

9 September 2021

Eyeopener

Interest rates unchanged after long discussion

Monetary policy parameters and the MPC statement unchanged
 Zloty stable, dollar keeps appreciating
 Long end of the yield curve lower in USA, higher in Poland
 Today, ECB decision, NBP governor press conference

Tuesday's declines on the European stock markets only gained strength on Wednesday and reached 0.8-1.5%. The dollar was still appreciating, but this did not discourage oil prices from going up by about 1.3%. Core bond markets were rather steady: 10Y UST yields went down by 2bp and 10Y Bunds were flat. Vacancies in the USA according to JOLTS survey amounted to 10.9mn as compared to consensus at 10.2mn – this was an all-time high indicating a solid demand for labour on one hand and problems with finding staff on the other, which could be caused by rising wage pressure (the last labour market report showed surprisingly low rise in non-farm payrolls but higher-than-expected wage rise). Today the ECB meeting is due, which is the main event of the week. Signals about PEPP tapering could emerge.

Polish MPC kept interest rates unchanged, after another lengthy discussion (decision time 18:05CET, the second latest on record just after July). It is very likely the rate hike was voted again, but unsurprisingly proved unsuccessful. The post-meeting statement was almost exactly the same as the previous ones. The Council still believes that elevated inflation is caused entirely by exogenous and transitory factors, and the current monetary policy will stabilise inflation near the target in the medium run (even though temporary deviation from the target is expected to last for some time). The statement also repeated that the NBP will continue the bond purchases and that FX interventions cannot be ruled out – the same sentences as in many previous months. All in all – absolutely no change in the MPC language despite large inflation surprise (5.4% in August). The NBP Glapiński's press conference today at 15:00CET will probably bring continuation of the dovish tone and another attempt to talk down market expectations for rate hikes.

The government approved a bill on tax changes that are a part of the Polish Deal package. Compared to the previous proposal, there are changes in the way healthcare contribution is calculated for some taxpayers (e.g. those choosing to pay a flat rate on incomes), which increased the cost of the reform by PLN4.5bn. At the same time the government announced an introduction of a new tax – the minimum tax on limited liability companies and joint-stock companies showing losses or low incomes relative to revenues. It wants to collect c.PLN2bn thanks to the new tool. The government wants the tax changes to enter into force with the start of 2022.

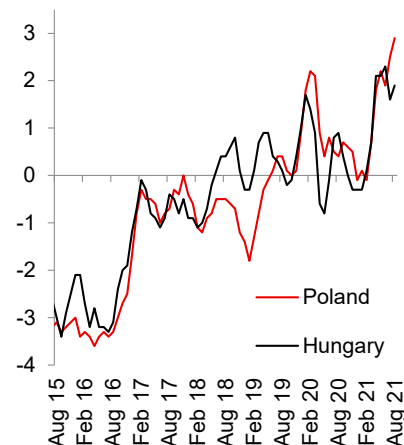
EURUSD saw the third gradual daily decline in a row, below 1.182 and today its direction may be set by the ECB rhetoric.

EURPLN did not move much on a daily basis. Possibly some market participants (despite the Monday article by Adam Glapiński) were waiting for some hawkish message in the MPC statement, due to how strong the last CPI and GDP data were. Late in the session the exchange rate started to descend to 4.51. The ongoing appreciation of the dollar together with the today's press conference of the NBP governor – most likely in a very dovish tone – might push EURPLN towards its 200-day moving average at around 4.535.

In the CEE region, even though August inflation surprised to the upside in Hungary (moved to 4.9% y/y from 4.6% y/y, while market expected 4.7%), EURHUF was still moving higher and reached 350 at the end of the day. EURCZK was again stable and USDRUB remain near Tuesday close.

On the **domestic interest rate market** the yield curve shifted only on the longer end by 3bp, while US bonds moved the other way and Bunds were stable. 10Y IRS remained slightly below 2%, other parts of the curve were stable. BGK sold Covid bonds worth slightly above PLN2bn amid demand at PLN2.3bn.

Deviation of CPI inflation from central bank target, percentage points



Source: Bloomberg, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
 Piotr Bielski +48 22 534 18 87
 Marcin Luziński +48 22 534 18 85
 Wojciech Mazurkiewicz +48 22 534 18 86
 Grzegorz Ogonek +48 22 534 18 84

FX market

Today's opening

EURPLN	4.5158	CZKPLN	0.1774
USDPLN	3.8214	HUFPLN*	1.2802
EURUSD	1.1816	RUBPLN	0.0522
CHFPLN	4.1532	NOKPLN	0.4378
GBPPLN	5.2582	DKKPLN	0.6071
USDCNY	6.4609	SEKPLN	0.4424

*for 100HUF

Last session in the FX market 08/09/2021

	min	max	open	close	fixing
EURPLN	4.503	4.522	4.510	4.510	4.518
USDPLN	3.806	3.828	3.808	3.816	3.821
EURUSD	1.180	1.184	1.184	1.182	-

Interest rate market 08/09/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.60	-1
DS0726 (5Y)	1.36	0
DS0432 (10Y)	2.04	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.59	0	0.16	0	-0.52	0
2L	1.03	1	0.31	1	-0.46	1
3L	1.33	0	0.55	0	-0.41	0
4L	1.53	0	0.74	0	-0.35	0
5L	1.67	0	0.89	-1	-0.29	0
8L	1.87	-2	1.21	-3	-0.10	-1
10L	1.98	-1	1.35	-3	0.03	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
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	0.43	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.28	-1
3x6	0.43	-1
6x9	0.71	1
9x12	0.95	0
3x9	0.52	0
6x12	0.81	0

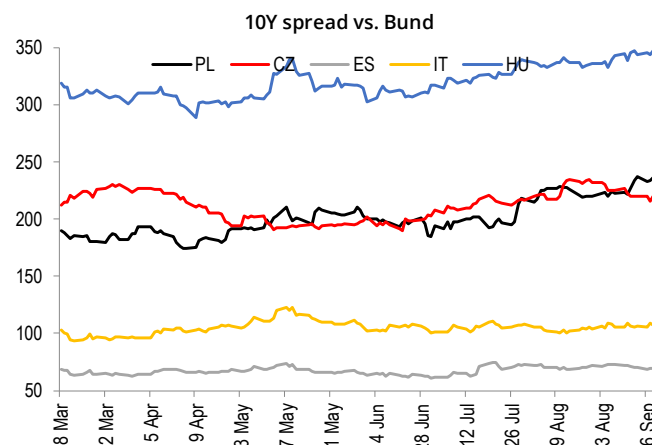
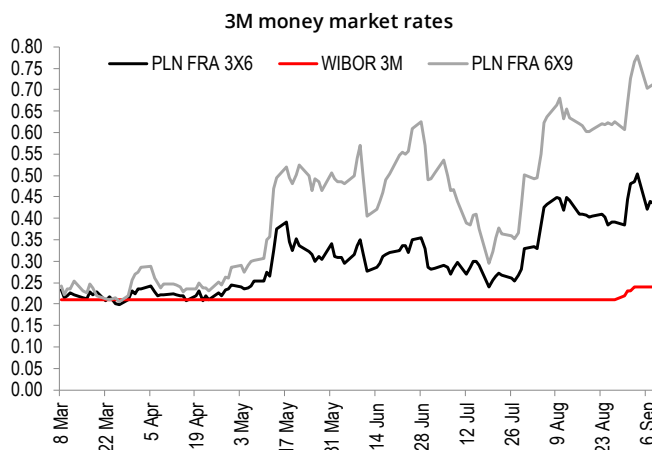
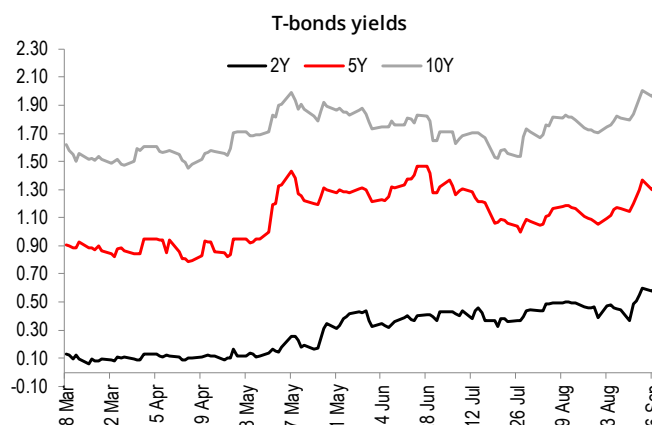
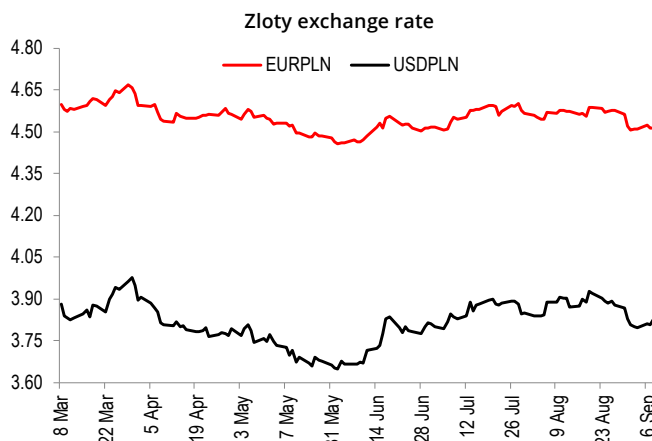
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	236	3
France	9	0	34	-1
Hungary	55	0	347	3
Spain	30	0	69	0
Italy	44	0	108	-1
Portugal	21	0	58	0
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	5.0	7.0	11.1	
TUESDAY (7 September)								
08:00	DE	Industrial Production SA	Jul	% m/m	0.9	1.0	-1.0	
09:00	HU	Industrial Production SA	Jul	% y/y	10.6	8.0	22.0	
11:00	EZ	GDP SA	2Q	% y/y	13.6	14.3	-1.3	
11:00	DE	ZEW Survey Current Situation	Sep	pts	30.0	26.5	40.4	
WEDNESDAY (8 September)								
	PL	MPC decision		%	0.1	0.1	-	0.1
09:00	HU	CPI	Aug	% y/y	4.7	4.9	4.6	
THURSDAY (9 September)								
08:00	DE	Exports SA	Jul	% m/m	0.1	0.5	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	
15:00	PL	NBP President press conference						
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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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.