

22 September 2021

Eyeopener

Decision day for FOMC and Constitutional Court

Stock markets unwind the Tuesday fall

The dollar and UST yields stable, Bund yield a bit lower

The zloty and other CEE FX down, Polish bonds gained somewhat

Today FOMC decision and US housing data, Polish Constitutional Court ruling on EU law

On Tuesday equity indices rebounded higher from Monday's losses (European indices up c. 1.2%) and this despite the news that the Chinese Evergrande missed some payments on Monday; the market however seems to believe that the bigger Thursday payment will be paid. Today Chinese markets are open after a holiday and it does not seem that the situation is deteriorating further (slight increases in the Shanghai stock exchange). Today the FOMC meeting takes place – the first one since the gentle communication from Jerome Powell during the Jackson Hole conference regarding the bond purchase tapering and interest rate hikes. On the upcoming meeting the fresh macroeconomic projections should be published as well as the "dot plot" describing FOMC members' preferences regarding interest rate hikes in the coming years. On Tuesday the dollar barely changed, UST yields temporarily rose during the day only to close at 1.31% - unchanged both on a daily basis and MTD; Bund yield has been falling for a second day in a row. The price of gold increased (to US\$1770 per ounce) while the price of Brent oil did not change (US\$74.6 per barrel). The August data from the US real estate markets (new home sales, building permits) have both surprised to the upside; with noticeable mismatch between the strong demand and the supply which fails to catch up because of the supply chain issues. This plausibly means that the price pressure in the US real estate market will remain elevated in the coming months.

Retail sales rose by 5.4% y/y vs. market expectations at 5.3% and our 6.8% forecast, following the July 3.9% print that had been a disappointment. Holiday travels may have affected negatively the result. In SA terms the August print was 0.4% stronger than the previous, disappointing one, which should be considered a solid outcome, but also suggests a moderation of the pace at which the consumption of goods is recovering. **Construction production** rose 10.2% y/y in August, at the fastest rate since April 2019, beating market consensus (7.5%) and our forecast (8.0%). It seems that the data herald the long-awaited recovery in the public investments in infrastructure. Housing market activity remains high. More in [Economic Comment](#).

EURUSD did not change much and was oscillating around 1.1730 on Tuesday.

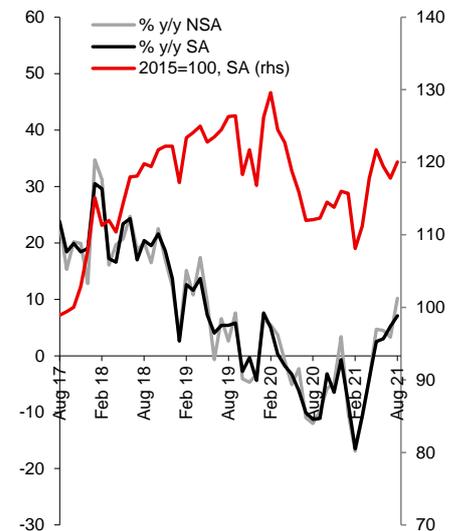
EURPLN climbed on Tuesday by 0.4% to 4.6250 after easily breaking the resistance at 4.6000. Since the start of September EURPLN went up by 2.3%. In case of a zloty-negative outcome of the FOMC meeting (hawkish message) and if the Constitutional Tribunal questions the superiority of EU law we expect the zloty to weaken further, to 4.70-4.75 per euro in the nearest future. Today EURPLN could be volatile due to the decisions by FOMC and the Tribunal.

As regards **other CEE currencies**, EURHUF fell in the first part of the day by 0.4% to 353.3 and later jumped temporarily above 354.0 as the Hungarian central bank hiked rates less than expected (15bp to 1.65%). Interestingly, at the end of the day the rate was back near 353.2. EURCZK was less volatile – fell by 0.2% to 25.40 and is flat as compared with the start of the week. USDRUB also declined and ended the day at 73.2.

On the interest rate market, the bond yield curve, IRS curve and FRA all moved down by c.3bp, roughly to the tune of strengthening German Bund. Today the BGK will offer three bond series at the auction (FPC0725, FPC0328, FPC0631) worth at least PLN1bn. So far in 2021 the BGK sold bonds worth PLN32.4bn out of the planned supply of PLN39.7bn.

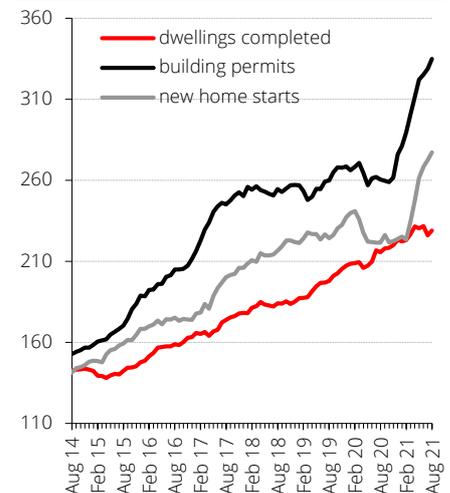
Today the Poland's **Constitutional Tribunal** is planned to rule about the supremacy of EU law over the Polish law. If it decides that the local legislation is superior to the European law, it would imply the further escalation of the conflict with the EU, which has already reached the stage when the payments of European money from the Recovery fund are being delayed and the financial penalties on Poland are being imposed (the ECJ has recently fined Poland for not stopping the Turów lignite coal mine, and it is supposed to decide soon on the penalty for not implementing the decision on the Supreme Court's Disciplinary Chamber). Today the [FT writes](#) that the European Commission is preparing to withhold payments for Poland and Hungary from the cohesion funds, for violating human rights and discrimination against LGBT+ people.

Construction output in Poland



Source: GUS, Santander

Housing market statistics, 12M sums in thousands



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.6134	CZKPLN	0.1814
USDPLN	3.9375	HUFPLN*	1.3099
EURUSD	1.1722	RUBPLN	0.0541
CHFPLN	4.2571	NOKPLN	0.4546
GBPPLN	5.3718	DKKPLN	0.6204
USDCNY	6.4664	SEKPLN	0.4534

*for 100HUF

Last session in the FX market						21/09/2021
	min	max	open	close	fixing	
EURPLN	4.595	4.630	4.601	4.622	4.615	
USDPLN	3.918	3.947	3.922	3.943	3.934	
EURUSD	1.171	1.175	1.173	1.172	-	

Interest rate market 21/09/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.57	-2
DS0726 (5Y)	1.43	-3
DS0432 (10Y)	1.98	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.56	-1	0.17	0	-0.52	0
2L	0.99	-2	0.33	1	-0.45	0
3L	1.30	-1	0.57	-1	-0.39	0
4L	1.49	-3	0.77	0	-0.33	0
5L	1.63	-4	0.93	1	-0.26	1
8L	1.86	-2	1.22	0	-0.07	0
10L	1.96	-2	1.33	0	0.06	0

WIBOR rates

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

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.28	0
3x6	0.41	-1
6x9	0.67	0
9x12	0.90	-1
3x9	0.50	-1
6x12	0.78	0

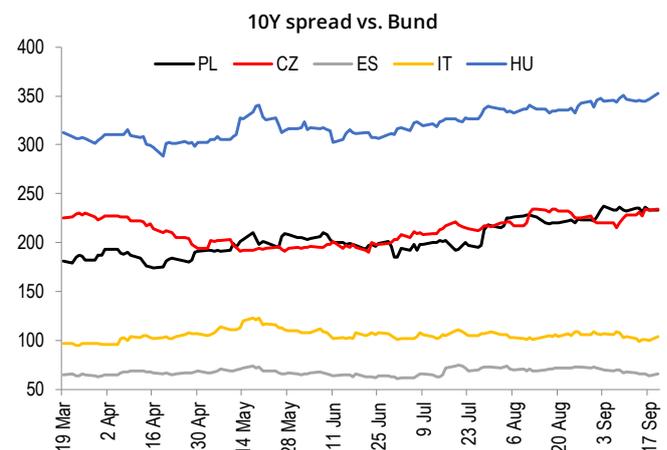
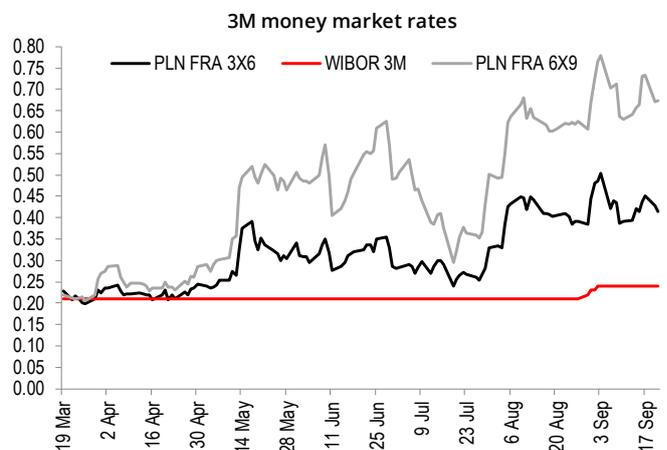
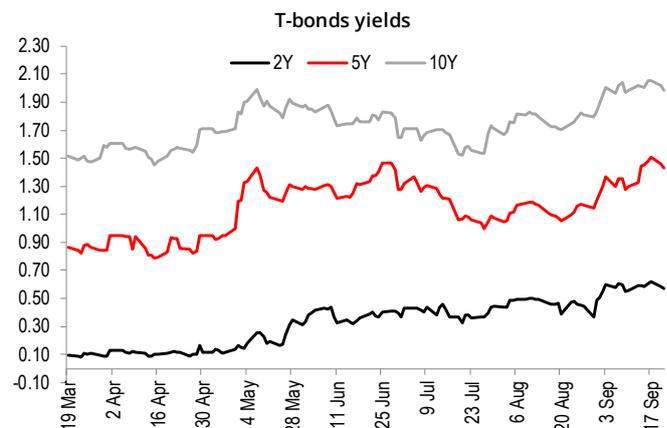
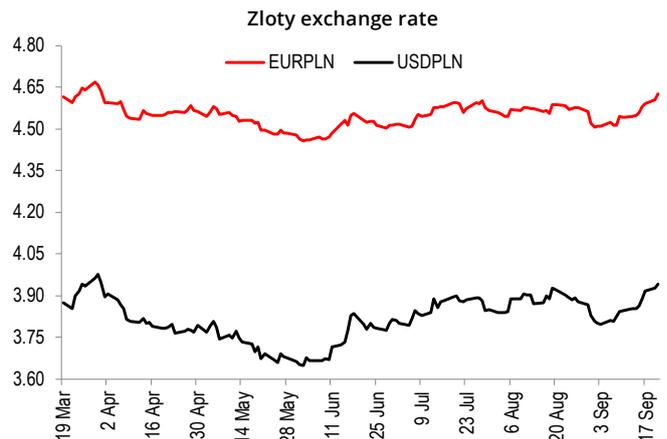
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	234	0
France	10	0	34	1
Hungary	59	0	353	6
Spain	32	-1	66	2
Italy	47	-1	103	3
Portugal	22	-2	57	3
Ireland	11	-1	39	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 (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	8.0	8.0	10.2	3.3
10:00	PL	Retail sales in constant prices	Aug	%y/y	5.5	6.8	5.4	3.9
14:00	HU	Hungarian central bank decision		%	1.75	-	1.65	1.50
14:30	US	House starts	Aug	% m/m	1.0	-	3.9	-6.2
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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