

21 September 2021

Eyeopener

Worse mood on stock markets

High losses on stock markets amid default risk of a Chinese developer
 Stronger dollar, EURPLN above 4.60
 Core market bond yields somewhat lower, in Poland too – 10Y at 2.0%
 Today retail sales and construction output, Hungarian central bank decision

On Monday the equity markets recorded clear losses – Hang Seng index went down 3.3%, main European indices fell over 2%, US stocks were lower 1.3-1.8%. The negative sentiment was caused mainly by the troubles of Chinese developer Evergrande. UST yields fell temporarily by c.6bp to 1.30% but rebounded at the end of European session to 1.33%; Bund yield decreased by 4bp to -0.32%. Commodity prices fell, in particular iron ore and copper, plus almost all emerging market currencies. August PPI reading surprised to the upside in Germany (to 12.0% y/y vs expected 11.1% and previous 10.4%) and in Poland (to 9.5% y/y vs expected 9.3% and previous 8.3%). In the US for the first time in 5 months the NAHB index improved after drop in timber price and due to persisting large demand.

The **government** plans to amend the 2021 budget soon. Thanks to higher than initially assumed nominal GDP growth rate, higher incomes from the sale of CO2 emission rights and the profit of the central bank the spending limits are to be increased (e.g for the building of local roads, bonuses in the government sector, coal mining) and at the same time the planned deficit should be decreased (instead of PLN 82.3 it might be at least PLN 13.0 as this was input in the 2022 budget draft as the expected realisation of 2021 deficit but with unchanged expenditures).

MPC's Kamil Zubelewicz said on Monday that the Polish economy needed a „decisive” and „one-off” hike of interest rates. According to Zubelewicz, the final word always belongs to NBP president Adam Glapiński who is against such a move and thus it is not very probable to happen. Zubelewicz was sure rates will not go up at the upcoming MPC meeting on 6 October. He even thought that rate hikes in 2022 are not very likely, when prices will rise at a slower pace than in 2021 and the MPC “is more eager to use pro-inflation tools than anti-inflation ones”. Meanwhile, **Eugeniusz Gatnar** said that policy tightening should start with a delicate move by 15bp. Gatnar was worried about deanchoring of inflation expectations and start of price-wage spiral. According to Gatnar, there are growing imbalances on the housing market, and the rate hike could trigger “big problems” with debt servicing.

In August, Polish **industrial output** rose by 13.2% y/y vs. market expectations at 13.7% and our 15.9% forecast. While the outcome is lower than expected, it is not bad and we would still say that industrial activity remains strong. It does however suggest that the supply chain issues are a growing problem. **PPI** growth accelerated in August to 9.5% y/y, reaching 10-year high and beating market consensus 9.2% and our forecast 9.0%. It seems that problems with supplies and rising costs of transport and components have the broadening influence on producer prices, which is likely to have a pressure on consumer inflation. More in [Economic Comment](#).

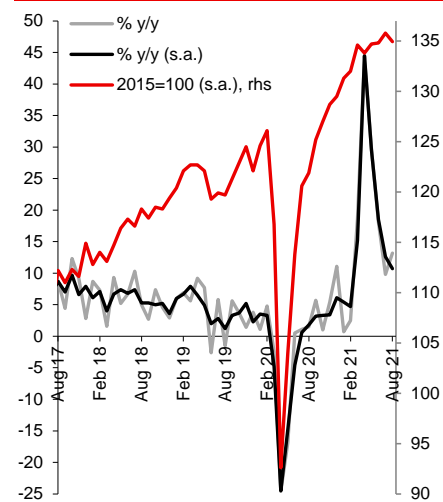
EURUSD declined on Monday but only by 0.1% to 1.1720. The entire decline that started on Thursday already amounts to 0.9%. The support is at 1.1670 (August minimum) and a break of this level can open the door to further declines. A natural consolidation level is at 1.1790, the 50-day moving average.

EURPLN has increased by 0.4% to 4.6070. It is important that the 4.6000 level has been broken (the double top from July this year), which in theory opens the possibility for the EURPLN to increase towards 4.70-4.75. Despite the fact that technical indicators imply that EURPLN is already overbought, there is a risk of further increases as a result of the fines (ECJ has fixed a rate at EUR 500k per day) for not stopping the mining in the Turów mine and in expectations for Wednesday Constitutional Court ruling regarding which law (EU or Polish) overrides which.

As regards **other CEE currencies**, EURHUF soared by 0.5% to 354.50 and its three-day rise amounts to 1.6%. The main reason behind forint weakness was global sentiment, but local factors also did not help: current account balance in 2Q21 recorded -€775m (vs expected -€471m) and the previous reading was revised from +€541m to +€177m). EURCZK rose by 0.4% to 25.47 and USDRUB by 0.8% to 73.50.

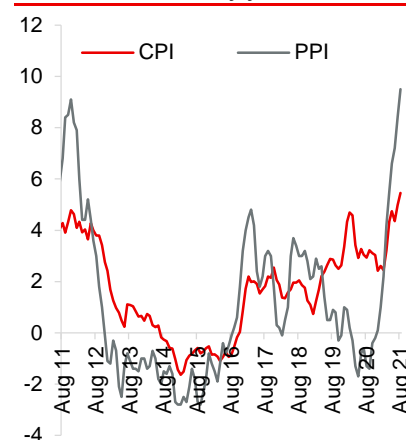
On the interest rate market, POL10Y yields fell (by c.5bp, 10Y to 2.0%), following core markets and amid higher demand for bonds at the end of the month. IRS rates fell c.10bp. BGK announced that at the Wednesday's auction it will offer three bond series (FPC0725, FPC0328, FPC0631) worth at least PLN1bn. So far in 2021 BGK issued bonds worth PLN31.4bn in total, out of theoretically available pool of PLN39.7bn (i.e. 81.6%).

Industrial output in Poland



Source: GUS, Santander

Inflation measures, % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.6017	CZKPLN	0.1804
USDPLN	3.9230	HUFPLN*	1.2991
EURUSD	1.1730	RUBPLN	0.0535
CHFPLN	4.2273	NOKPLN	0.4510
GBPPLN	5.3594	DKKPLN	0.6186
USDCNY	6.4655	SEKPLN	0.4520

*for 100HUF

Last session in the FX market						20/09/2021
	min	max	open	close	fixing	
EURPLN	4.583	4.608	4.590	4.608	4.600	
USDPLN	3.913	3.932	3.918	3.929	3.928	
EURUSD	1.170	1.174	1.171	1.173	-	

Interest rate market 20/09/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.59	-3
DS0726 (5Y)	1.46	-5
DS0432 (10Y)	2.02	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.57	-5	0.17	0	-0.52	0
2L	1.01	-7	0.33	0	-0.45	0
3L	1.31	-8	0.57	-1	-0.39	0
4L	1.52	-8	0.77	-3	-0.33	-1
5L	1.67	-9	0.92	-4	-0.27	-2
8L	1.89	-10	1.22	-5	-0.07	-2
10L	1.98	-10	1.33	-6	0.06	-3

WIBOR rates

Term	%	Change (bps)
O/N	0.11	1
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.24	0
6M	0.29	1
1Y	0.45	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.29	-1
3x6	0.43	-2
6x9	0.67	-6
9x12	0.92	-9
3x9	0.51	-4
6x12	0.78	-9

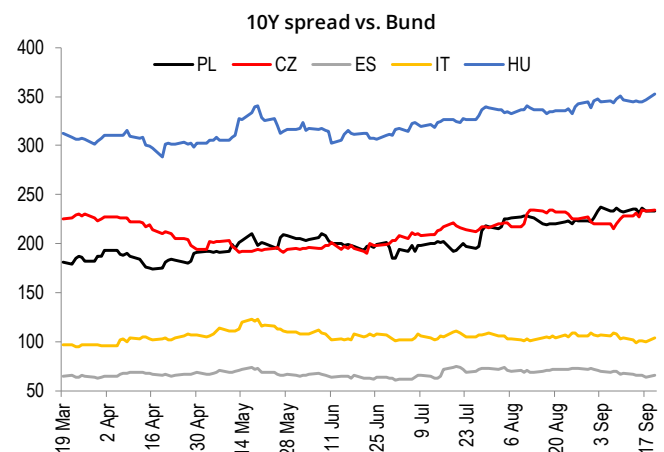
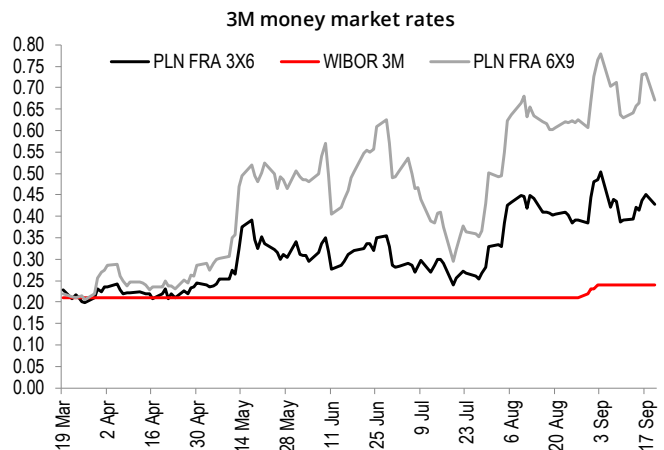
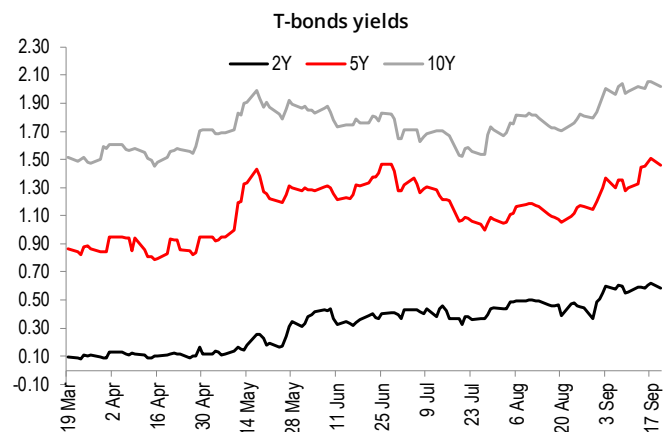
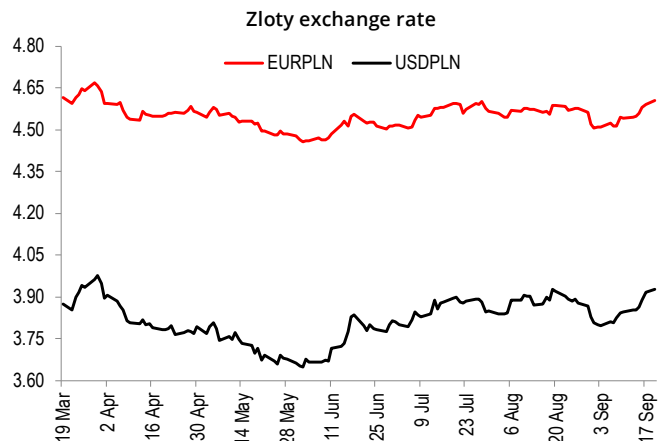
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	5	234	0
France	10	2	34	1
Hungary	59	4	353	6
Spain	32	3	66	2
Italy	47	6	103	3
Portugal	23	3	57	3
Ireland	11	1	39	1
Germany	8	1	-	-

* 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 (17 September)								
10:00	PL	Employment in corporate sector	Aug	% y/y	1.1	1.1	0.9	1.8
10:00	PL	Average Gross Wages	Aug	% y/y	8.7	9.1	9.5	8.7
11:00	EZ	HICP	Aug	% y/y	3.0		3.0	3.0
16:00	US	Michigan index	Sep	pts	72.0		71.0	70.3
MONDAY (20 September)								
10:00	PL	Industrial output	Aug	%y/y	14.6	15.9	13.2	9.8
10:00	PL	PPI	Aug	%y/y	9.3	9.0	9.5	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	3.0	-		-7.0
WEDNESDAY (15 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	-1.7	-		2.0
20:00	US	FOMC decision		%	0.25	-		0.25
THURSDAY (22 September)								
9:30	DE	PMI – industry, flash	Sep	pts	61.4	-		62.6
9:30	DE	PMI – services, flash	Sep	pts	60.4	-		60.8
10:00	EZ	PMI – industry, flash	Sep	pts	60.4	-		61.4
10:00	EZ	PMI – services, flash	Sep	pts	59.0	-		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
14:45	US	PMI – services, flash	Sep	pts		-		55.1
FRIDAY (23 September)								
10:00	DE	Ifo index	Sep	pts	98.8	-		99.4
16:00	US	New home sales	Aug	%m/m	1.7	-		1.0

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

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