

17 September 2021

Weekly Economic Update

FOMC more important than local data

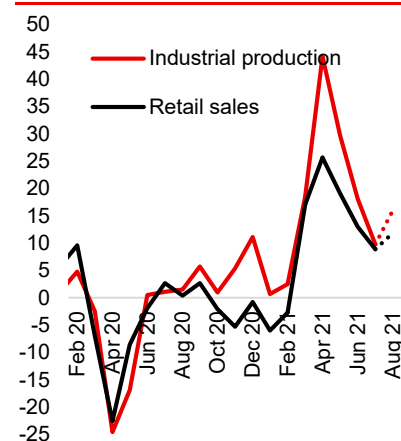
Economy next week

- After the weekend we will see **lots of new data releases** and some events that may determine new directions for market trading. In Poland there will be data on industrial production and PPI (Monday), construction output and retail sales (Tuesday), money supply (Wednesday), unemployment and many detailed indicators in the monthly Statistical Bulletin (Thursday). Our forecast in most cases are above market consensus and if they get confirmed, it will be reassuring the scenario of rapid economic expansion in the environment of elevated inflation.
- Abroad we will see, among others, flash PMIs in Europe and USA (Thursday) and German Ifo (Friday). Business climate indicators in manufacturing may continue a correction from high levels caused by supply chain disruptions and labour shortages, while in services they should stay at solid levels, overall confirming pretty good outlook for main economies.
- The main even of the week will be the **FOMC meeting** (Wednesday), the first one after the Jackson Hole symposium, and the one at which the new economic forecasts and the new interest rate “dot-plot” will be presented. The change in forecasts and in the “dot-plot” may shed some light on the US monetary policy outlook, which could be a key information for markets.
- Before that, the **Hungarian central bank** holds a meeting (Tuesday) which is likely to end with the third interest rate hike in a row.
- One more important point in the domestic calendar: the **Constitutional Tribunal's planned meeting** and possible ruling on the supremacy of EU law over Polish law (Wednesday).

Markets next week

- EURPLN, as we expected, continued its upward move recently, which was favoured by worsening balance of payments, stronger dollar and loudly communicated NBP's reluctance to react quickly to rising inflation. The solid macro data should theoretically support the zloty in the coming days, but we think two other issues will be key for the exchange rate behaviour: the reception of the FOMC meeting and the Constitutional Tribunal's verdict. If the markets perceive the Fed message as hawkish, and the Tribunal says that Polish law is superior over EU law, then we would expect the zloty to weaken and the next important level for EURPLN after breaking 4.60 would be 4.68. However, we think this is not the baseline scenario and this **the rate is more likely to reverse course towards the 200-day moving average, i.e. 4.537**.
- For the interest rate market the Fed meeting should be also the most important. If we do not see the hawkish surprise on that front, we may witness **some downward correction of bond yields and IRS rates**, probably more on the short end of the curve, as the long end could be pricing-in growing premium for the central bank reaction being “behind the curve”.

Production and sales growth, % y/y



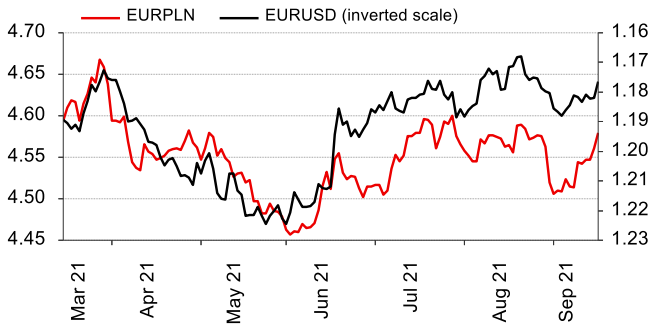
Source: GUS, Santander

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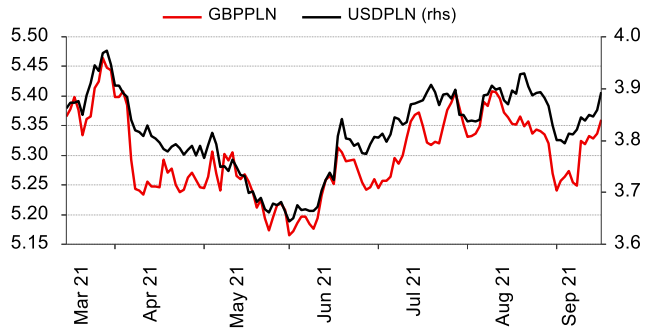
FX and FI markets

EURPLN and EURUSD



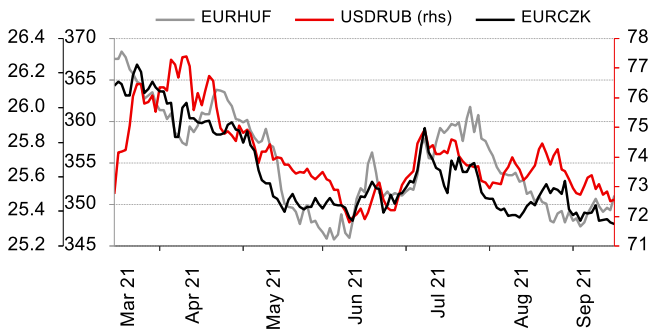
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



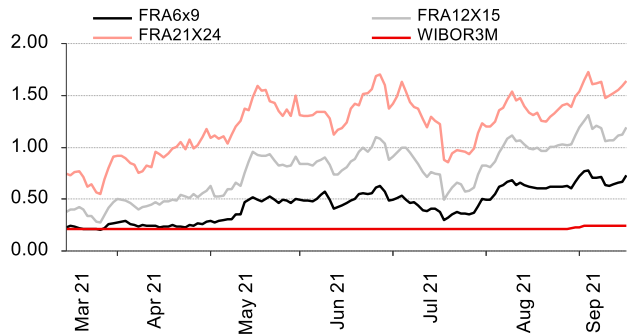
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



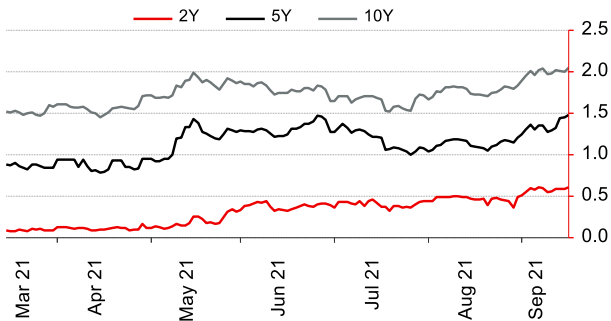
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



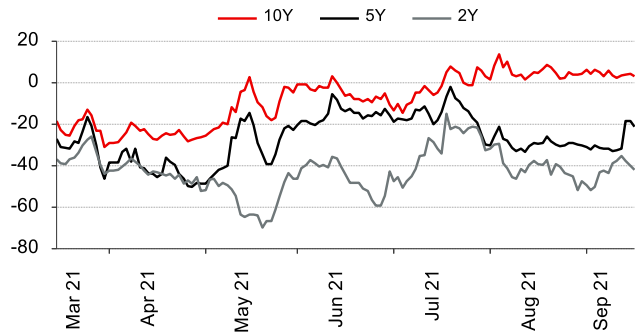
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



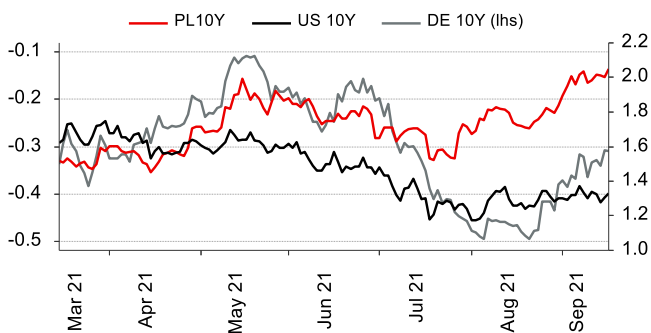
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



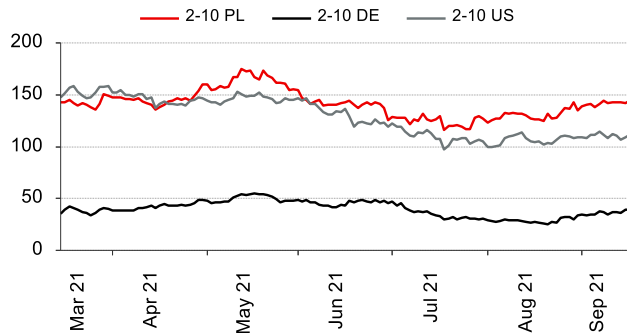
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander Bank Polska

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (20 September)							
10:00	PL	Industrial output	Aug	%y/y	13.7	15.9	9.8
10:00	PL	PPI	Aug	%y/y	9.2	9.0	8.2
TUESDAY (21 September)							
10:00	PL	Construction output	Aug	%y/y	7.5	8.0	3.3
10:00	PL	Retail sales in constant prices	Aug	%y/y	5.3	6.8	3.9
14:00	HU	Hungarian central bank decision		%	1.75	-	1.50
14:30	US	House starts	Aug	% m/m	1.0	-	-7.0
WEDNESDAY (22 September)							
14:00	PL	M3 money supply	Aug	% y/y	9.2	8.9	8.8
16:00	US	Existing home sales	Aug	% m/m	-1.8	-	2.0
20:00	US	FOMC decision		%	0.25	-	0.25
THURSDAY (23 September)							
9:30	DE	PMI – industry, flash	Sep	pts	61.5	-	62.6
9:30	DE	PMI – services, flash	Sep	pts	60.3	-	60.8
10:00	EZ	PMI – industry, flash	Sep	pts	60.5	-	61.4
10:00	EZ	PMI – services, flash	Sep	pts	58.7	-	59.0
10:00	PL	Unemployment rate	Aug	%	5.8	5.8	5.8
14:30	US	Initial Jobless Claims	week	k		-	332
14:45	US	PMI – industry, flash	Sep	pts	61.1	-	61.1
14:45	US	PMI – services, flash	Sep	pts	54.9	-	55.1
FRIDAY (24 September)							
10:00	DE	Ifo index	Sep	pts	98.9	-	99.4
16:00	US	New home sales	Aug	%m/m	0.3	-	1.0

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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