

## Eyeopener

### Fed is moving towards policy normalisation

Fed likely to announce QE tapering in November, end net purchases in mid-2022  
 The dollar stronger after FOMC, UST yields stable, Bund yield lower  
 EURPLN higher intraday, Constitutional Tribunal verdict postponed to 30 September  
 Today PMIs in the USA, Eurozone, Germany, Polish unemployment rate

On Wednesday the markets were calm as they were waiting for the September FOMC decision, yet both European and US stock markets were predominantly in black for the second day in a row. Commodity prices also went up. The dollar and UST yields (10Y at 1.32%) were flat, 10Y Bund yield fell by 2bp to -0.33%. As regards data releases, European consumer confidence improved slightly. In the USA the August home sales declined by 2% m/m suggesting that the demand is slowing down due to rising prices and limited offers. Share of first-time buyers fell to 29%, the lowest level since 2009. Median home price advanced by 14.9% y/y.

The **FOMC** signalled that it is highly likely it will start the tapering of asset purchase program in the near future, as long as the progress in fulfilling the Fed objectives (full employment and inflation) remains in line with expectations. The dot-plot showed the FOMC is divided half-half in opinions whether interest rate hikes should start already in 2022 or one year later. Inflation forecast for 2022 was lifted to 2.2% from June's 2.1% but the one for 2023 remained at 2.2%. GDP growth forecast is currently 3.8% for 2022 and 2.5% for 2023 (both up vs the previous forecast). Unemployment remained unchanged, at 3.8% and 3.5%.

**MPC's Cezary Kochalski** reminded that the NBP president in the name of the Council pointed to specific preconditions for monetary policy tightening – it is key that when bringing inflation to the target the economic growth must not be squashed. He did not suggest if November could be a turning point for monetary policy.

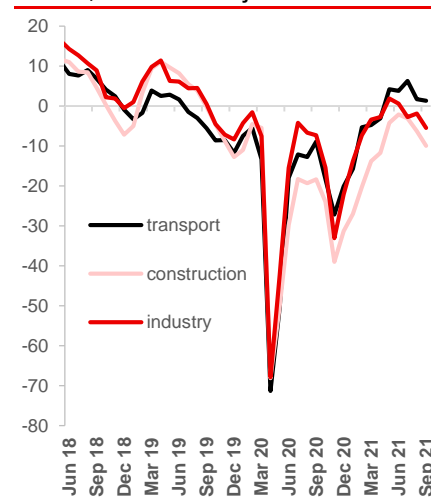
**Consumer sentiment** rose in September: current assessment and expectations components were both the highest since March 2020, the former was 1pp above and the latter 10pp above the long term average. The largest improvement was seen in attitude towards major purchases despite a slightly worse assessment by households of their current and prospective financial situation (both indexes the lowest in five months). Once again unemployment worries were reduced which fits our hypothesis that the recent disappointing employment numbers were rather caused by problems with finding new employees than by a decrease of labour demand. The part of consumer survey on Covid-19 showed a further drop of worries. For the first time since the start of the pandemic more people considered it an average threat than a serious threat to the economy. In September, changes to **business sentiment** were mixed. Current situation was seen as better in construction, hotels and restaurants, and retail trade, among others, but worsened in industry and transport. On the other hand, all expectations indexes but the IT sector were down m/m.

**M3 money supply** in August increased by 9.1% y/y vs 8.8% y/y in July, close to expectations (market: 9.2%, we: 8.9%). The corporate deposits increased by 7.9% y/y (vs 7.6% y/y previously) while household deposits accelerated to 7.0% y/y from 6.7%. Cash in circulation was growing slower (15.7% y/y) than before despite a positive base effect. Loan growth, after adjusting for foreign exchange movements, stood at 1.8% y/y vs 1.3% in July which resulted from the uptick in the household credit (4.7% y/y from 4.2% y/y) and slowing declines in corporate credit (-2.5% y/y in August, previously -3.0%). The zloty denominated corporate loans (short-term ones) ceased to decline in y/y terms, however their value is still 10% below the pre-pandemic level. In the household sector there is a delicate rebound in consumption loans (+1.0% y/y, previously 0.6%) - its value has just grown above the pre-pandemic level. Mortgage loans (PLN denominated) have been accelerating for a few months now (in August the pace reached 11.7% y/y from 11.0%) while its value is now PLN 55bn higher than before the pandemic.

**EURUSD** was stable for a second day in a row near 1.1730. Only after the FOMC meeting, the dollar gained while EURUSD temporarily declined below 1.1700. **EURPLN** has increased for a 8 day in a row, this time by 0.2% to 4.6280 and currently is strongly overbought. The increase has reached 2.4% MTD. The Constitutional Court which was supposed to rule yesterday regarding the supremacy of EU law over the Polish one has postponed the ruling to 30 September (the need to prepare as new topics have been raised). After FOMC the EURPLN fell to 4.62. As for the **other CEE currencies**, EURHUF gained 0.5% perhaps as a result of the fact that MNB slowed down the pace of interest rate increases (to 15bp from 30bp) on a meeting 2 days ago. EURCZK fell 0.2% to 25.37. USDRUB declined 0.4% to 72.8.

The domestic **interest rate market** was stable. Yesterday BGK sold 3 bonds (FPC0725, FPC0328, FPC0631) worth PLN660mn and PLN32mn at the top-up auction. Demand was at PLN750mn. BGK has issued PLN33.1bn bonds in total this year, which is 83.4% of total planned offer.

Business sentiment indicators: expectations indexes, no seasonal adjustment



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.6161	CZKPLN	0.1814
USDPLN	3.9421	HUFPLN*	1.2999
EURUSD	1.1709	RUBPLN	0.0541
CHFPLN	4.2563	NOKPLN	0.4555
GBPPLN	5.3780	DKKPLN	0.6206
USDCNY	6.4657	SEKPLN	0.4536

\*for 100HUF

Last session in the FX market						22/09/2021
	min	max	open	close	fixing	
EURPLN	4.612	4.634	4.616	4.620	4.631	
USDPLN	3.933	3.952	3.937	3.937	3.946	
EURUSD	1.172	1.174	1.172	1.174	-	

**Interest rate market** 22/09/2021

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.57	0
DS0726 (5Y)	1.43	0
DS0432 (10Y)	1.98	0

**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	0	0.35	2	-0.44	1
3L	1.29	-1	0.60	3	-0.38	1
4L	1.49	1	0.79	2	-0.32	1
5L	1.64	0	0.95	2	-0.26	0
8L	1.86	0	1.21	-1	-0.08	-1
10L	1.97	1	1.31	-2	0.04	-2

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	-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	0
1Y	0.45	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	0.28	0
3x6	0.42	0
6x9	0.66	-1
9x12	0.91	1
3x9	0.50	0
6x12	0.78	0

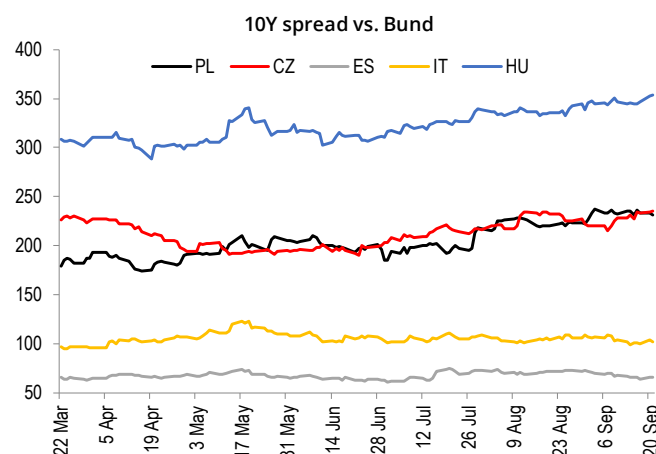
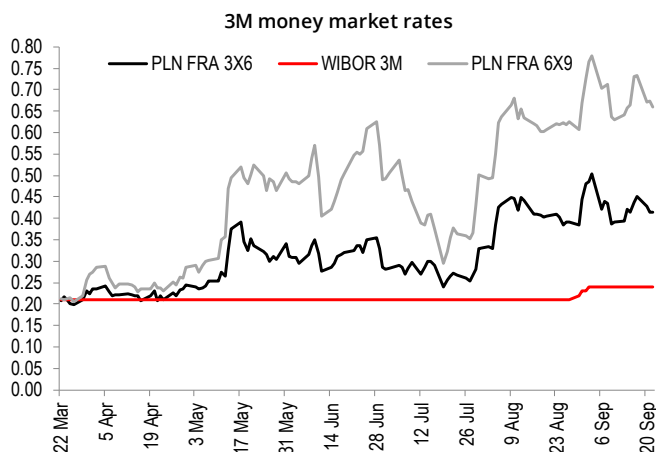
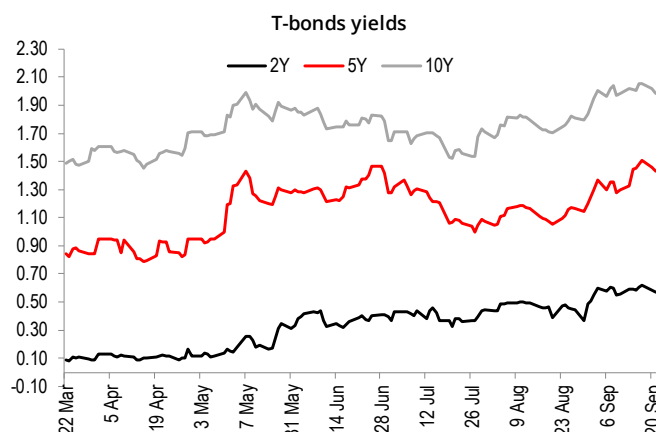
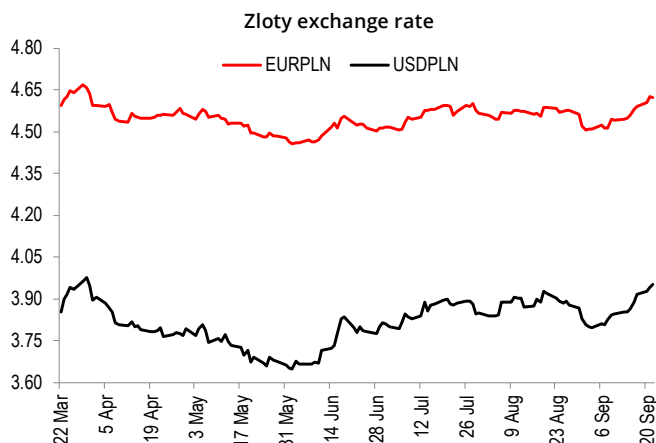
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	231	-2
France	10	0	34	0
Hungary	59	0	354	1
Spain	31	0	65	0
Italy	46	-1	101	-2
Portugal	21	-1	57	0
Ireland	11	0	39	1
Germany	7	-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		
<b>FRIDAY (17 September)</b>								
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
<b>MONDAY (20 September)</b>								
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
<b>TUESDAY (21 September)</b>								
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
<b>WEDNESDAY (15 September)</b>								
14:00	PL	M3 money supply	Aug	% y/y	9.2	8.9	9.1	8.8
16:00	US	Existing home sales	Aug	% m/m	-1.7	-	-2.0	2.0
20:00	US	FOMC decision		%	0.25	-	0.25	0.25
<b>THURSDAY (22 September)</b>								
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
<b>FRIDAY (23 September)</b>								
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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