

# Weekly Economic Update

## Major central banks keep hiking rates

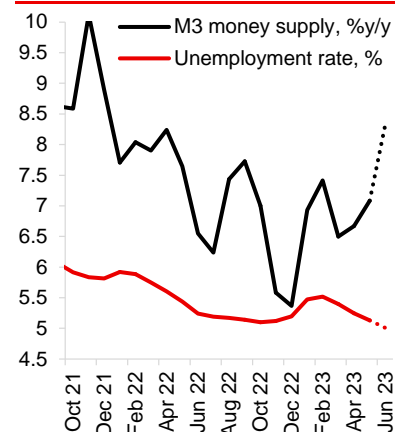
### Economy next week

- From the point of view of the contents of the economic events calendar, next week does not look like a 'silly season' and the weight of the information to be released may snap the markets out of their summer holiday slumber.
- **Decisions on interest rates will be taken by the Fed and the ECB.** Both have communicated that their monetary policies have not been tightened enough yet and the market is pricing in a 25bp hikes at these meetings. The Hungarian central bank will also decide on rates - the main rate (13%) will not be changed in our view, but MNB may again cut the 1-day deposit rate (16%) by 100bp.
- Among the upcoming data we have both the most tracked leading indicators (**PMI indices**) and one of the most interesting information from the economic 'rear-view mirror' (the **first estimate of US economic growth in 2Q**). As for the PMIs, the market fears a further deterioration in sentiment in the service sector of Germany and the whole euro area in July, but sees little room for further declines in their manufacturing indices. A positive surprise in European industry would now be an important signal, but we feel it may still be too early for it to emerge.
- Also, **important publications on inflation** are on the schedule: preliminary estimates for July from Germany, France and Spain and the June PCE inflation reading in the US.
- **In Poland, we will get to see the money supply**, in our view accelerating above 8% y/y for the first time in more than a year, the unemployment rate (falling to 5% despite the slowdown affecting the Polish economy) and other less important details on the economy included in the Statistical Bulletin. At the end of the week, the European Commission will show July's ESI indicators, including for Poland.

### Markets next week

- The past week was marked by depreciation pressure in the region, including due to the stronger dollar, but at the same time it became just another opportunity to show the resilience of the zloty. The CZK and HUF lost 1-2% to the euro, while the EURPLN remained almost unchanged, rising slightly only towards the end of the week. The Czech koruna has remained in a depreciating trend since mid-April. Although the rate of weakening of the CZK is slightly faster than envisaged in the CNB's latest projection, the currency may still lose in the coming months. The forint remained highly sensitive to risk appetite, it also weakened under the influence of concerns about the fiscal situation and may lose further in the perspective of the following months. In turn, the pace of the zloty's weakening may be limited by potential BGK's activity in the market, but **we still assume that the EURPLN exchange rate will go rather upwards.**
- **The upward market rates correction we wrote about in the previous weekly report actually took off** during the week. The outcome of Friday's auction suggests that if it were to drag on into next week, its scale is likely to be limited. The calendar does, however, contain a number of items that could drive up volatility in the markets.

### Money supply

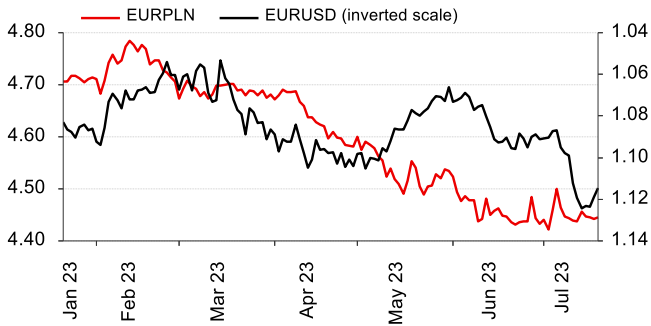


Source: GUS, Santander

### Economic Analysis Department:

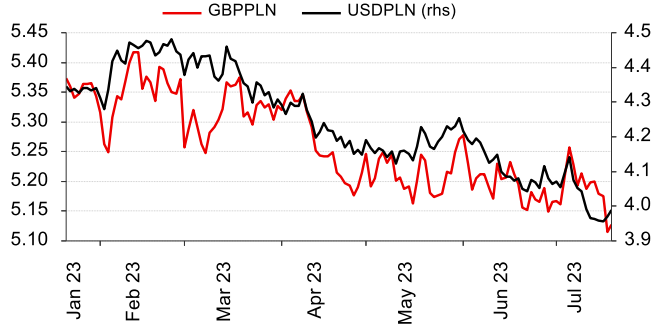
al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
**Piotr Bielski** +48 691 393 119  
**Bartosz Białas** +48 517 881 807  
**Cezary Chrapek, CFA** +48 887 842 480  
**Marcin Luźniński** +48 510 027 662  
**Grzegorz Ogonek** +48 609 224 857

**EURPLN and EURUSD**



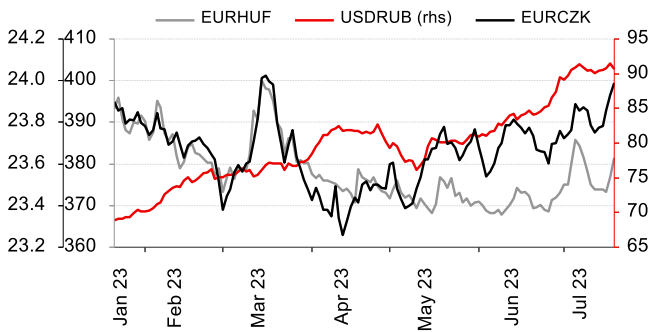
Source: Refinitiv Datastream, Santander

**GBPPLN and USDPLN**



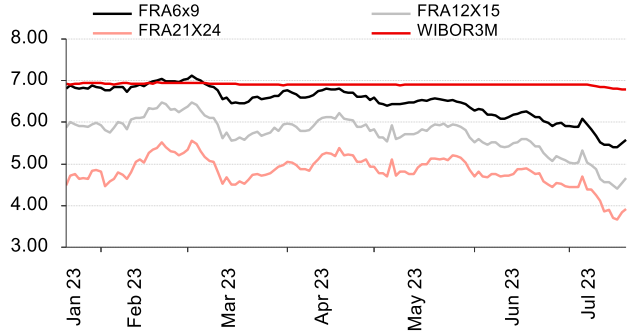
Source: Refinitiv Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



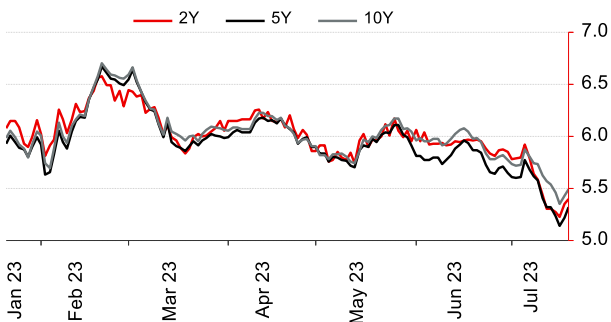
Source: Refinitiv Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



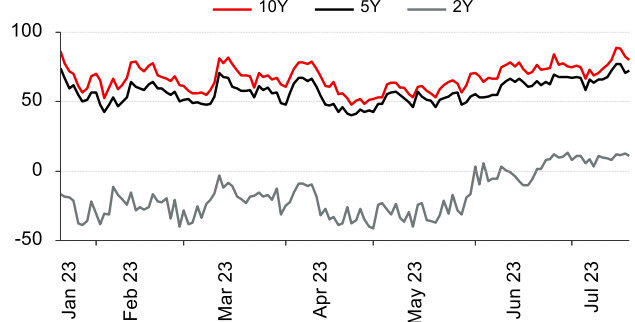
Source: Refinitiv Datastream, Santander Bank Polska

**Polish bond yields**



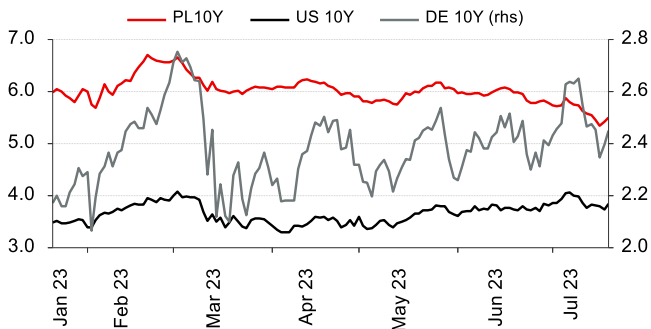
Source: Refinitiv Datastream, Santander Bank Polska

**Asset swap spreads**



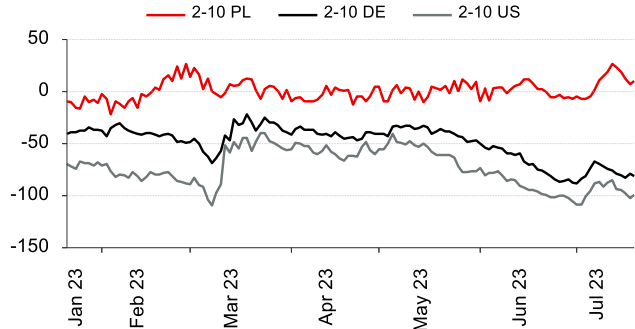
Source: Refinitiv Datastream, Santander Bank Polska

**10Y bond yields**



Source: Refinitiv Datastream, Santander

**Steepness of yield curves**



Source: Refinitiv Datastream, Santander Bank Polska

## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		LAST VALUE
					MARKET	SANTANDER	
<b>MONDAY (24 July)</b>							
09:30	DE	Germany Manufacturing PMI	Jul	pts	41.0	-	40.6
09:30	DE	Markit Germany Services PMI	Jul	pts	53.0	-	54.1
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	43.5	-	43.4
10:00	EZ	Eurozone Services PMI	Jul	pts	51.6	-	52.0
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Jun</b>	<b>% y/y</b>	<b>7.5</b>	<b>8.3</b>	<b>7.1</b>
<b>TUESDAY (25 July)</b>							
10:00	DE	Ifo Business Climate	Jul	pts	88.0	-	88.5
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Jun</b>	<b>%</b>	<b>5.0</b>	<b>5.0</b>	<b>5.1</b>
14:00	HU	Central Bank Rate Decision	Jul.23	%	13.00	-	13.00
16:00	US	Consumer Conference Board	Jul	pts	112.0	-	109.7
<b>WEDNESDAY (26 July)</b>							
16:00	US	New Home Sales	Jun	% m/m	-5.2	-	12.2
20:00	US	FOMC decision	Jul.23	%	5.50	-	5.25
<b>THURSDAY (27 July)</b>							
14:15	EZ	ECB Main Refinancing Rate	Jul.23	%	4.25	-	4.00
14:30	US	Durable Goods Orders	Jun	% m/m	0.9	-	1.8
14:30	US	GDP Annualized	2Q	% Q/Q	1.8	-	2.0
14:30	US	Initial Jobless Claims	Jul.23	k	236	-	228
16:00	US	Pending Home Sales	Jun	% m/m	-0.5	-	-2.7
<b>FRIDAY (28 July)</b>							
11:00	EZ	ESI	Jul	pct.	95.0	-	95.3
14:00	DE	HICP	Jul	% m/m	0.5	-	0.4
14:30	US	Personal Spending	Jun	% m/m	0.4	-	0.1
14:30	US	Personal Income	Jun	% m/m	0.5	-	0.4
14:30	US	PCE Deflator SA	Jun	% m/m	0.2	-	0.1
16:00	US	Michigan index	Jul	pts	72.6	-	64.4

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.