

26 July 2024

Eyeopener

Important data from the USA today

Today US numbers on PCE inflation, personal incomes and spending
Slight decline of synthetic GUS business climate indicator
Deputy NBP governor M. Kightley: higher energy prices can elevate inflation expectations
US GDP advanced by 2.8% q/q in 2Q24, strongly above expectations
Recovery of CEE currencies, decline of market rates

Today, we will get a set of June data from the US, including PCE inflation (which is generally viewed as the Fed's favourite measure), personal income and spending, as well as the final reading of the Michigan index. The market expects that after the low May print, growth of the PCE index will remain reduced and will amount to 0.1% m/m, with core prices rising by 0.2% m/m.

After falling by overall 3.7 pts in May and June, **the general synthetic business climate indicator produced by the stats office stabilized in July**, sliding only by 0.2 pts to 95.2 pts. However, the decrease in the general index's pace of decline was mainly caused by its leading component, which rebounded by 0.5 pts to 94.0 pts, while the current component fell by 1.0 pts to 96.6 pts, i.e. to the lowest level since the end of last year. Stabilization of business climate was also visible in the behaviour of the indicators of the manufacturing and construction sectors, which remained at their levels from June (respectively the lowest and the highest of all the sectors surveyed). On the other hand, the indices of the retail sales and services sectors fell for the third month in a row, by 0.6 pts to 101.9 pts and by 0.5 pts to 94.8 pts, respectively.

Marta Kightley, First Deputy of the NBP Governor, said in the Sejm that there is still a risk that an increase in energy prices may translate into higher inflation expectations and cause inflation to persist at an elevated level. According to Kightley, in this situation, it is necessary and justified that MPC keep interest rates unchanged.

The government aims to introduce in 2025 a program which will allow to provide students with places in student accommodation "for one zloty", informed Deputy Minister of Science Andrzej Szeptycki. He added that first estimates indicate that the cost of the program will amount to PLN700-800mn per year.

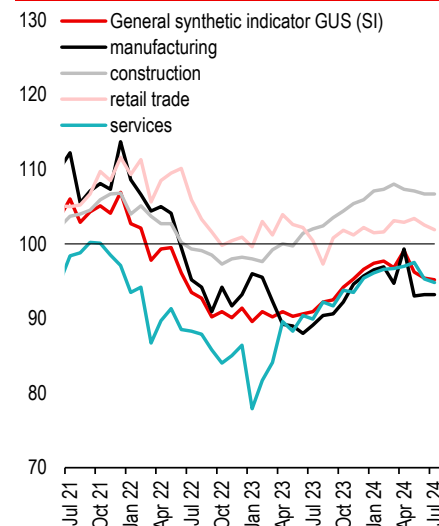
The US GDP increased in 2Q24 by 2.8% q/q in annualized terms, almost a percentage point above the market expectations. Among the main aggregates, private consumption made the largest contribution to the increase of the quarterly growth rate and accelerated from 1.5% q/q to 2.3% q/q (supported by a rebound in the growth rate of goods consumption from -2.3% q/q to +2.5% q/q, which increased the contribution of this category to the overall growth rate by a bit over a percentage point). Gross fixed capital formation also grew faster, mainly due to a strong increase in inventories of nonfarm companies (their contribution to the overall growth rate increased by 1.2 percentage points). At the same time, the growth rate of investment fell by nearly a half, from 7.0% q/q to 3.6% q/q. Overall, the latest data indicate that 2Q24 was good for the US economy, especially for domestic demand. Nevertheless, the high pace of consumption growth may prove difficult to maintain, so its normalization later in the year cannot be ruled out.

The World Trade Monitor index, which reflects the development of international trade, increased by 0.1% m/m in May after 1.1% m/m in April. The index shows a rebound in overall trade dynamics this year, although it has not been visible in the data for Polish and major European economies so far.

Stronger zloty. On financial markets, the correction in stock markets continued with weaker corporate earnings, as did the strengthening of the yen in anticipation of a decline in the disparity in rates against the dollar amid falling commodity prices and in anticipation of next week's Bank of Japan meeting. The zloty and the CEE currencies, like most of the currencies of emerging economies, slightly appreciated against the euro and the dollar. The EURPLN exchange rate reached 4.285. On the other hand, the EURUSD exchange rate remained relatively stable slightly above 1.08, and the dollar pared its initial losses after the GDP data.

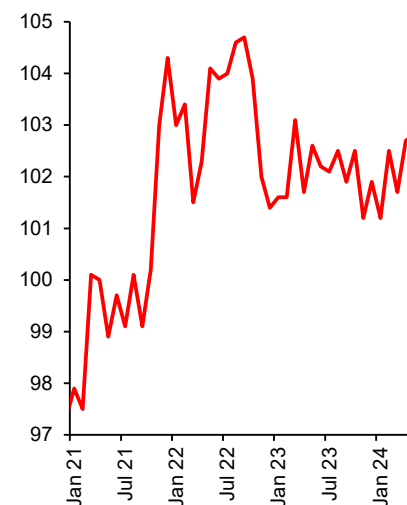
Further declines in market rates. On the interest rate market, after initial declines in yields, among other factors in response to a weaker than expected Ifo index, the second part of the day brought a partial rebound after a stronger GDP reading in the US for 2Q24. Eventually, the German curve ended the day with a decline of 3-6 bps and a steepening, and on the American curve, the 2-year yields fell by 6 bps. Strong US GDP data for 2Q24 slightly reduced expectations for imminent rate cuts in the US, but on the other hand, the debt was supported by the flow of funds from the stock market. In Poland, FRA rates fell by 7 bps for longer terms, IRS by 3-5 bps, and bond yields by 2-5 bps.

Synthetic business climate indicators



Source: GUS, Santander

CPB World Trade Monitor, 2021 = 100



Source: LSEG, Santander

Economic Analysis Department:

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

FX market

Today's opening

EURPLN	4.2829	CZKPLN	0.1686
USDPLN	3.9471	HUFPLN*	1.0816
EURUSD	1.0850	RUBPLN	0.0463
CHFPLN	4.4783	NOKPLN	0.3579
GBPPLN	5.0748	DKKPLN	0.5738
USDCNY	7.2484	SEKPLN	0.3646

*for 100HUF

Last session in the FX market 25/07/2024

	min	max	open	close	fixing
EURPLN	4.2848	4.3038	4.3005	4.2868	4.2971
USDPLN	3.9437	3.9734	3.9666	3.9474	3.9619
EURUSD	1.0826	1.0864	1.0838	1.0858	

Interest rate market

25/07/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.11	0
WS0429 (5Y)	5.49	2
DS1033 (10Y)	5.64	3

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.82	5.05	3.31
2L	5.33	4.53	3.01
3L	5.04	4.28	2.84
4L	4.92	4.16	2.75
5L	4.88	4.10	2.70
8L	4.91	4.06	2.68
10L	4.98	4.07	2.70

WIRON rate

Term	%	Change (bps)
WIRON	5.21	1

WIBOR rates

Term	%	Change (bps)
O/N	5.76	-1
T/N	5.79	2
SW	5.84	0
1M	5.85	0
3M	5.86	0
6M	5.87	0
1Y	5.85	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	-1
3x6	5.82	1
6x9	5.68	0
9x12	5.34	-1
3x9	5.81	0
6x12	5.66	1

CDS rates and 10Y yield spread vs. German Bund

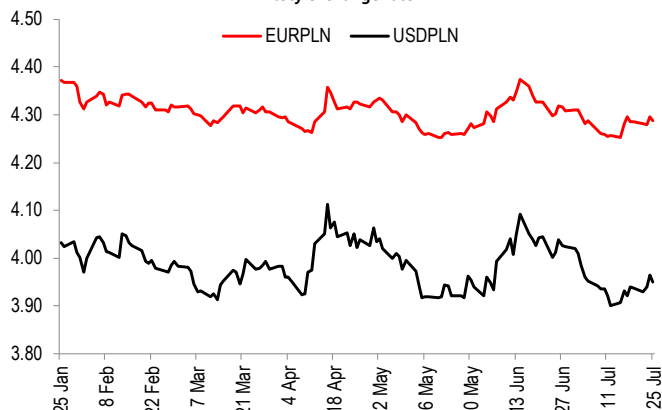
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	66	323
France	14	70
Hungary	120	416
Spain	36	83
Italy	26	136
Portugal	23	64
Ireland	14	42
Germany	6	-

* 10Y treasury bonds over 10Y Bunds

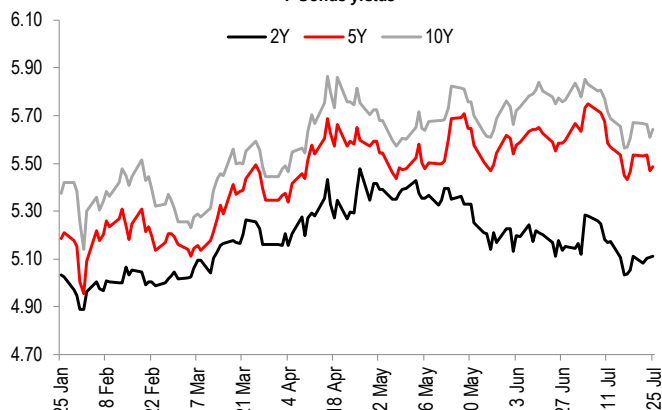
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

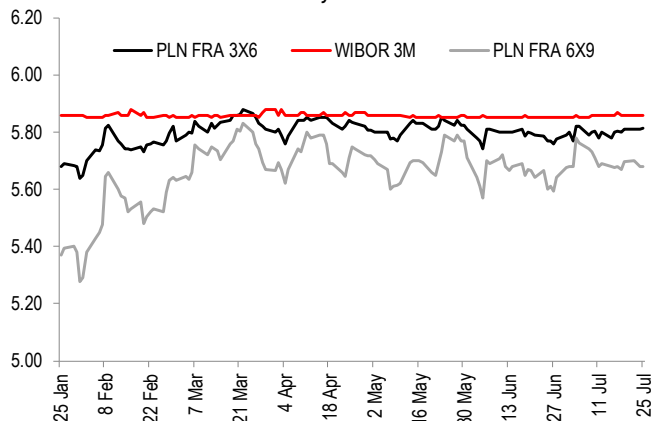
Zloty exchange rate



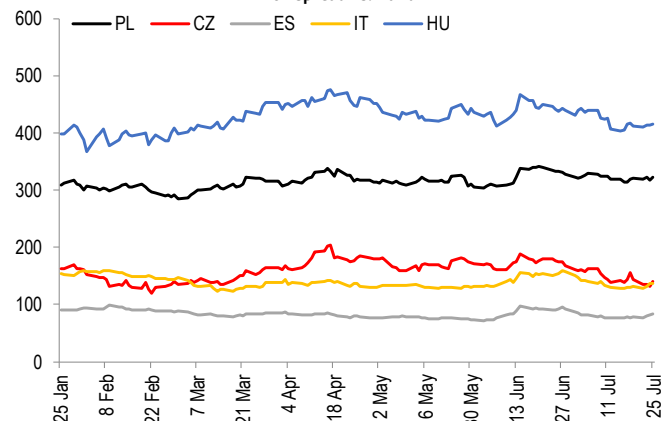
T-bonds yields



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 (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	-	87.0	88.6
14:30	US	Durable Goods Orders	Jun	% m/m	0.3	-	-6.6	0.1
14:30	US	GDP	2Q	%	2.0	-	2.8	1.4
14:30	US	Initial Jobless Claims	weekly	k	238	-	235	245
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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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>.