

23 July 2021

Weekly Economic Update

CPI in Poland, a lot of data abroad

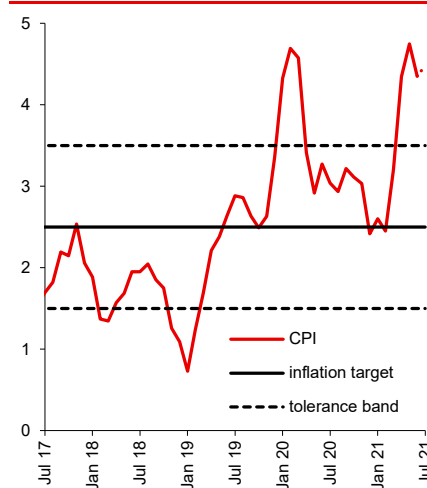
Economy next week

- The calendar at the upcoming week is, in contrast to the passing one, relatively empty in Poland – on Thursday there is **preliminary July CPI inflation** print, market expects 4.7% y/y, vs 4.5% y/y, versus 4.4% y/y in June. There are however **a lot of pretty important events** planned abroad. Preliminary Q2 GDP is being published in the US (Thursday) as well as in the euro and in the Czech Republic (Friday). July preliminary inflation is published in Germany (Thursday) euro and the USA (Friday, PCE index). On top of that business cycle indicators are due for release in Germany (Monday, IFO), Eurozone (Thursday, ESI) and the US (Friday, Michigan index). Central banks of Hungary (Tuesday, 10-15bp hike) and the USA (Wednesday, unchanged) are deciding on rates. Further data from the US real estate market are published on Monday and Thursday. Euro zone labour market data are expected on Friday.

Markets next week

- The dollar has been strengthening vs other currencies from the start of June, and dynamically since the mid-June. Since then there was no material price correction which we interpret that the likelihood of further dollar strengthening is high. The zloty does not need external factors to weaken: dovish NBP, worse C/A reading, escalation of the conflict with the EU regarding the rule of law (the lack of Polish response before the 16 August deadline risks financial penalties from the ECJ) as well as nearing (2 September) High Court ruling regarding the CHF mortgages make investors cautious, to say the least. **In the next week we expect EURPLN to remain within the 4.55-4.60 range with the risk of breaking to the upside.**
- On the Polish fixed income markets FRA contracts have offset 2/3 of the falls which happened after the dovish conference of NBP Adam Glapiński on 16 July. Despite that, bond yields are kept low thanks to the low core market yields as well as a significant redemption of the PS0721 bond worth PLN11.7bn in the following week. Today's outright sale auction of the MinFin capped at max PLN6.5bn is only likely to mitigate the problem without solving it completely. We still expect higher yields in the medium term as the fundamentals have not changed much, however **next week we only expect delicate POLGB yield increases as the market rebounds from the panic early this week, we expect 10Y POLGB yields to march towards 1.60%-1.65%**

CPI inflation, % y/y



Source: NBP, GUS, Santander

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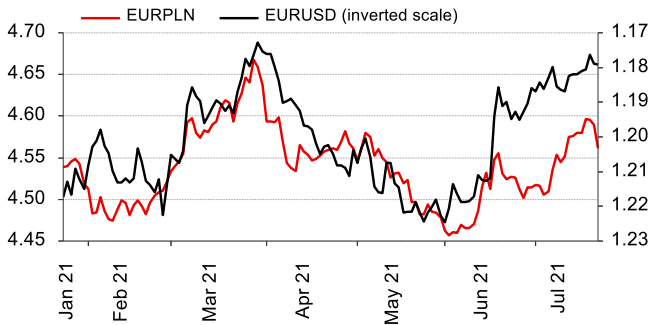
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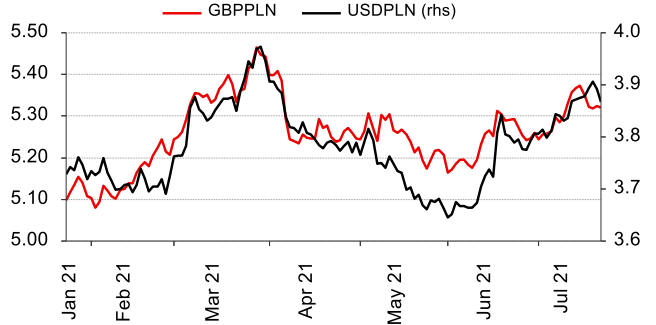
FX and FI markets

EURPLN and EURUSD



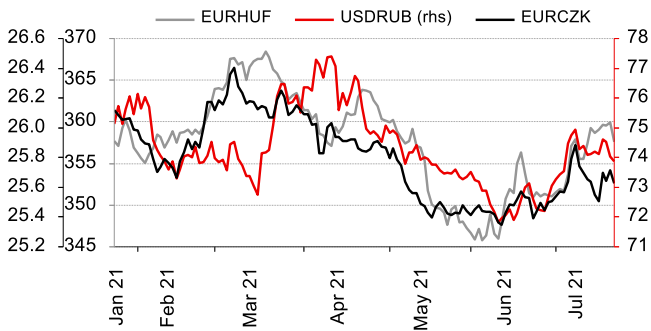
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



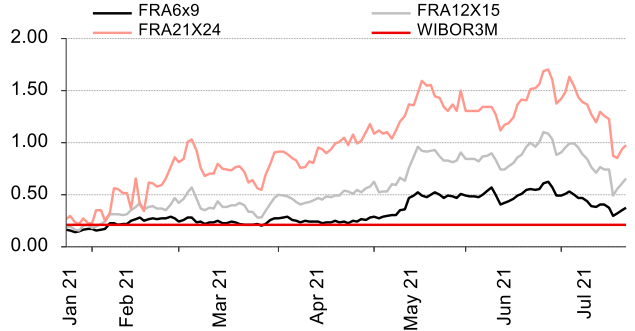
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



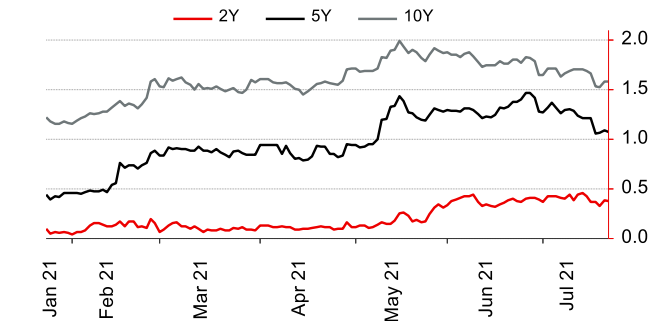
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



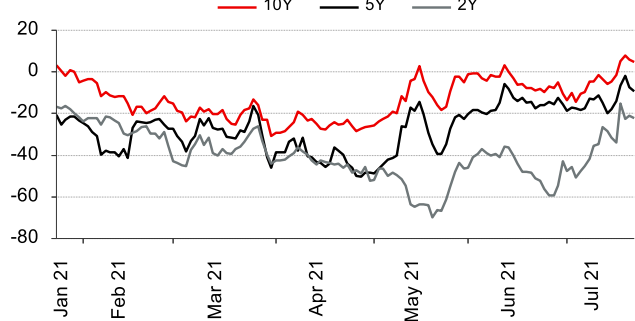
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



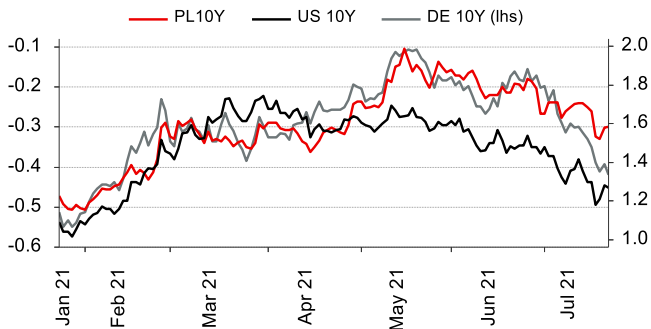
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



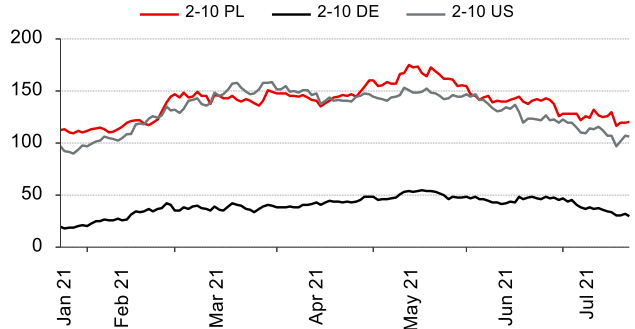
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander Bank Polska

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
MONDAY (26 July)						
10:00	DE	IFO Business Climate	Jul	pts	102.0	101.8
16:00	US	New Home Sales	Jun	% m/m	4.0	-5.9
TUESDAY (27 July)						
	DE	Retail Sales	Jun	% m/m	1.8	4.2
14:00	HU	Central Bank Rate Decision	Jul/21	%	1.0	0.9
14:30	US	Durable Goods Orders	Jun	% m/m	2.1	2.3
16:00	US	Consumer Conference Board	Jul	pts	124.0	127.3
WEDNESDAY (28 July)						
20:00	US	FOMC decision	Jul/21		0.25	0.25
THURSDAY (29 July)						
11:00	EZ	ESI	Jul	pct.	118.7	117.9
14:00	DE	HICP	Jul	% m/m	0.4	0.4
14:30	US	GDP Annualized	2Q	% Q/Q	8.3	6.4
14:30	US	Initial Jobless Claims		k		419.0
16:00	US	Pending Home Sales	Jun	% m/m	1.0	8.0
FRIDAY (30 July)						
09:00	CZ	GDP SA	2Q	% y/y	-	-2.4
10:00	PL	CPI	Jul	% y/y	4.7	4.5
10:00	DE	GDP WDA	2Q	% y/y	9.6	-3.1
11:00	EZ	Flash HICP	Jul	% y/y	2.1	1.9
11:00	EZ	GDP SA	2Q	% y/y	13.3	-1.3
11:00	EZ	Unemployment Rate	Jun	%	7.9	7.9
14:30	US	Personal Spending	Jun	% m/m	0.6	0.0
14:30	US	Personal Income	Jun	% m/m	-0.7	-2.0
14:30	US	PCE Deflator SA	Jun	% m/m	0.7	0.4
16:00	US	Michigan index	Jul	pts	80.8	80.8

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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