

## Eyeopener

### Market selloff continues

Equity markets lower amid surging core market yields  
 Dollar strongest since November 2020  
 Polish bonds weaker, IRS higher  
 Today ESI indicators in Europe, US pending home sales

On Tuesday the stock indices fell in response to rising core yields in the USA (UST +9bp to 1.56%) and Europe (Bund +4bp to -0.19%). Since the FOMC meeting the UST yields advanced by 25bp already and Bund yields by 14bp. New records on the natural gas markets and higher oil prices (Brent touched USD80/bbl) fuelled worries about higher market rates and also hit Polish assets (bonds and zloty). The Fed head Jerome Powell said that the USA is still far from full employment. However, this is unlikely to affect the timing of the QE tapering (more likely to postpone rate hikes). In the USA the S&P Case-Shiller index showed that 20 biggest US cities saw housing prices surge by 20.0% y/y. The manufacturing Fed Richmond index fell to -3pts from 9pts one month ago. The Conference Board consumer confidence fell to 109.3pts as compared to expectations at 115.0 and 113.8 one month earlier due to worries about the Delta coronavirus strain. Consumer confidence indicators were released also in Germany and France. The former surprised to the upside (0.3pts vs expectations at -1.5 and previous reading at -1.2) and reached the highest level since April 2020. The reading suggested a dynamic growth of private consumption in 3Q21. Also the gauge for France proved solid (102pts vs expectations at 100pts and previous reading at 99pts) thanks to lower unemployment but was somewhat undermined by lower purchasing power.

**S&P rating agency updated economic forecasts for Poland.** It expects 2021 GDP growth at 5.1% (4.5% previously) and 2022 growth at 5.3% (5.4% previously). The agency considers private consumption the main growth engine (healthy labour market, loose fiscal policy) and investments are going to be increased in the coming years thanks to NextGenEU funds and "Polish Deal" programme. Downside risks include supply chain disruptions, albeit less restrictive than in other countries and most likely temporary, and high risk of new restrictions due to low level of vaccination of citizens. The main risk to growth outlook is the possible delay in the launch of investments to be made according to the National Recovery Plan due to the Poland-EU dispute. S&P also changed the expected moment of the first rate hike in Poland from June 2022 to the start of 2022. The agency has planned to release a review of the Polish credit rating this Friday – we do not expect any change of view on Poland.

**The government approved the budget draft for 2022** with a deficit of no more than PLN30.9bn (revenues at PLN481.4bn, expenditures at PLN512.4bn). This is a slightly higher deficit than shown in [the August version of the draft](#) (which included a deficit of PLN30.0bn). The total general government deficit (EU methodology) is expected at 2.8% GDP (the same value as in the August version) and public debt at 56.6% (1.1pp higher than shown in August).

In July 2021 the **Polish tourists have spent 0.6% more nights in the Polish touristic objects** than in the same month of 2019. This was a first reading above the 2019 level since the start of pandemic. This shows that the situation in Polish touristic sector has almost returned back to normal. Worth noting - the number of nights spent in Poland by tourists from abroad remains still significantly lower than before the pandemic. The total number of nights spend by all tourists was by 9% lower than in the same month of 2019, which is also the best reading since the start of pandemic.

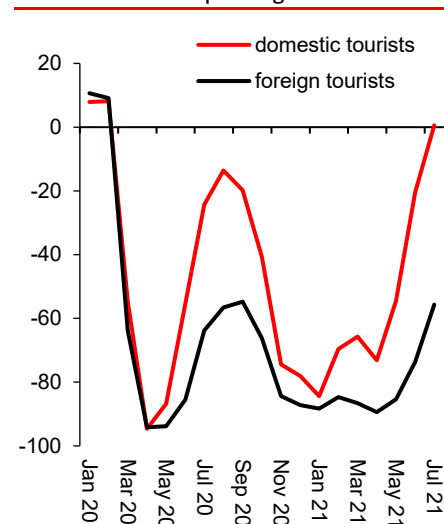
**EURUSD** has been falling for four days in a row now in line with the higher US bond yields. On Tuesday the pair fell to 1.1680 (-0.2%) which was the lowest level since November 2020. In our opinion one should expect further EURUSD slide towards 1.1600.

**EURPLN** has not remained long below the 4.60 level at the start of the week, on Tuesday it shot up 0.8% to 4.6350. We still expect EURPLN increase towards 4.70-4.75 however the nearest level where the currency pair might test and consolidate for a while is at 4.6640 (this year's high from March).

As regards **other CEE currencies**, they were depreciating just like most of EM currencies in response to global sentiment deterioration caused by rising worries about inflation and the looming Fed policy normalisation. EURHUF rose 0.5% to 359.9, EURCZK +0.3% to 25.51. USDRUB also increased (+0.5% to 72.85) despite record-high prices of energy commodities. We expect further depreciation of CEE currencies in the near future.

On the **fixed income market** the IRS curve went up by other 3bp (5Y almost 1.80%, 10Y 2.15%), and bond curve by slightly more (10Y 2.15%).

Number of nights spent by tourists, % difference vs corresponding month of 2019



Source: GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4.6319	CZKPLN	0.1814
USDPLN	3.9651	HUFPLN*	1.2874
EURUSD	1.1681	RUBPLN	0.0545
CHFPLN	4.2664	NOKPLN	0.4580
GBPPLN	5.3709	DKKPLN	0.6228
USDCNY	6.4639	SEKPLN	0.4542

\*for 100HUF

**Last session in the FX market**

**28/09/2021**

	min	max	open	close	fixing
EURPLN	4.593	4.639	4.597	4.634	4.619
USDPLN	3.925	3.974	3.928	3.967	3.955
EURUSD	1.167	1.170	1.170	1.168	-

**Interest rate market 28/09/2021**

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.73	3
DS0726 (5Y)	1.53	4
DS0432 (10Y)	2.16	8

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.67	7	0.18	0	-0.52	0
2L	1.18	4	0.39	0	-0.43	0
3L	1.48	5	0.67	-1	-0.35	0
4L	1.67	3	0.91	0	-0.26	1
5L	1.80	2	1.09	1	-0.18	2
8L	2.03	3	1.42	5	0.04	2
10L	2.14	2	1.55	5	0.17	3

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.24	0
6M	0.31	1
1Y	0.47	1

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

Term	%	Change (bps)
1x4	0.32	1
3x6	0.51	1
6x9	0.82	2
9x12	1.10	2
3x9	0.61	3
6x12	0.95	4

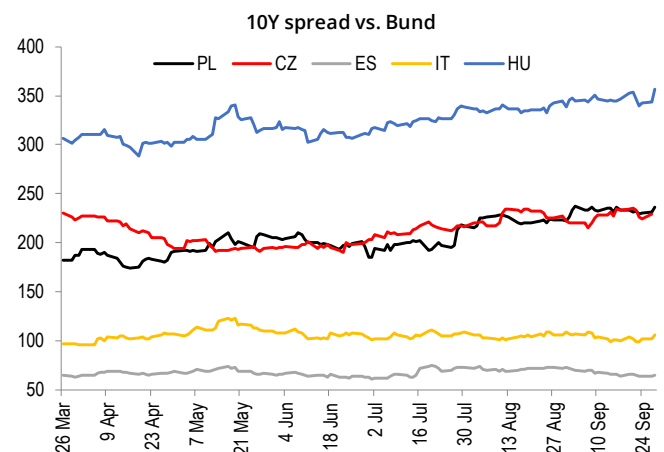
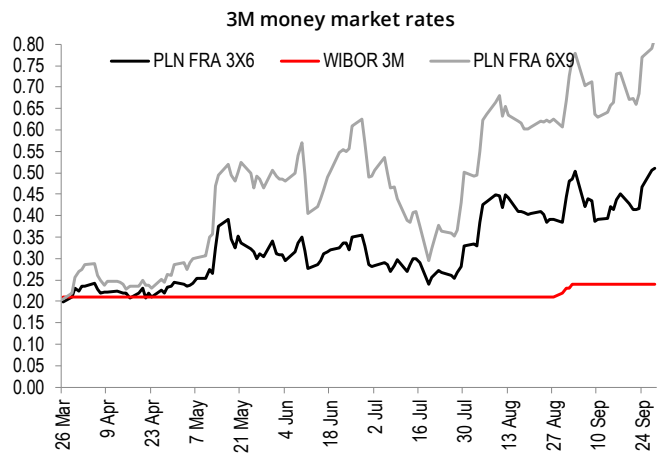
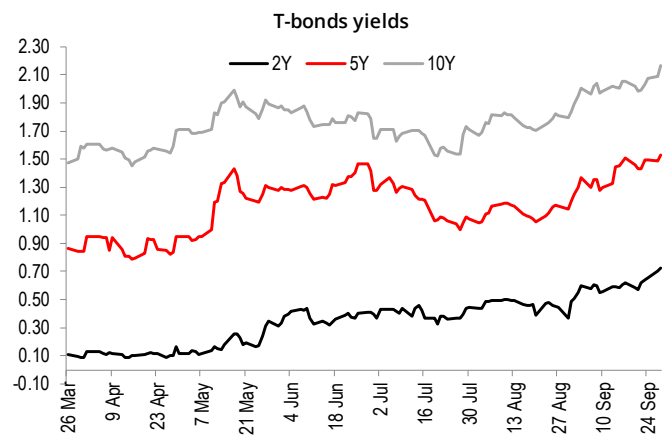
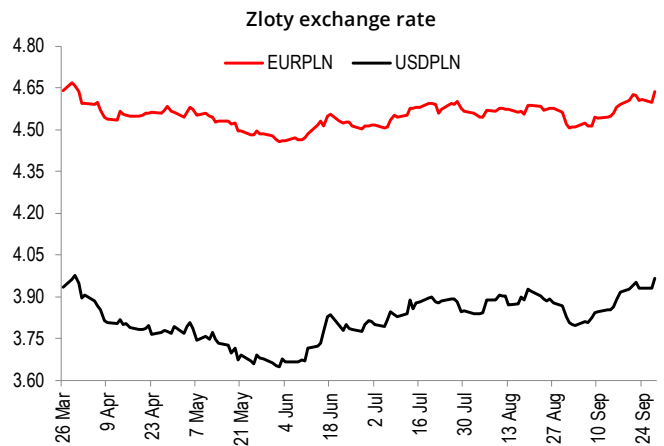
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	236	5
France	10	0	35	1
Hungary	59	0	357	13
Spain	31	0	65	1
Italy	45	0	106	4
Portugal	21	0	55	0
Ireland	11	0	39	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 (24 September)</b>								
10:00	DE	IFO Business Climate	Sep	pts	98.9		98.8	99.4
16:00	US	New Home Sales	Aug	% m/m	1.0		1.5	1.0
<b>MONDAY (27 September)</b>								
14:30	US	Durable Goods Orders	Aug	% m/m	0.6		1.1	-0.1
<b>TUESDAY (28 September)</b>								
16:00	US	Consumer Conference Board	Sep	pts	115.0		109.3	115.2
<b>WEDNESDAY (29 September)</b>								
11:00	EZ	ESI	Sep	pct.	116.9		-	117.5
16:00	US	Pending Home Sales	Aug	% m/m	1.0		-	-1.8
<b>THURSDAY (30 September)</b>								
09:00	CZ	GDP SA	2Q	% y/y	8.2		-	8.2
11:00	EZ	Unemployment Rate	Aug	%	7.6		-	7.6
<b>14:00</b>	<b>PL</b>	<b>Current account balance</b>	<b>2Q</b>	<b>€m</b>		<b>2041</b>	-	<b>2948</b>
<b>14:00</b>	<b>PL</b>	<b>MPC minutes</b>	<b>Aug</b>					
14:00	DE	HICP	Sep	% m/m	0.0		-	0.1
14:30	US	GDP Annualized	2Q	% Q/Q	6.7		-	6.6
14:30	US	Initial Jobless Claims		k			-	351.0
14:30	CZ	Central Bank Rate Decision	Sep/21		1.25		-	0.75
<b>FRIDAY (1 October)</b>								
08:00	DE	Retail Sales	Aug	% m/m	1.0		-	-4.5
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Sep</b>	<b>pts</b>	-	<b>54.5</b>	-	<b>56.0</b>
09:30	DE	Germany Manufacturing PMI		pts	58.5		-	58.5
10:00	EZ	Eurozone Manufacturing PMI		pts	58.7		-	58.7
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Sep</b>	<b>% y/y</b>	<b>5.5</b>	<b>5.5</b>	-	<b>5.5</b>
11:00	EZ	Flash HICP	Sep	% y/y	3.3		-	3.0
14:30	US	Personal Spending	Aug	% m/m	0.7		-	0.3
14:30	US	Personal Income	Aug	% m/m	0.2		-	1.1
14:30	US	PCE Deflator SA	Aug	% m/m	0.3		-	0.4
16:00	US	Michigan index	Sep	pts	71.0		-	71.0
16:00	US	ISM manufacturing	Sep	pts	59.5		-	59.9

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

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