

22 July 2024

# Eyeopener

## Joe Biden resigns, important data today

Today retail sales, construction output and M3 money supply in June

J. Biden retreated from presidential elections

I. Duda: discussion about cuts in 2H25

Weaker market sentiments given global IT malfunction did not undermine the zloty, higher yields

**Today**, we will get the second set of real data on the state of the Polish economy in June. Most of the attention will be focused on retail sales, which serve as an indicator of private consumption and, given the weak foreign demand and the declining investment optimism, are the main source of the economic recovery. We share the market's view that the June data should show a slight increase of the real retail sales growth rate compared to May, from 5.0% y/y to 5.3% y/y. We will also learn some new information on construction output. Its annual growth rate is likely to remain negative, but we believe that it improved in June and rose from -6.5% y/y to -4.1% y/y, i.e. a bit more than is suggested by the consensus. Data on M3 money supply will also be published and, in our view, will point to an acceleration of its growth rate to 8.8% y/y.

**US President J. Biden** announced on Sunday that he is withdrawing from the presidential election scheduled for November. At the same time, President Biden put forward the candidacy of Vice President K. Harris as his successor in the race for the presidency. K. Harris assured that she plans to obtain the official nomination from the Democrats, which will be given at the convention on 19th August in Chicago. However, it cannot be ruled out that the Democratic Party will decide on another candidate.

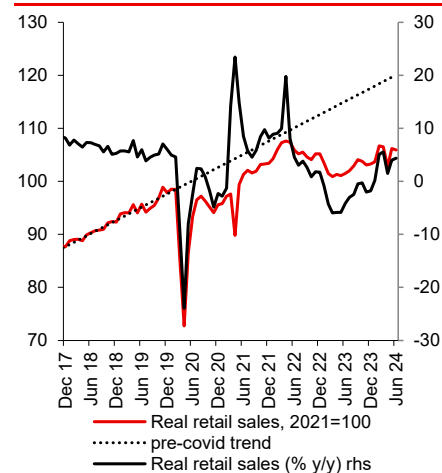
**MPC member Iwona Duda** said in an interview with Business Insider that the second half of 2025 is a good time to start a discussion on interest rate cuts. In her opinion, inflation is returning to an upward trend and will reach 6% at its peak. The process of disinflation will begin only in 3Q25, and the MPC would like to assess its durability before it decides to loosen monetary policy. Duda's statement coincides with our expectations of rate cuts beginning in mid-2025 at the earliest.

**The party Polska2050 has submitted an auto-amendment to the bill which introduces changes in the calculation of health contributions.** According to the auto-amendment, instead of the previously proposed proportional contribution at the level of PLN300, PLN525 or PLN700, three lump sums are to be introduced: 4%, 7% or 9.4% of the average monthly salary in the enterprise sector in the third quarter of the previous year. The size of the contribution is to depend on the amount of the insured's overall income from the beginning of the calendar year. According to the estimates presented in the draft, the changes proposed in the auto-amendment are to increase the loss of revenues of the National Health Fund to PLN25-30bn from c. PLN15bn estimated in the previous version of the draft. The act is to enter into force on 1 January 2025.

**Slightly stronger zloty.** On Friday, in the face of the global IT failure, the mood on financial markets was not the most favourable, with stock markets in Europe and the US ending the day in negative territory with the VIX index rising and oil prices falling. Despite this, the CEE currencies gained slightly against the euro with a fairly stable EURUSD rate. We see room for some zloty depreciation in the coming week, but any weakening should not be significant. Since April, EURPLN has been fluctuating in a wide range of 4.25-4.38, and there is currently no indication that the zloty will break out. In the background, the US election campaign may become increasingly important, which could add to volatility in international markets. In the longer term, zloty will be supported by the increase in the interest rate disparity against the euro area and the return to rate cuts by the ECB in September will be the first test of the sensitivity of the domestic currency to this factor.

**Rate increases in the interest rate market.** In Friday's session, the rise in market rates continued. FRAs, IRS and bond yields rose up to 5 bps. This was supported by similar movement in the core markets in the absence of major publications. The Finance Ministry said it will offer seven series of bonds (OK0426, DS0727, PS0729, WZ1129, DS0432, DS1034 and IZ0836) for a total of PLN5-10 bn at a sale tender on July 23. After a prolonged period of declines in market rates domestically, regionally and in major core markets, we see the potential for an upward correction in market rates. Monday's retail sales data, which could be quite robust, may contribute to higher yields. Also important will be Tuesday's debt auction, which could put pressure on yields and slow down the decline in asset swap spreads from their current fairly high levels. In the core markets, on the other hand, the impetus could come from fairly good 2Q GDP data published for the US, or thanks to an improvement in the German Ifo index. The US PCE inflation index will also be important at the end of the week.

Real retail sales, % y/y



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.2859	CZKPLN	0.1695
USDPLN	3.9387	HUFPLN*	1.0970
EURUSD	1.0880	RUBPLN	0.0449
CHFPLN	4.4342	NOKPLN	0.3603
GBPPLN	5.0853	DKKPLN	0.5749
USDCNY	7.2731	SEKPLN	0.3684

\*for 100HUF

### Last session in the FX market

19/07/2024

	min	max	open	close	fixing
EURPLN	4.2806	4.2941	4.2921	4.2861	4.293
USDPLN	3.9301	3.9471	3.9422	3.9368	3.9461
EURUSD	1.0874	1.0893	1.0885	1.0886	

## Interest rate market

19/07/2024

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.05	0
WS0429 (5Y)	5.47	0
DS1033 (10Y)	5.61	0

### IRS on the interbank market\*\*

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.82	5.11	3.38
2L	5.40	4.60	3.07
3L	5.11	4.36	2.89
4L	4.98	4.22	2.80
5L	4.94	4.14	2.75
8L	4.96	4.07	2.71
10L	5.02	4.07	2.73

## WIRON rate

Term	%	Change (bps)
WIRON	5.22	7

## WIBOR rates

Term	%	Change (bps)
O/N	5.63	-10
T/N	5.77	0
SW	5.83	-1
1M	5.87	2
3M	5.86	0
6M	5.87	0
1Y	5.86	0

## FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	5.85	0
3x6	5.81	1
6x9	5.70	3
9x12	5.42	6
3x9	5.80	1
6x12	5.67	3

## CDS rates and 10Y yield spread vs. German Bund

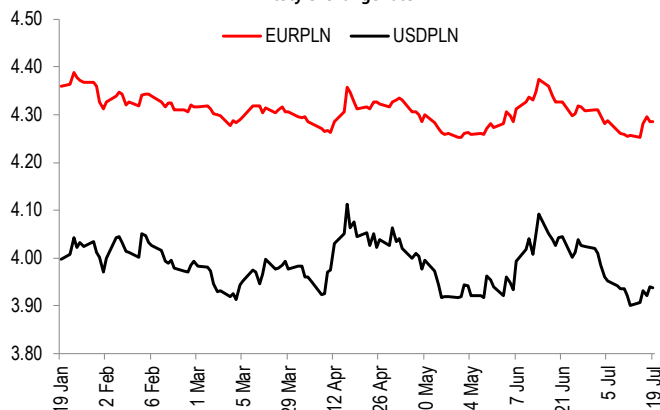
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	66	320
France	13	65
Hungary	120	418
Spain	35	77
Italy	24	129
Portugal	22	60
Ireland	13	41
Germany	6	-

\* 10Y treasury bonds over 10Y Bunds

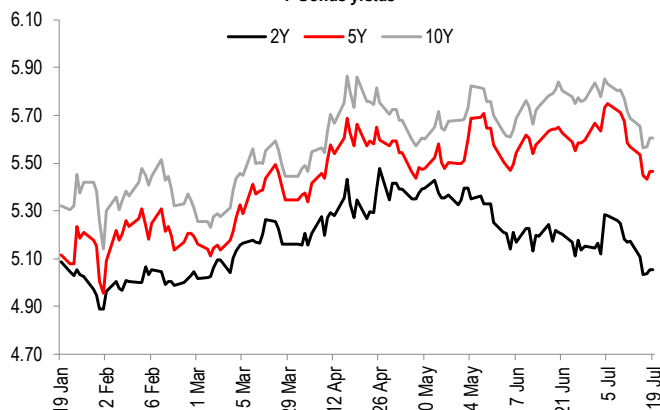
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

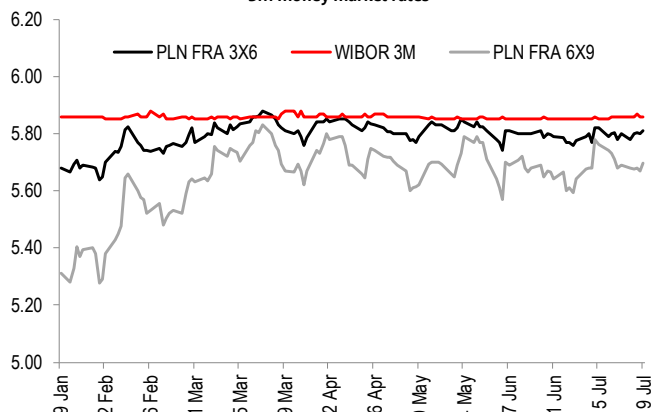
## Zloty exchange rate



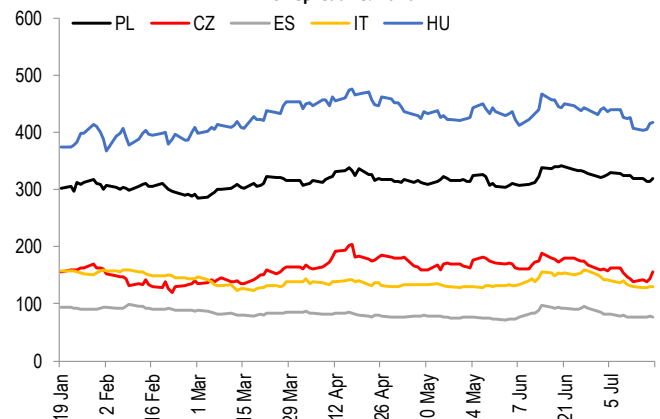
## T-bonds yields



## 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 (19 July)								
No data releases								
MONDAY (22 July)								
10:00	PL	Retail Sales Real	Jun	% y/y	5.3	5.3	-	5.0
14:00	PL	Construction Output	Jun	% y/y	-4.6	-4.1	-	-6.5
14:00	PL	Money Supply M3	Jun	% y/y	8.3	8.8	-	8.0
TUESDAY (23 July)								
10:00	PL	Unemployment Rate	Jun	% y/y	4.9	4.9	-	5.0
16:00	US	Existing Home Sales	Jun	% m/m	-	-	-	-0.7
WEDNESDAY (24 July)								
09:30	DE	Manufacturing PMI	Jul	pts	-	-	-	43.5
09:30	DE	Services PMI	Jul	pts	-	-	-	53.1
10:00	EZ	Manufacturing PMI	Jul	pts	-	-	-	45.8
10:00	EZ	Services PMI	Jul	pts	-	-	-	52.8
16:00	US	New Home Sales	Jun	% m/m	-	-	-	-11.3
THURSDAY (25 July)								
10:00	DE	Ifo	Jul	pts	-	-	-	88.6
14:30	US	Durable Goods Orders	Jun	% m/m	0.3	-	-	0.1
14:30	US	GDP	2Q	%	2.0	-	-	1.4
14:30	US	Initial Jobless Claims	weekly	k	-	-	-	243
FRIDAY (26 July)								
14:30	US	PCE	Jun	% m/m	0.1	-	-	0.0
14:30	US	Personal Income	Jun	% m/m	0.4	-	-	0.5
14:30	US	Personal Spending	Jun	% m/m	0.3	-	-	0.2
16:00	US	Michigan Index	Jun	% m/m	66.0	-	-	68.2

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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