

24 September 2021

## Eyeopener

### Bond sell-off on core markets

Stock markets react positively having thought over the FOMC meeting message

Dollar a bit weaker, core market bond yields up significantly

EURPLN tests 4.60 as a new support level

Polish bonds weakened, IRS rates up following core markets

Today German Ifo index, US new home sales

On Thursday the European stock markets had the first opportunity to react to the FOMC meeting, where an incoming start of QE tapering was announced. As Jerome Powell's message was quite clear and not surprising, the risk appetite strengthened with most stock indices up by 0.5-1.0%. The dollar gave back the quick gain it made just after the FOMC meeting. Core yields increased as investors were taking into account the upcoming changes in monetary policy. UST ended the day 11bp higher (at 1.44%) than at the opening and Bund 8bp higher (at -0.24%). Meetings were also held by Bank of England (rates unchanged at 0.1% in line with expectations), SNB (-0.75%, unchanged), South Africa (3.5% unchanged) and Turkey. In Turkey, the central bank succumbed to president Erdoğan's pressure and cut rates by 100bp to 18.0% despite inflation rate at 19%. This weakened the lira to new all-time lows.

On Thursday the new round of flash PMIs in manufacturing and services started. All the countries reporting the September leading indicators showed disappointing results. The smallest downward surprise (to the tune of 0.5pts) was recorded in the USA, where the manufacturing index fell to 60.5 pts and services to 54.4. More considerable disappointments happened in Europe. German manufacturing missed expectations by 2.9pp (58.5), the UK by 2.7pp to 56.3, France by 1.8pp to 55.2, and total euro zone by 1.6pp to 58.7. September services indexes showed downward surprises in Germany (-4.3pp to 56.0), the UK (-0.4pp to 54.6) and France (-0.1pp to 56.0). Let us note that in general PMIs remain at robust levels and such readings could be interpreted as trimming of overshoot expectations to how strong the economic recovery could be.

In August the Polish corporate **average employment** fell by 10k jobs which came mostly from falls in manufacturing (-6k) and in transport (-3k). An alternative measure, the total number of the employed, fell in August by 2k of which in manufacturing also 2k while was stable in the transportation industry. We think the fall in employment in manufacturing in August is a waning continuation of a July fall by 6k, which might have resulted from the end of the PFR (Polish Development Fund) support program. We think that the demand for labor remains at an elevated level and corporates still struggle to find workers.

August acceleration of the **wages** growth to 9.5% y/y from 8.7% y/y in July resulted to a large degree from changes in 2 sectors: mining (+18.1% y/y in August vs 9.2% in July) and energy sector (electricity, gas, hot water, at +17.1% y/y vs 0.1% in July - in the latter sector the wages are not conforming to their usual seasonality pattern of late). Wages in other sectors grew at a stable pace of 9.1% y/y while in services they even slightly slowed down to 9.4% y/y from 9.6% in August.

After August the **central budget** surplus amounted to PLN43.3 as compared to PLN35.3 after July. In July alone revenues were by 26.9% higher than one year ago and spending by 12.6%.

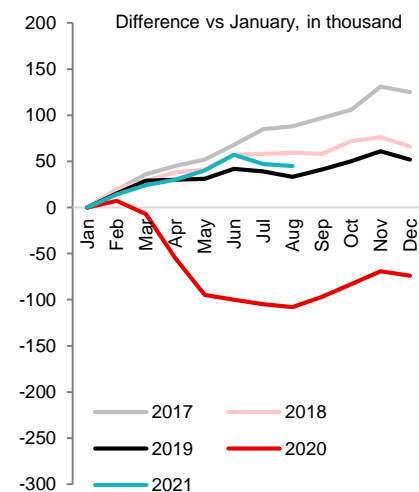
**EURUSD** fell after FOMC to 1.1700 but since then rebounded to 1.1730-40.

**EURPLN** to and including Wednesday was increasing for 8 sessions in a row, hence was overbought. On Thursday the exchange rate corrected lower by 0.5%, which was in line with the positive global market mood. Later on the EURPLN moved higher to above 4.6100. In the nearest time the exchange rate may attempt more tests of the 4.6000 support level (double top from July 2021). In our opinion it should fail to break below, which in turn should open the way for EURPLN increases toward 4.7000 and above.

As for the **other regional currencies**, the forint did not gain on Thursday. EURHUF temporarily increased to 356.0 (the 200-day moving average). We expect EURHUF at 365.0 by the end of the year. EURCZK did not change at 25.38. USDRUB declined but this mostly due to a rebound in EURUSD (rouble was roughly unchanged vs the basket of EUR and USD), the price of Brent oil increased above the recent tops and was US\$76.8 per barrel at the end of the day.

On the domestic **interest rate market**, the IRS and bond curve rose by 3-6bp, depending on which curve and which part of it. Amid the approaching QE tapering by main central banks we should generally expect more upside pressure on yields on core markets leading to similar moves in Poland. The **Finance Ministry** informed that it issued 10Y bonds (PP0931) worth PLN3.0bn. Papers were bought only by the BFG (Bank Guarantee Fund).

#### Change in the employee count in the corporate sector



Source: GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4.6080	CZKPLN	0.1813
USDPLN	3.9269	HUFPLN*	1.2939
EURUSD	1.1736	RUBPLN	0.0539
CHFPLN	4.2431	NOKPLN	0.4568
GBPPLN	5.3844	DKKPLN	0.6197
USDCNY	6.4596	SEKPLN	0.4550

\*for 100HUF

**Last session in the FX market 23/09/2021**

	min	max	open	close	fixing
EURPLN	4.596	4.620	4.616	4.606	4.601
USDPLN	3.918	3.946	3.942	3.927	3.926
EURUSD	1.170	1.175	1.171	1.173	-

**Interest rate market 23/09/2021**

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.64	2
DS0726 (5Y)	1.49	6
DS0432 (10Y)	2.03	4

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.58	2	0.17	0	-0.52	0
2L	1.03	4	0.38	3	-0.43	1
3L	1.33	4	0.66	6	-0.36	2
4L	1.53	4	0.88	9	-0.29	3
5L	1.68	4	1.04	9	-0.22	4
8L	1.91	5	1.33	12	-0.02	6
10L	2.02	5	1.45	13	0.11	6

**WIBOR rates**

Term	%	Change (bps)
O/N	0.09	-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	0.30	2
3x6	0.42	0
6x9	0.69	3
9x12	0.96	4
3x9	0.50	1
6x12	0.81	3

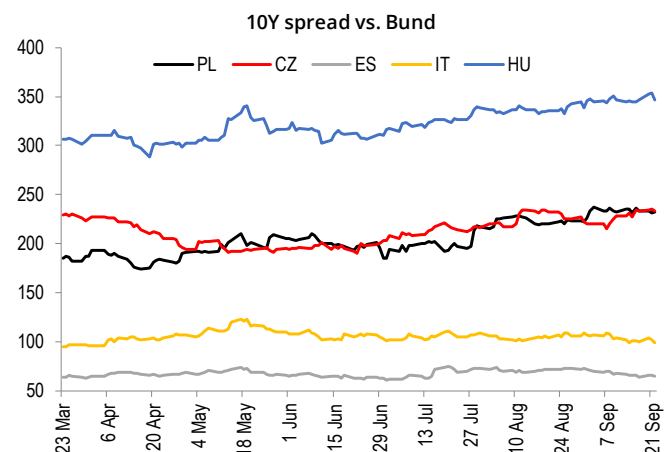
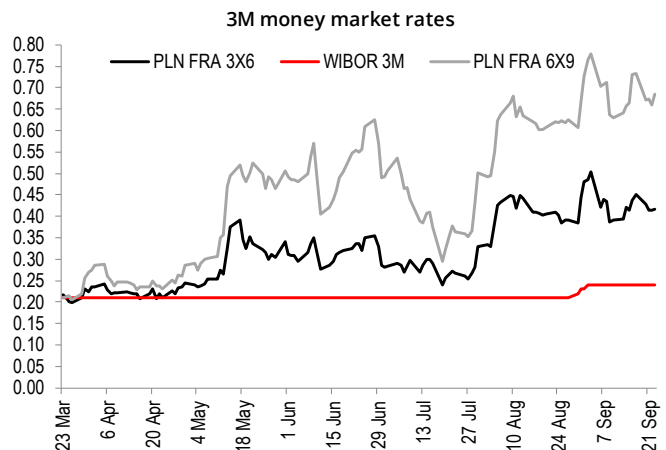
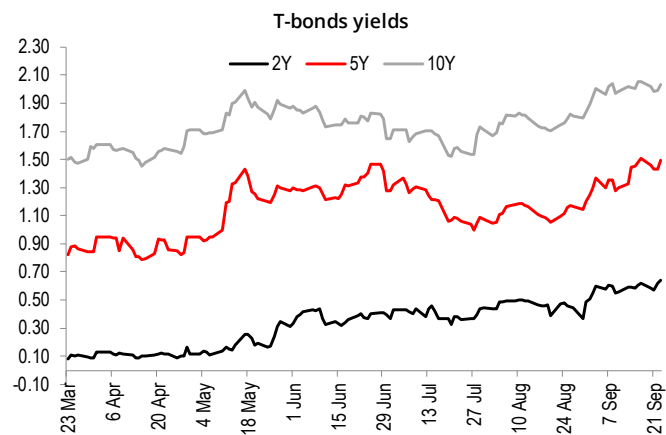
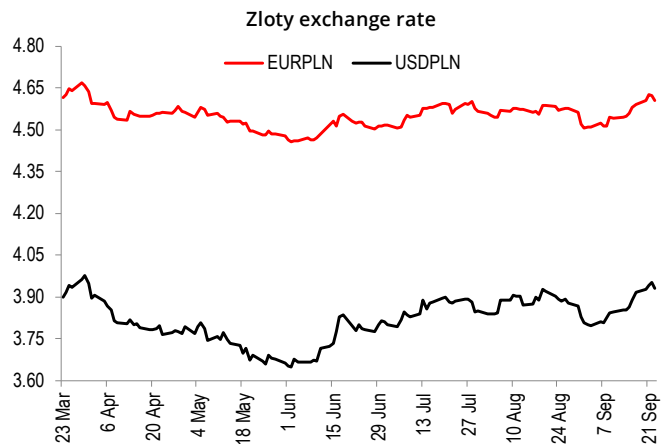
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	232	1
France	10	0	33	-1
Hungary	59	0	347	-7
Spain	31	0	64	-1
Italy	45	-1	99	-2
Portugal	20	0	54	-2
Ireland	11	0	38	-1
Germany	7	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		
<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	-	58.5	62.6
9:30	DE	PMI – services, flash	Sep	pts	60.3	-	56.0	60.8
10:00	EZ	PMI – industry, flash	Sep	pts	60.3	-	58.7	61.4
10:00	EZ	PMI – services, flash	Sep	pts	58.5	-	56.3	59.0
10:00	PL	Unemployment rate	Aug	%	5.8	5.8	5.8	5.8
14:30	US	Initial Jobless Claims	week	k	320	-	351	332
14:45	US	PMI – industry, flash	Sep	pts	61.0	-	60.5	61.1
14:45	US	PMI – services, flash	Sep	pts	54.9	-	54.4	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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