

6 September 2021

Eyeopener

Too early to withdraw accommodation

NBP head cooling down rate hike expectations
Equity markets stable after US employment data
EURPLN also stable, despite weaker dollar
Bond yields up, following Bund ahead of ECB meeting
Today German factory orders, Czech industrial output

On Friday markets were awaiting US non-farm payrolls data. Despite upward revision of the previous month by 110k up, the August reading was disappointing due to spreading Covid-19 and difficulties in finding staff. In reaction to the data the dollar weakened (EURUSD temporarily above 1.19), but UST yield climbed by 3bp to 1.32%. German yields took cue and increased to -0.36%. July retail sales in the euro zone disappointed. Today the US markets are closed.

NBP governor Adam Glapiński in the interview published this morning by PAP cools down rate hike expectations ahead of the MPC meeting this Wednesday. In his view it would be risky to start withdrawing from accommodative policy right now and the pace of potential rate hikes and the target level for rates "should not be speculated about today". Glapiński on one hand stressed that the NBP will not allow the high inflation to become permanent and signalled monetary policy tightening "if business climate remains very good, labour market situation remains positive and inflation keeps beating the NBP target", but on the other hand he indicated that "it is too early for such actions" as the pandemic-related uncertainty is too high. The NBP governor emphasised again that the elevated inflation is caused mainly by factors beyond the monetary policy control and that it will decrease next year. According to Glapiński "the appreciation of the zloty does not seem beneficial", which is why the NBP keeps reminding of the possibility of fx market interventions. The NBP governor has also stated that the NBP's QE tapering has already taken place and there is no need to announce this, adding that the asset purchases will end "when we start to hike rates". To sum up, the governor's remarks reduce somewhat our conviction that rate hikes will start in November, but do not eliminate this scenario. Macro data and the development of the pandemic will be key for MPC decisions, and a rate hike will not be, it seems, signalled by an earlier communication about the end of QE purchases.

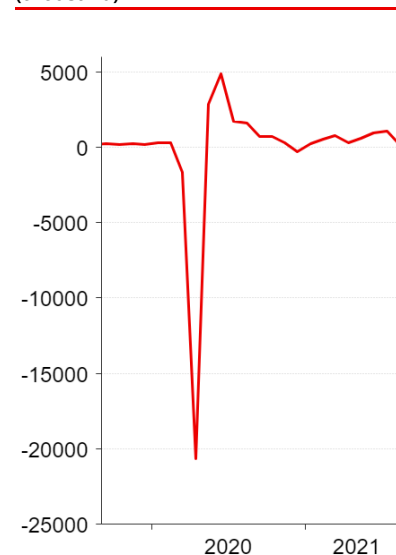
EURUSD increased to 1.1910 after the disappointing US non-farm payrolls, but declined to 1.1880 at the end of the day. This week the direction for EURUSD could be set by Thursday ECB meeting.

EURPLN remained in a narrow range 4.51-4.52 on Friday. This week the pair is likely to consolidate near the current level. 4.50 is a strong support and 4.3550 is a strong resistance (200-day moving average). The exchange rate needs new signals to break the resistance, f.e. cooling of strong expectations for a rate hike in November. Factors, which could be PLN-negative in the upcoming weeks are: (a) risk that the European Commission will be holding back EU Resilience Facility means for longer time (the Polish Constitutional Tribunal is to make its verdict on EU law's primacy over domestic law on 22 September), (b) start of Russian-Belarusian military exercise Zapad-2021 next to the Polish border, which, as some politicians claim, could be an opportunity for "provocations and incidents" against NATO, (c) probable rise in Covid-19 cases.

As regards **other CEE currencies**: EURHUF was near 348.0 again. July Hungarian retail sales disappointed. EURCZK was also stable near 25.40 and wages accelerated in 2Q21 to 8.2% from 1.0% in the previous quarter and vs expectations at 5.7%. Russian PMI in services fell below 50.0 (to 49.3 vs expectations at 53.5), which stands for a contraction in the sector. USDRUB remained close to 72.8.

On the **domestic interest rate market**, bond yields were rising for another day and the daily change was quite substantial (around 7bp); the 10Y paper closed the week at 1.99%. IRS curve rose by 4bp (10Y to 1.93%). 10Y ASW spread was +6bp. FRA contracts rose a little again and the 3M WIBOR went up by another 1bp to 0.24%. This week unless the Bund yield grows sharply ahead of the Thursday ECB meeting, we expect a consolidation of POLGB 10Y yield around 2.0%. The Bund spread was 235bp on Friday.

US non-farm payrolls, monthly change (thousand)



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.5124	CZKPLN	0.1772
USDPLN	3.7986	HUFPLN*	1.2842
EURUSD	1.1872	RUBPLN	0.0521
CHFPLN	4.1535	NOKPLN	0.4368
GBPPLN	5.2618	DKKPLN	0.6055
USDCNY	6.4530	SEKPLN	0.4433

*for 100HUF

Last session in the FX market						03/09/2021
	min	max	open	close	fixing	
EURPLN	4.505	4.519	4.513	4.509	4.512	
USDPLN	3.786	3.806	3.799	3.793	3.800	
EURUSD	1.186	1.191	1.188	1.188	-	

Interest rate market 03/09/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.60	5
DS0726 (5Y)	1.37	6
DS0432 (10Y)	2.01	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.65	3	0.16	0	-0.53	1
2L	1.10	4	0.30	0	-0.48	0
3L	1.37	4	0.52	0	-0.43	1
4L	1.55	4	0.71	1	-0.38	1
5L	1.67	4	0.87	2	-0.32	2
8L	1.85	5	1.19	3	-0.13	2
10L	1.94	4	1.33	3	0.00	2

WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.24	0
6M	0.28	0
1Y	0.42	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.30	1
3x6	0.50	2
6x9	0.78	1
9x12	1.07	6
3x9	0.59	0
6x12	0.90	0

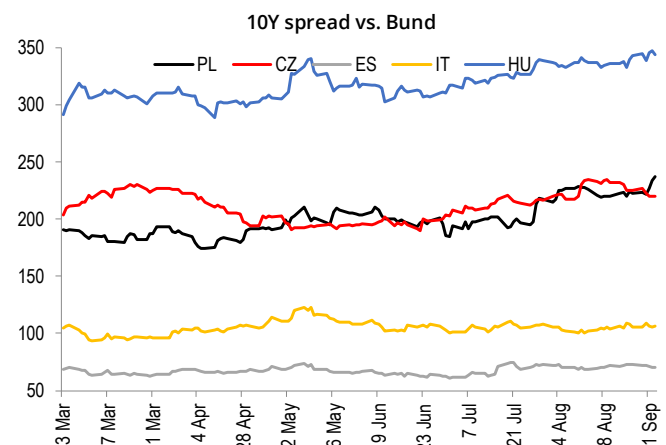
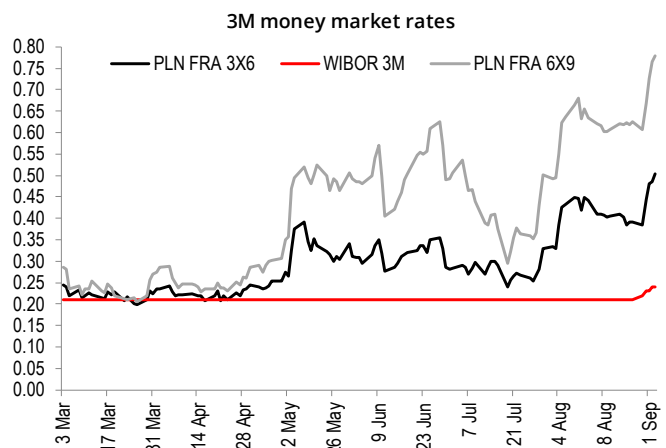
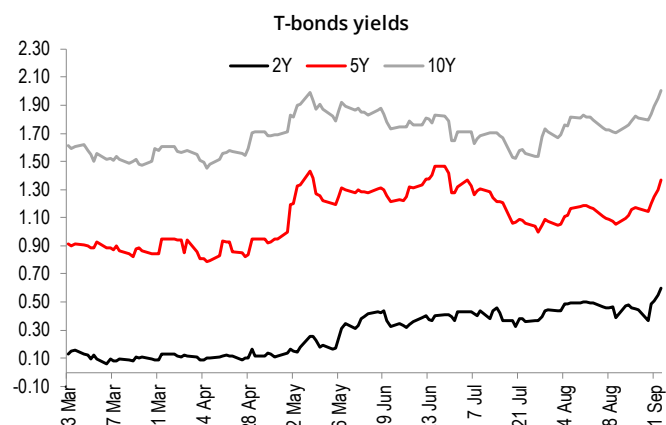
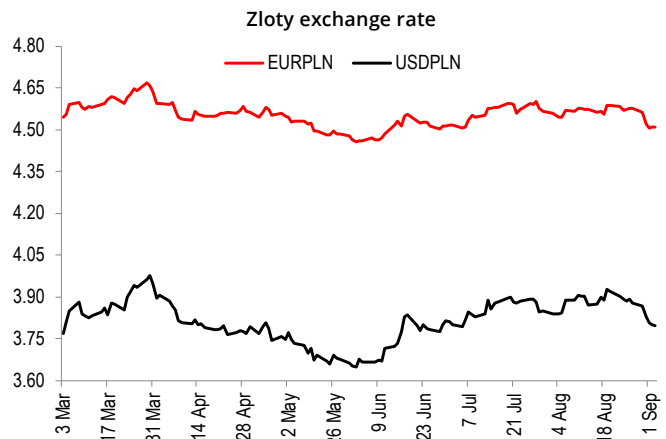
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	237	3
France	9	0	34	-1
Hungary	55	0	344	-3
Spain	30	0	70	0
Italy	44	0	107	1
Portugal	21	0	58	-1
Ireland	10	0	39	0
Germany	8	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



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (3 September)								
03:45	CN	Caixin China PMI Services	Aug	pts	52.0		47.2	54.9
09:55	DE	Markit Germany Services PMI	Aug	pts	61.5		60.8	61.5
10:00	EZ	Eurozone Services PMI	Aug	pts	59.7		59.0	59.7
11:00	EZ	Retail Sales	Jul	% m/m	0.0		-2.3	1.5
14:30	US	Change in Nonfarm Payrolls	Aug	k	733.0		235.0	1053.0
14:30	US	Unemployment Rate	Aug	%	5.2		5.2	5.4
16:00	US	ISM services	Aug	pts	61.6		61.7	64.1
MONDAY (6 September)								
08:00	DE	Factory Orders	Jul	% m/m	-1.0		3.4	4.1
09:00	CZ	Industrial Production	Jul	% y/y	0.1		-	11.4
TUESDAY (7 September)								
08:00	DE	Industrial Production SA	Jul	% m/m	0.9		-	-1.3
09:00	HU	Industrial Production SA	Jul	% y/y	13.7		-	18.6
11:00	EZ	GDP SA	2Q	% y/y	13.6		-	13.6
11:00	DE	ZEW Survey Current Situation	Sep	pts	34.0		-	29.3
WEDNESDAY (8 September)								
	PL	MPC decision		%	0.1	0.1	-	0.1
09:00	HU	CPI	Aug	% y/y	4.7		-	4.6
THURSDAY (9 September)								
08:00	DE	Exports SA	Jul	% m/m	1.3		-	1.3
13:45	EZ	ECB Main Refinancing Rate	Sep/21	%	0.0		-	0.0
14:30	US	Initial Jobless Claims		k	345.0		-	353.0
FRIDAY (10 September)								
08:00	DE	HICP	Aug	% m/m	0.1		-	0.1
09:00	CZ	CPI	Aug	% y/y	3.6		-	3.4

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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