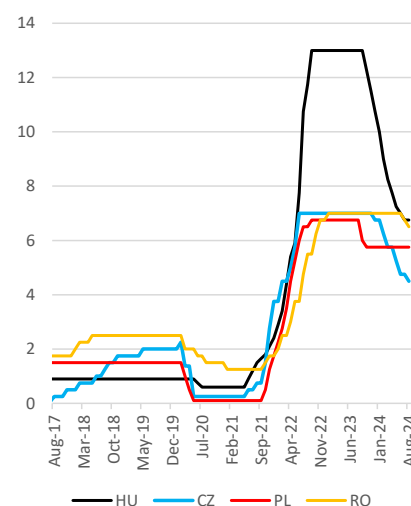
The Ministry of Family, Labour and Social Policy has assessed that the new programme of housing loan subsidies may lead to an even greater crisis on the housing market, instead of contributing to the improvement of housing availability. The ministry expressed concerns that the new subsidies will lead to an increase in prices on the housing market, and as a result, will limit the availability of real estate. The Ministry of Labour and Social Policy is already the fifth ministry, which has submitted critical comments to the draft law (after the Ministries of Finance, Funds and Regional Policy, Climate and Environment, and Justice, as well as after the National Bank of Poland).

Poland is in talks with the European Commission about a small "technical" extension of the Recovery Plan implementation by 6-8 months, said the Minister of Funds and Regional Policy Katarzyna Pełczyńska-Nałęcz on TOK FM radio. The minister added that such an extension would change a lot, as it would allow projects to be implemented, completed and settled. Currently, funds from the National Recovery Plan can be spent until the end of 2026.

Further weakening of the zloty. In the stock markets, sentiment was mixed with slight gains in European markets and declines in the US. The EURUSD exchange rate was little changed near 1.093. The Czech koruna and the Hungarian forint also saw marginal changes, with the zloty slightly losing ground to the euro to above 4.32. Yesterday, the Bank of Romania cut interest rates for the second month in a row by 25 bps to 6.5%, after inflation recently fell more sharply than expectations, with a lower projected inflation path than in the previous projection, entering the target band at the forecast horizon. Analysts' expectations ahead of the meeting were divided (according to Bloomberg, a slight majority bet on no change). This morning, EURPLN is stabilizing at yesterday's levels, around 4.322, affected by still jittery investor sentiment - the Asian trading session again today saw stock prices decline, following in the footsteps of indices in the US, and there are growing fears of escalating conflict in the Middle East in anticipation of possible Iran's attack on Israel. In the absence of domestic news, foreign signals are likely to remain key to zloty performance in the coming days. Should global risk aversion begin to fade, the zloty should start gaining again, being supported by, among other things, the much further prospect of central bank interest rate cuts than in most countries, and a clearly better outlook for economic growth than in neighbouring countries in the region, in our view.

Upward correction in market rates. FRA rates rose by 2-8 bps on Wednesday, IRS by 4-8 bps, and bond yields by about 10 bps, translating into further widening of asset swap spreads. In the near term, we rather assume a continuation of the upward move in rates in view of the still distant interest rate cuts in Poland and probably a smaller scale of rate cuts than the market is pricing in in the US as well.

Central bank rates (%)



Source: LSEG, Santander

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4.3184 | CZKPLN | 0.1708 |
| USDPLN | 3.9493 | HUFPLN* | 1.0735 |
| EURUSD | 1.0939 | RUBPLN | 0.0460 |
| CHFPLN | 4.5930 | NOKPLN | 0.3662 |
| GBPPLN | 5.0163 | DKKPLN | 0.5788 |
| USDCNY | 7.1590 | SEKPLN | 0.3785 |

*for 100HUF

Last session in the FX market

07/08/2024

| | min | max | open | close | fixing |
|--------|--------|--------|--------|--------|--------|
| EURPLN | 4.2984 | 4.3236 | 4.3048 | 4.3217 | 4.3158 |
| USDPLN | 3.9398 | 3.9618 | 3.9470 | 3.9550 | 3.9526 |
| EURUSD | 1.0905 | 1.0936 | 1.0911 | 1.0924 | |

Interest rate market

07/08/2024

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| OK0426 (2Y) | 4.80 | 9 |
| WS0429 (5Y) | 5.06 | 7 |
| DS1033 (10Y) | 5.24 | 10 |

IRS on the interbank market**

| Term | PL | US | EZ |
|------|--------------|--------------|--------------|
| | % | % | % |
| | Change (bps) | Change (bps) | Change (bps) |
| 1L | 5.56 | 4.57 | 3.05 |
| 2L | 4.91 | 4.05 | 2.74 |
| 3L | 4.55 | 3.84 | 2.60 |
| 4L | 4.42 | 3.76 | 2.54 |
| 5L | 4.39 | 3.74 | 2.52 |
| 8L | 4.42 | 3.73 | 2.52 |
| 10L | 4.47 | 3.77 | 2.55 |

WIRON rate

| Term | % | Change (bps) |
|-------|------|--------------|
| WIRON | 5.39 | 0 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 5.70 | -5 |
| T/N | 5.77 | 0 |
| SW | 5.83 | -1 |
| 1M | 5.85 | 1 |
| 3M | 5.85 | 0 |
| 6M | 5.85 | -1 |
| 1Y | 5.85 | -1 |

FRA rates on the interbank market**

| Term | % | Change (bps) |
|------|------|--------------|
| 1x4 | 5.82 | 1 |
| 3x6 | 5.68 | 3 |
| 6x9 | 5.34 | 2 |
| 9x12 | 4.87 | 3 |
| 3x9 | 5.65 | 0 |
| 6x12 | 5.29 | 3 |

CDS rates and 10Y yield spread vs. German Bund

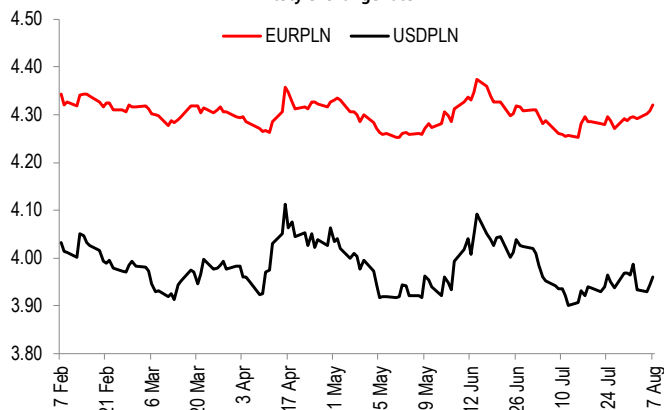
| Country | CDS 5Y USD | 10Y spread* |
|----------|--------------|--------------|
| | Level | Level |
| | Change (bps) | Change (bps) |
| Poland | 66 | 297 |
| France | 16 | 74 |
| Hungary | 122 | 407 |
| Spain | 39 | 86 |
| Italy | 28 | 143 |
| Portugal | 24 | 65 |
| Ireland | 13 | 42 |
| Germany | 6 | - |

* 10Y treasury bonds over 10Y Bunds

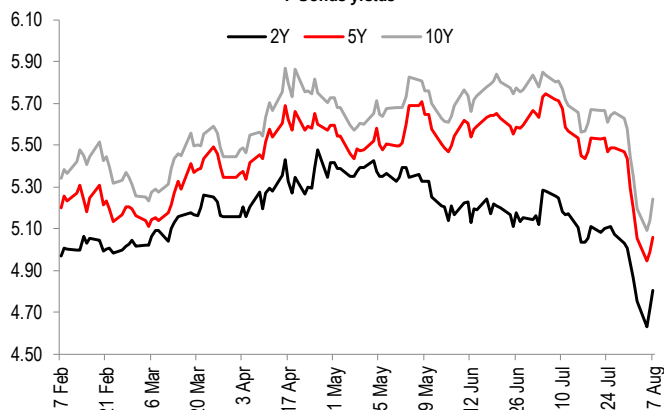
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

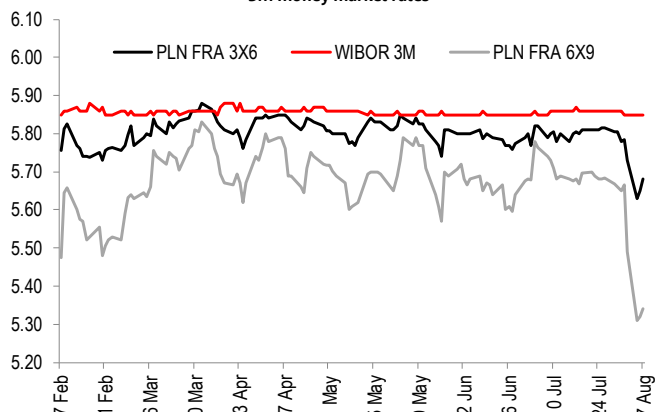
Zloty exchange rate



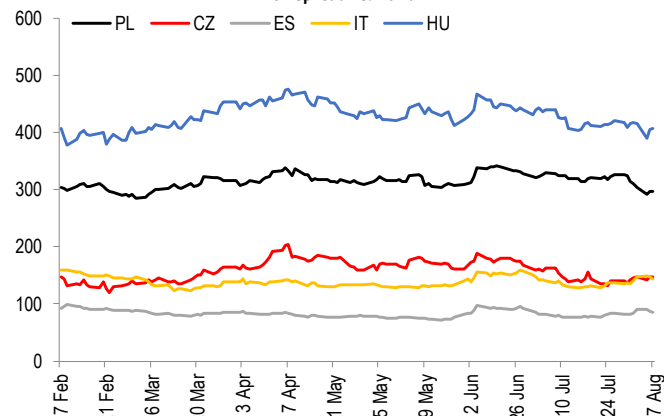
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

| TIME CET | COUNTRY | INDICATOR | PERIOD | FORECAST | | ACTUAL | LAST | |
|----------------------|---------|-----------------------------|--------|----------|-----------|--------|--------|------|
| | | | | MARKET | SANTANDER | VALUE | VALUE* | |
| FRIDAY (2 August) | | | | | | | | |
| 14:30 | US | Change in Nonfarm Payrolls | Jul | k | 175 | - | 114 | 179 |
| 14:30 | US | Unemployment Rate | Jul | % | 4.1 | - | 4.3 | 4.1 |
| 16:00 | US | Durable Goods Orders | Jun | % m/m | -6.6 | - | -6.7 | -6.6 |
| 16:00 | US | Factory Orders | Jun | % m/m | -3.2 | - | -3.3 | -0.5 |
| MONDAY (5 August) | | | | | | | | |
| 03:45 | CN | Caixin China PMI Services | Jul | pts | 51.5 | - | 52.1 | 51.2 |
| 09:55 | DE | Markit Germany Services PMI | Jul | pts | 52.0 | - | 52.5 | 53.1 |
| 10:00 | EZ | Eurozone Services PMI | Jul | pts | 52.0 | - | 51.9 | 52.8 |
| 16:00 | US | ISM services | Jul | pts | 51.3 | - | 51.4 | 48.8 |
| TUESDAY (6 August) | | | | | | | | |
| 08:00 | DE | Factory Orders | Jun | % m/m | 0.5 | - | 3.9 | -1.6 |
| 09:00 | CZ | Industrial Production | Jun | % y/y | -7.6 | - | -3.4 | -3.2 |
| 11:00 | EZ | Retail Sales | Jun | % m/m | -0.2 | - | -0.3 | 0.1 |
| WEDNESDAY (7 August) | | | | | | | | |
| 08:00 | DE | Industrial Production SA | Jun | % m/m | 1.0 | - | 1.4 | -3.1 |
| 08:00 | DE | Exports SA | Jun | % m/m | -1.5 | - | -3.4 | -3.1 |
| 08:30 | HU | Industrial Production SA | Jun | % y/y | -3.8 | - | -3.7 | -4.9 |
| THURSDAY (8 August) | | | | | | | | |
| 08:30 | HU | CPI | Jul | % y/y | 3.9 | - | 4.1 | 3.7 |
| 14:30 | US | Initial Jobless Claims | weekly | k | 236 | - | - | 249 |
| FRIDAY (9 August) | | | | | | | | |
| 08:00 | DE | HICP | Jul | % m/m | 0.5 | - | - | 0.5 |

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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