

Eyeopener

November rate hike undermined, not ruled out

NBP governor suggested the rate hike may take place in 1Q22
 EBC decided about recalibration of PEPP asset purchases
 Zloty clearly weaker due to dovish message from NBP press conference
 Bonds stronger in core markets and in Poland
 Today, inflation rates in Germany and Czechia

On Thursday the stock markets stabilised while bond markets took a breather – 10Y German bond yields fell by 3bp, UST by 2bp and Italian by 8bp. This was caused by the ECB decision to reduce its asset purchases only “slightly” in the upcoming three months (in 2Q the ECB was buying €80bn monthly, in July and August €76bn on average). A more considerable review of PEPP is planned for December. Interest rates remained unchanged. ECB head Christine Lagarde stressed that some reduction of monthly purchases (named by her a recalibration) was allowed by the advanced economic rebound in Europe. New ECB forecasts showed higher economic growth in 2021 and somewhat higher inflation than expected in June. EURUSD reacted mildly to this event and finally ended the day slightly higher than one day before. The dollar weakened to most other main currencies. Weekly data on new jobless claims in the USA surprised with a low reading and it seems that after stabilisation in the summer the data are returning to an downward trend valid in the first half of the year.

The press conference of the NBP governor Adam Glapiński started on a very dovish note, which seemed to diminish chances of rate hike before the year-end, but ended with a conclusion that the start of policy tightening in November cannot be ruled out, as the new NBP projection will be the key. Glapiński denied existence of any inflationary pressure. He said the MPC will not hesitate to tighten monetary policy immediately once it sees a risk of inflation going persistently above the target due to demand-side factors, but currently this is absolutely unjustified. He said he wished such situation takes place as soon as possible, “for example after the New Year”. Overall, we did not change dramatically our view on monetary policy outlook. The November rate hike may be not as likely as before, but still not ruled out, in our view, especially if the upcoming data prove strong and the 4th wave of pandemic proves not too scary. Moreover, Glapiński said he is not a fan of rate hike by 15bp so even if they start a bit later (1Q22?), the first move could be bolder, which could bring us to our earlier expected interest rate path anyway. Please see more in the [Economic Comment](#).

EURUSD after three days of declines, on Thursday was only moving within the previous day's trading range. It closed around 1.183.

EURPLN rose in one day by around 0.5%, above 4.54. The close above the 200-day moving average may make it more difficult for the exchange rate to come back to the levels seen in the previous days of the week. We had been surprised by the resilience of the zloty to the dovish message from the Monday interview with Adam Glapiński. It seems that only his yesterday's speech convinced investors that a rate hike in November is not as probable as they had assumed, leading to the zloty weakness.

As for **the other CEE currencies**, EURCZK moved higher by 0.15% but given its recent stability it was enough to push it to the highest level since 1 September. EURHUF moved above 351 intraday, but closed somewhat lower. The total three-day loss of the forint vs the euro is already 0.9%. The ruble returned to 73 per dollar, the level where it stood on Monday. This move was encouraged by a volatile session on the oil market, with the price falling by more than 1.5%. Today the Russian central bank decides on rates – it has already hiked them this year by 225bp in total and the market expects another 25bp or 50bp to be added today.

On the domestic interest rate market, Polish T-bonds gained following the core markets. The longer end and the belly of the curve declined by 6-7bp. The IRS curve took cue and its short end went down by as much as 8bp (return to level seen at the turn of August and September), probably due to dovish conference of Adam Glapiński.

ECB projections: Sep'21 vs. Jun'21

%	2020	2021	2022	2023
GDP	-6.5	5.0	4.6	2.1
previous	-6.8	4.6	4.7	2.1
Inflation	0.3	2.2	1.7	1.5
previous	0.3	1.9	1.5	1.4

Source: ECB, Santander

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FX market

Today's opening

EURPLN	4.5439	CZKPLN	0.1783
USDPLN	3.8426	HUFPLN*	1.2944
EURUSD	1.1827	RUBPLN	0.0528
CHFPLN	4.1904	NOKPLN	0.4438
GBPPLN	5.3167	DKKPLN	0.6109
USDCNY	6.4455	SEKPLN	0.4463

*for 100HUF

Last session in the FX market 09/09/2021

	min	max	open	close	fixing
EURPLN	4.508	4.546	4.515	4.544	4.532
USDPLN	3.816	3.851	3.822	3.843	3.829
EURUSD	1.180	1.184	1.181	1.183	-

Interest rate market 09/09/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.55	-5
DS0726 (5Y)	1.28	-8
DS0432 (10Y)	1.97	-7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.54	-5	0.16	0	-0.53	0
2L	0.93	-10	0.31	0	-0.47	-1
3L	1.24	-9	0.53	-2	-0.42	-1
4L	1.46	-7	0.72	-1	-0.37	-2
5L	1.61	-6	0.88	-2	-0.32	-3
8L	1.84	-3	1.19	-2	-0.14	-4
10L	1.94	-4	1.32	-3	0.00	-3

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	0.27	-1
3x6	0.39	-5
6x9	0.64	-8
9x12	0.85	-10
3x9	0.47	-5
6x12	0.69	-12

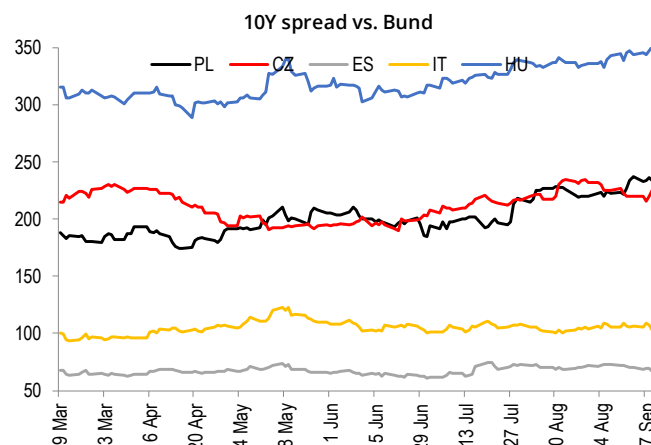
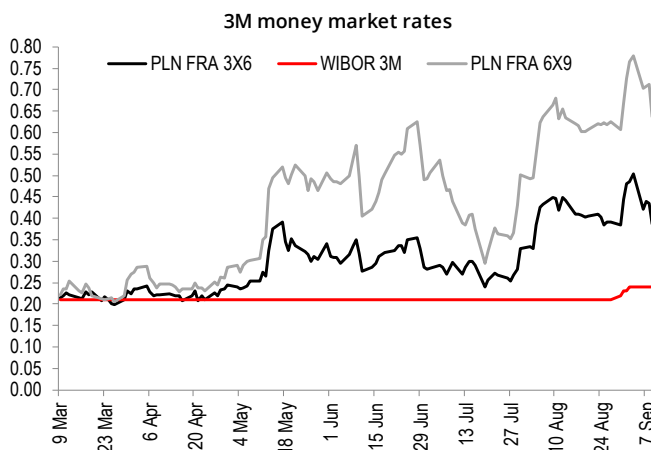
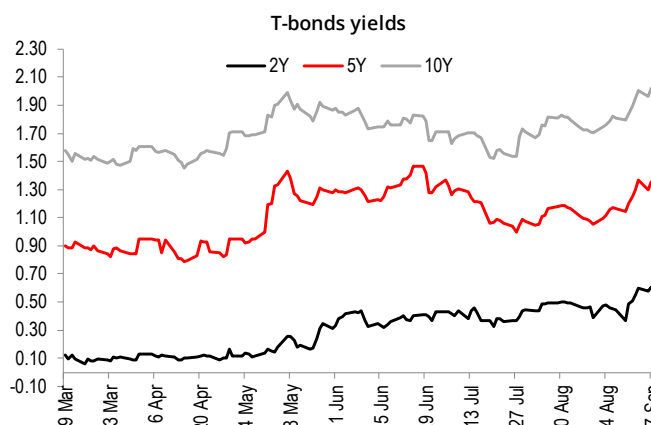
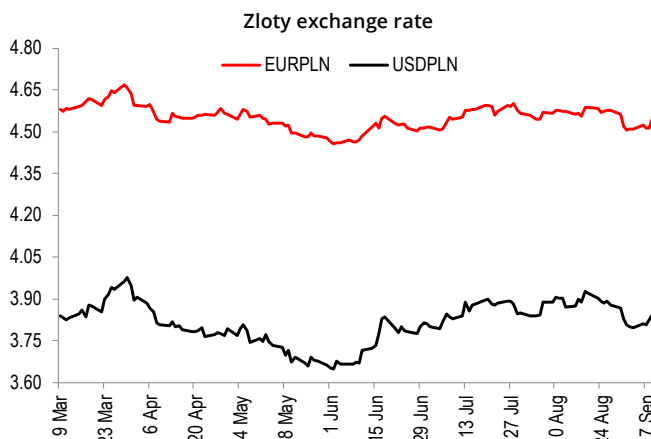
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	233	-3
France	9	0	32	-2
Hungary	55	0	350	3
Spain	30	0	67	-3
Italy	43	-1	103	-5
Portugal	21	0	56	-2
Ireland	10	0	38	-1
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	0.0	
14:30	US	Initial Jobless Claims		k	345	310	345	
15:00	PL	NBP President press conference						
FRIDAY (10 September)								
08:00	DE	HICP	Aug	% m/m	0.1	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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