

15 September 2021

Eyeopener

US inflation below forecasts

US CPI inflation slightly below expectations
Elevated FX market volatility
US bonds stronger, domestic flat
Today final data on Polish inflation, output in USA and euro zone

The main event of Tuesday was the August reading of US CPI inflation. For the debt market it was enough to see a 0.1pp downside deviation from expectations and a marginal decline of y/y growth (to 5.3%) after two record months at 5.4% to trigger a large adjustment. 10Y UST declined in yield by 6bp (ahead of the release the yields was going up, in total by 2bp vs. the Monday close, only to see an abrupt decline after the release). In case of German bonds the daily change was minimal, but during the session their yields were up from -0.34% to above -0.31% and the other way round after the US CPI. The US publication had also some impact on EURUSD but mostly on its intraday volatility. In general, the dollar saw a short-lived depreciation against other major currencies of developed economies. Oil price registered another rise (to USD74/barrel) due to the hurricane season in the USA affecting the activity of refineries.

The minimum wage for 2022 was set yesterday by the government at PLN3010, up from PLN2800, or by 7.5%. We expect wage hikes in the corporate sector by 7.1% next year and on average 8.4% this year. Our forecast of the rise of consumer prices in the period since the last minimum wage hike to the approved next one on 1 January 2022 is 5.5%.

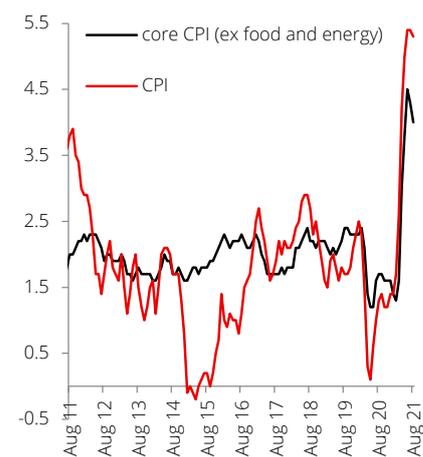
EURUSD was moving during the day between 1.180 and 1.184. Eventually the daily change was only +0.1%. The dollar regained strength quite easily after the sudden depreciation caused by the negative CPI surprise.

EURPLN was also feeling the fx market turbulences triggered by the US data. Before the CPI release it was close to 4.555 and after the release – around 4.545. At the close the exchange rate was more less in the same spot as at the Monday opening. Today's final Polish CPI data for August are likely to confirm the rise to 5.4% y/y, causing no market response (unless there are revisions to food, energy and fuel that will imply a higher core inflation). We think that the high readings of CPI – if still not accompanied by any tightening in the MPC stance – are more a burden for the zloty than a reason for it to strengthen.

When it comes to the **other CEE currencies**, the koruna was close to 25.37 vs. the euro at the end of the day, which means practically no change day-to-day. During the session there were remarks by CNB members: Vojtěch Benda (confirming that he still opts for 50bp hikes) and Tomáš Holub (who sees the need for further tightening due to the high path of CPI, but prefers to move in more cautious 25bp steps due to the risks related to the pandemic). EURHUF went below 350 and USDRUB stayed for the whole session above 73.

On the Polish interest rate market the bond curve did not follow the core markets. The longer end remained above 2% (reached 2.04% during the day but then went back to 2.01%), while the shorter end stayed put. The swap curve was moving insignificantly. Today NBP is purchasing bonds. The Finance Ministry announced that at the Thursday switching auction it intends to sell bonds OK0724, PS1026, WZ1126, WZ113, DS0432, and repurchase DS1021, PS0422 and OK0722.

US CPI inflation, %y/y



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	4.5518	CZKPLN	0.1792
USDPLN	3.8566	HUFPLN*	1.2873
EURUSD	1.1806	RUBPLN	0.0528
CHFPLN	4.1925	NOKPLN	0.4455
GBPPLN	5.3267	DKKPLN	0.6121
USDCNY	6.4425	SEKPLN	0.4473

*for 100HUF

Last session in the FX market						14.09.2021
	min	max	open	close	fixing	
EURPLN	4.540	4.556	4.547	4.543	4.556	
USDPLN	3.840	3.861	3.849	3.842	3.854	
EURUSD	1.180	1.185	1.181	1.182	-	

Interest rate market 14.09.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.59	0
DS0726 (5Y)	1.44	12
DS0432 (10Y)	2.01	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.55	2	0.18	2	-0.53	0
2L	0.97	2	0.30	-1	-0.46	0
3L	1.27	0	0.54	-1	-0.41	-1
4L	1.48	-1	0.73	-2	-0.35	0
5L	1.63	-1	0.88	-1	-0.30	-1
8L	1.88	0	1.18	-3	-0.11	-2
10L	1.97	-1	1.30	-3	0.02	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.09	0
T/N	0.10	1
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.24	0
6M	0.28	0
1Y	0.44	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.28	0
3x6	0.42	3
6x9	0.66	2
9x12	0.90	3
3x9	0.50	0
6x12	0.77	1

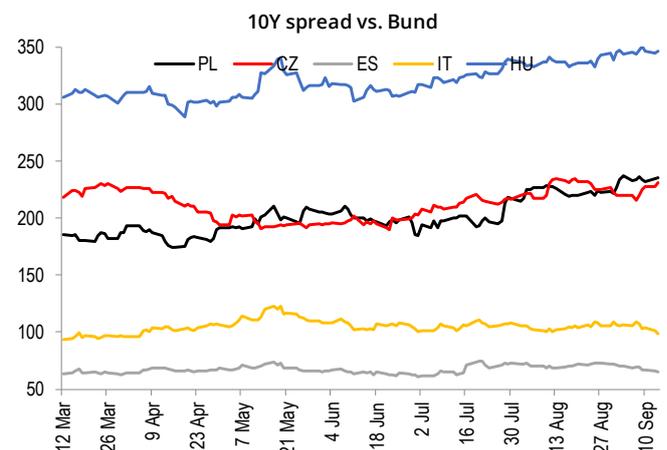
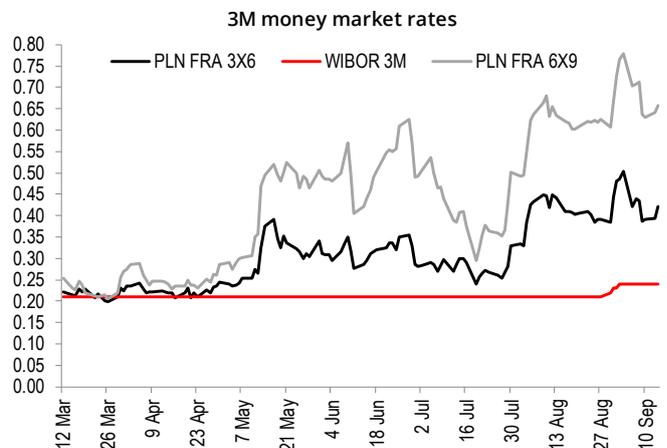
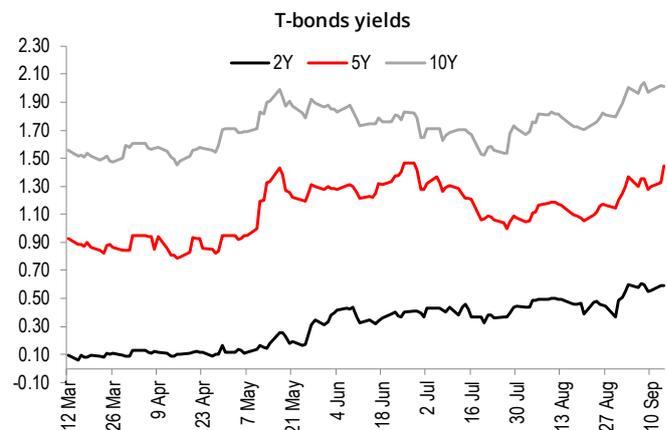
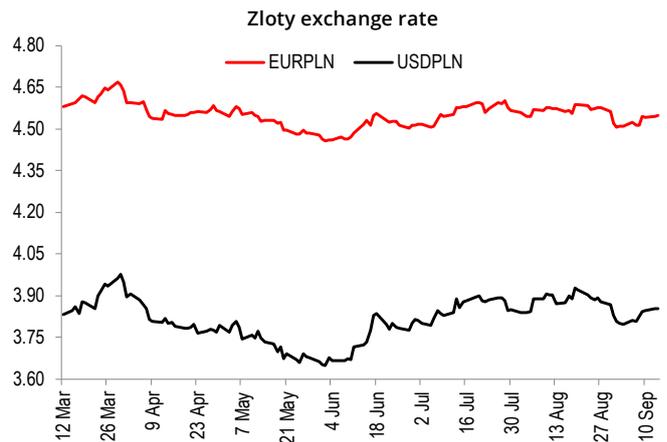
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	235	1
France	9	0	33	0
Hungary	55	0	346	1
Spain	29	0	65	-1
Italy	42	-1	99	-3
Portugal	21	0	55	-1
Ireland	11	0	37	-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 (10 September)								
08:00	DE	HICP	Aug	% m/m	0.1	0.1	0.1	
09:00	CZ	CPI	Aug	% y/y	3.6	4.1	3.4	
MONDAY (13 September)								
14:00	PL	Current Account Balance	Jul	€mn	-270	-341	-1827	281
14:00	PL	Trade Balance	Jul	€mn	258	3	-714	761
14:00	PL	Exports	Jul	€mn	22799-	22032	22346	23680
14:00	PL	Imports	Jul	€mn	22477	22029	23060	22919
TUESDAY (14 September)								
14:30	US	CPI	Aug	% m/m	0.4	0.3	0.5	
WEDNESDAY (15 September)								
10:00	PL	CPI	Aug	% y/y	5.4	5.4	-	5.0
11:00	EZ	Industrial Production SA	Jul	% m/m	0.6	-	-	-0.3
15:15	US	Industrial Production	Aug	% m/m	0.4	-	-	0.9
THURSDAY (16 September)								
14:00	PL	CPI Core	Aug	% y/y	3.9	3.9	-	3.7
14:30	US	Initial Jobless Claims		k	315	-	-	310
14:30	US	Retail Sales Advance	Aug	% m/m	-1.0	-	-	-1.1
14:30	US	Index Philly Fed	Sep		18.5	-	-	19.4
FRIDAY (17 September)								
10:00	PL	Employment in corporate sector	Aug	% y/y	1.1	1.1	-	1.8
10:00	PL	Average Gross Wages	Aug	% y/y	8.7	9.1	-	8.7
11:00	EZ	HICP	Aug	% y/y	3.0	-	-	3.0
16:00	US	Michigan index	Sep	pts	72.0	-	-	70.3

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.