

25 July 2024

Eyeopener

Euro data disappointed, today focus on the USA

Today first estimate of US GDP in 2Q24
 German and euro zone PMIs weakened in July
 Improvement of water balance in Poland
 Weaker zloty, decline of domestic bond yields

Today, the only noteworthy data from Poland will be the July synthetic business climate indicators produced by the stats office. Globally, attention will be focused primarily on the first estimate of US GDP growth in 2Q24. According to the consensus, the estimate should show a slight increase in the pace of economic growth, from 1.4% q/q in 1Q24 to 1.9% q/q in 2Q24 (in annualized terms). Also from the US, we will get data on durable goods orders in June and last week's number of initial jobless claims. In addition, the July reading of the Ifo business climate index will be published in Germany.

In July, industrial and services PMIs of both Germany and the euro area weakened, contrary to market expectations for a slight improvement. In Germany, the industrial PMI fell by 0.9 pts to 42.6 pts, and in the euro area by 0.2 pts to 45.6 pts. In both economies the declines were caused by continued decreases of output, new orders, and employment. Moreover, in Germany, a decline in employment was also recorded for the first time in six months in the services sector. As a result, the country registered the steepest decline in overall employment since August 2020. Due to these reasons, as well as due to, for example, a decline in the pace of new orders growth, the services PMI fell in Germany by 1.1 pts to 52.0 pts, and in the euro area by 0.9 pts to 51.9 pts. Overall, the latest PMI readings are not encouraging, and their further declines may rise concerns about the economic recovery in the euro area.

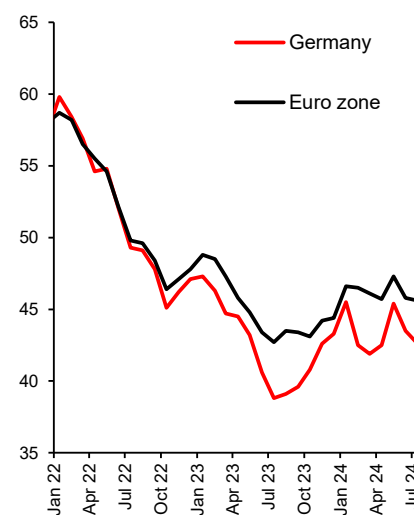
The climatic water balance improved markedly between May 21 and July 20, rising to -64 mm from -99 mm registered between May 11 and July 10, reported the Institute of Soil Science and Plant Cultivation. Moreover, the area of occurrence of agricultural drought decreased to 8 voivodeships from 16 in the previous reporting period, but the drought still affected 12 out of 14 monitored crops. If the improvement in the water balance continues, it could reduce the upward pressure on fruit and vegetable prices in the second half of the year.

This year, no additional increases in the excise tax on alcoholic beverages are planned, wrote Deputy Finance Minister Jarosław Neneman in materials prepared for the meeting of the Sejm subcommittee on public health. Until 2027, excise tax increases are to take place annually, in accordance with the so-called road map.

Yesterday was not favourable for the CEE currencies; the zloty and the forint weakened, while the Czech koruna remained quite stable. The currencies were undermined by disappointing PMI readings from Germany and the euro area, as well as generally weaker market sentiment: global stock markets recorded losses due to a decrease in optimism about AI companies. The EURPLN exchange rate went from around 4.28 at the beginning of the day to 4.30 at the end of the session and is remaining at this level also now. We believe that the EURPLN exchange rate will stay within the wide range of 4.25-4.38 until the end of the year due to likely-increased volatility related to the US elections, but the growing disparity between Poland's and the euro area's rate will also be conducive to strengthening below 4.25.

Yesterday, domestic market rates were decreasing. The declines spanned between 2 and 5 basis points for bonds and 3-4 bps for the IRS curve and were slightly stronger at the long end. Lower yields were supported by a similar move on the core markets, where the curves saw a bull steepener under the influence of weaker data. Domestic FRA rates also decreased, especially for terms over a year (decreases by up to 8 bps). We believe that the decline in domestic rates is temporary in view of the distant date of NBP rate cuts. Today, the data from the USA and the German Ifo will be crucial for the market.

PMI in manufacturing, pts



Source: LSEG, Santander

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FX market

Today's opening			
EURPLN	4.3008	CZKPLN	0.1695
USDPLN	3.9696	HUFPLN*	1.0805
EURUSD	1.0835	RUBPLN	0.0461
CHFPLN	4.4218	NOKPLN	0.3572
GBPPLN	5.0809	DKKPLN	0.5749
USDCNY	7.2467	SEKPLN	0.3663

*for 100HUF

Last session in the FX market					24/07/2024
	min	max	open	close	fixing
EURPLN	4.2753	4.2974	4.2769	4.2945	4.2796
USDPLN	3.9380	3.9609	3.9434	3.9574	3.9498
EURUSD	1.0824	1.0866	1.0847	1.0851	

Interest rate market 24/07/2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.11	0
WS0429 (5Y)	5.47	-7
DS1033 (10Y)	5.61	-5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.80	-1	5.07	-2	3.30	-7
2L	5.33	-3	4.57	-2	3.03	-2
3L	5.03	-3	4.29	-4	2.83	-3
4L	4.89	-3	4.20	0	2.79	1
5L	4.85	-4	4.15	1	2.72	-1
8L	4.87	-4	4.11	3	2.70	1
10L	4.94	-5	4.11	3	2.72	2

WIRON rate

Term	%	Change (bps)
WIRON	5.21	16

WIBOR rates

Term	%	Change (bps)
O/N	5.77	3
T/N	5.77	0
SW	5.84	0
1M	5.85	2
3M	5.86	0
6M	5.87	0
1Y	5.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.86	2
3x6	5.81	0
6x9	5.68	-1
9x12	5.35	-3
3x9	5.80	0
6x12	5.65	-1

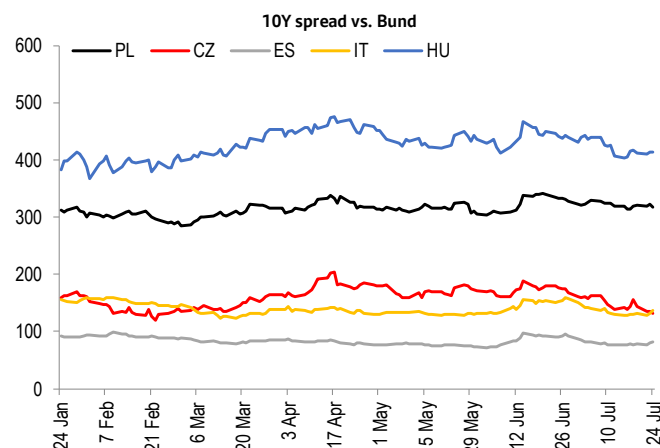
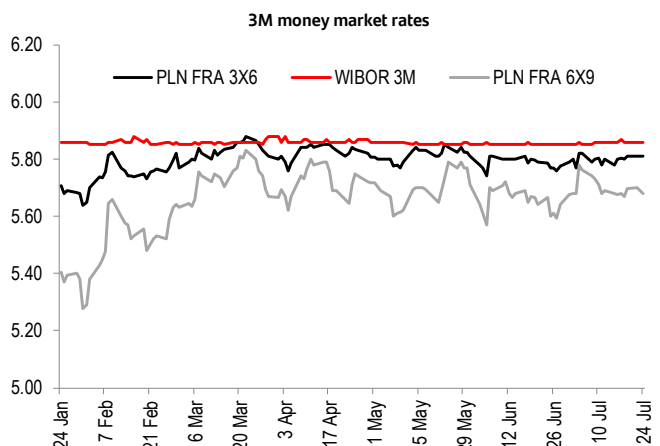
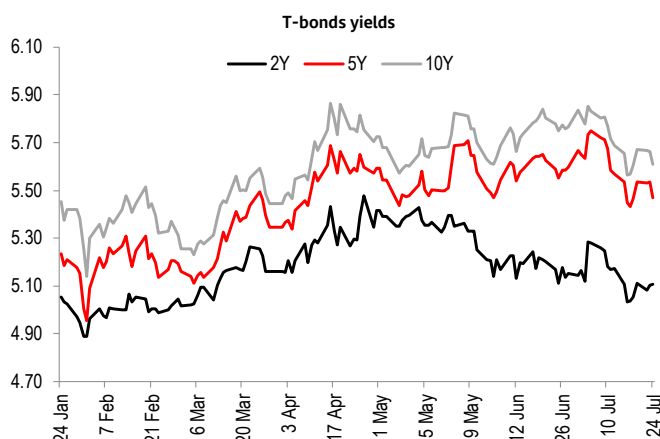
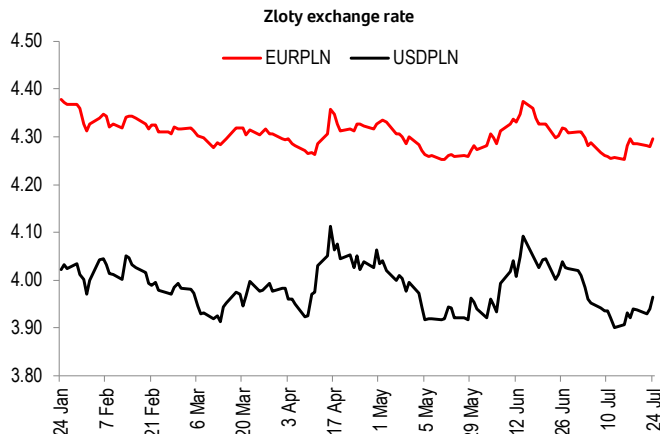
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	66	0	317	-6
France	14	0	71	1
Hungary	120	0	414	1
Spain	36	1	82	2
Italy	25	1	136	4
Portugal	23	0	65	2
Ireland	14	0	41	0
Germany	6	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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (19 July)								
No data releases								
MONDAY (22 July)								
10:00	PL	Retail Sales Real	Jun	% y/y	5.3	5.3	4.4	5.0
14:00	PL	Construction Output	Jun	% y/y	-5.1	-4.1	-8.9	-6.5
14:00	PL	Money Supply M3	Jun	% y/y	8.3	8.8	8.4	8.0
TUESDAY (23 July)								
10:00	PL	Unemployment Rate	Jun	% y/y	4.9	4.9	4.9	5.0
14:00	HU	Central Bank Rate Decision	Jul	%	6.75	7.00	6.75	7.00
16:00	US	Existing Home Sales	Jun	% m/m	-3.0	-	-5.4	-0.7
WEDNESDAY (24 July)								
09:30	DE	Manufacturing PMI	Jul	pts	44.0	-	42.6	43.5
09:30	DE	Services PMI	Jul	pts	53.3	-	52.0	53.1
10:00	EZ	Manufacturing PMI	Jul	pts	46.1	-	45.6	45.8
10:00	EZ	Services PMI	Jul	pts	52.9	-	51.9	52.8
16:00	US	New Home Sales	Jun	% m/m	3.4	-	-0.6	-14.9
THURSDAY (25 July)								
10:00	DE	Ifo	Jul	pts	89.0	-	-	88.6
14:30	US	Durable Goods Orders	Jun	% m/m	0.5	-	-	0.1
14:30	US	GDP	2Q	%	1.9	-	-	1.4
14:30	US	Initial Jobless Claims	weekly	k	238	-	-	243
FRIDAY (26 July)								
14:30	US	PCE	Jun	% m/m	0.0	-	-	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	66.4	-	-	68.2

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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