

30 September 2021

Eyeopener

Pause in bonds selloff

Equity markets (temporarily?) paused declines
 Dollar keeps strengthening quickly, CEE currencies depreciating
 Bond yields' surge halted
 Today Constitutional Tribunal meeting, MPC minutes, German inflation, CNB decision

On Wednesday the upward trend of yields on the core markets halted and even reversed a bit (UST -5bp to 1.50%, Bund -3bp to -0.23%), supporting slight gains on the stock markets (0.4%). The S&P index, currently at 4359, did not manage to stay close to 50-day moving average, fell to 100-day moving average again and if the uncertainty related to Fed tapering and US debt ceiling will stay, then it is likely to go down again. In the euro zone the ESI index climbed to 117.8 from 117.6 earlier (as compared to expectations at 117.0). August import prices in Germany went up by 1.4% m/m, above expectations at 0.9%. In annual terms prices rose by as much as 16.5% y/y. Pressure on import prices is staying strong and even escalating, which is likely to translate into higher producer and consumer prices in the upcoming months. September inflation in Spain rose to 4.0% y/y (expectations at 3.6% y/y, last month at 3.3%), the highest level since 2008, mostly due to higher electricity prices. Risk for inflation in Spain also point upward. In the USA the pending home sales increased by 8.1% m/m with annual rate at -6.3%.

EURUSD started to fall quicker on Wednesday relative to the gradual decline from recent days and reached 1.1615. The whole fall since the FOMC meeting held last week is already 1%. At night the decline was extended below 1.16.

EURPLN, having reached 4.64 on Tuesday, on Wednesday returned to 4.6250, but in the second half of the day it was back to 4.64. We expect it to surge to 4.70-4.75 in the coming days. Today the Polish Constitutional Tribunal will resume its last week's meeting about the supremacy of EU law over Polish law.

As for the **other CEE currencies**, on Wednesday EURHUF finally crossed 360.2 (the dynamic upward trend since 16 September is already 3.2% high). Average wages in July, while still substantially growing, rose somewhat less than it had been expected (7.9% y/y vs. 8.0%). EURCZK rose to 25.52. USDRUB for another day was resisting to rise despite the appreciation of the dollar and aided by high oil price. The exchange rate stayed around 72.80-90.

On the **fixed income market** both yield curves (IRS and government bonds) were roughly stable on Wednesday with slight increases at the long end of the curve: 10Y bonds +2bp to 2.15%, 10Y IRS +4bp to 2.18%.

Today at 12:00 the **Constitutional Tribunal** resumes its meeting in order to judge over the supremacy of EU law over the Polish one. The verdict that would clearly point to the supremacy of Polish law over the EU law would imply a significant deepening of the crisis in Poland-EU relations and higher risk of freezing the access to EU funds for Poland for longer.

10Y bond yields, %



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.6185	CZKPLN	0.1813
USDPLN	3.9817	HUFPLN*	1.2744
EURUSD	1.1599	RUBPLN	0.0548
CHFPLN	4.2719	NOKPLN	0.4557
GBPPLN	5.3507	DKKPLN	0.6226
USDCNY	6.4647	SEKPLN	0.4536

*for 100HUF

Last session in the FX market						29/09/2021
	min	max	open	close	fixing	
EURPLN	4.622	4.638	4.636	4.631	4.629	
USDPLN	3.959	3.994	3.967	3.988	3.968	
EURUSD	1.161	1.169	1.169	1.161	-	

Interest rate market 29/09/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.72	-1
DS0726 (5Y)	1.52	-1
DS0432 (10Y)	2.14	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.66	-2	0.17	-1	-0.51	0
2L	1.14	-4	0.38	-2	-0.43	0
3L	1.46	-2	0.66	-1	-0.35	0
4L	1.66	-1	0.88	-3	-0.27	-2
5L	1.81	1	1.06	-3	-0.19	-1
8L	2.06	3	1.39	-3	0.03	-1
10L	2.18	3	1.52	-3	0.16	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.11	1
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.24	0
6M	0.31	0
1Y	0.48	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.32	0
3x6	0.41	-11
6x9	0.81	-1
9x12	1.08	-2
3x9	0.59	-2
6x12	0.91	-4

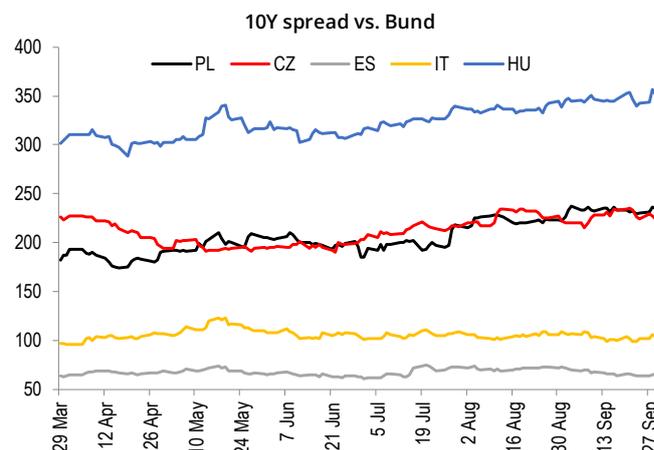
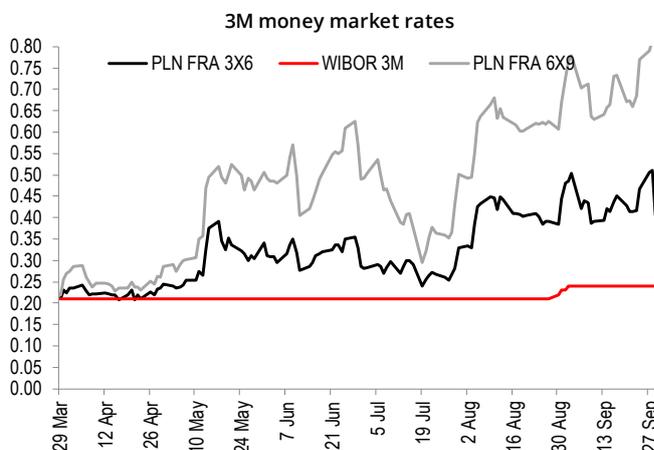
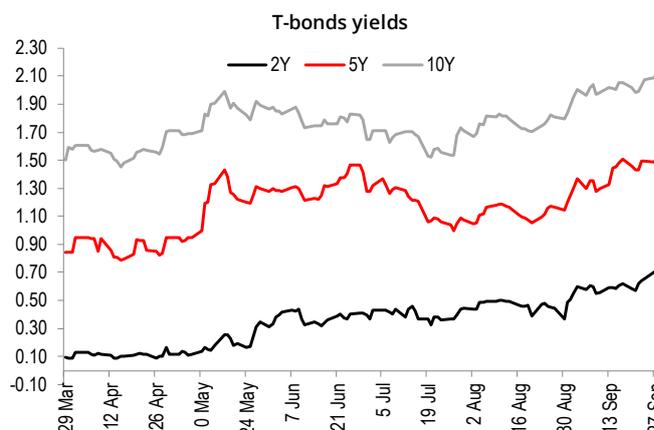
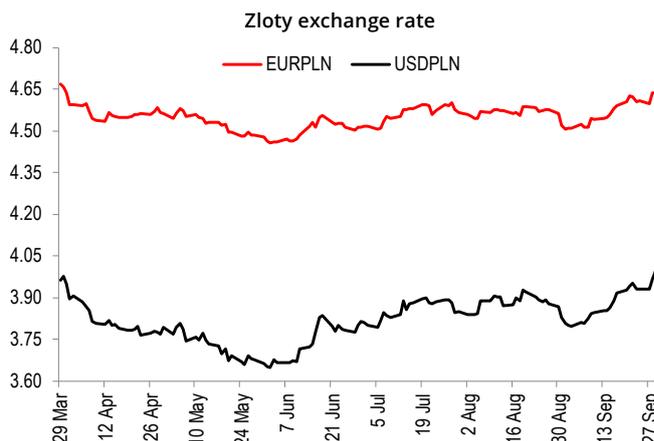
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	236	-1
France	10	0	35	-1
Hungary	59	0	351	-6
Spain	31	0	66	1
Italy	44	0	104	-2
Portugal	21	0	56	1
Ireland	11	0	39	0
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		
FRIDAY (24 September)								
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
MONDAY (27 September)								
14:30	US	Durable Goods Orders	Aug	% m/m	0.6		1.1	-0.1
TUESDAY (28 September)								
16:00	US	Consumer Conference Board	Sep	pts	115.0		109.3	115.2
WEDNESDAY (29 September)								
11:00	EZ	ESI	Sep	pct.	117.0		117.8	117.6
16:00	US	Pending Home Sales	Aug	% m/m	1.4		8.1	-2.0
THURSDAY (30 September)								
09:00	CZ	GDP SA	2Q	% y/y	8.2		-	8.2
11:00	EZ	Unemployment Rate	Aug	%	7.6		-	7.6
14:00	PL	Current account balance	2Q	€m		2041	-	2948
14:00	PL	MPC minutes	Aug					
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
FRIDAY (1 October)								
08:00	DE	Retail Sales	Aug	% m/m	1.0		-	-4.5
09:00	PL	Poland Manufacturing PMI	Sep	pts	-	54.5	-	56.0
09:30	DE	Germany Manufacturing PMI		pts	58.5		-	58.5
10:00	EZ	Eurozone Manufacturing PMI		pts	58.7		-	58.7
10:00	PL	CPI	Sep	% y/y	5.5	5.5	-	5.5
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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