

6 October 2021

## Eyeopener

### NBP governor heralds withdrawal of policy accommodation

NBP governor one day before the MPC meeting signals nearing tightening  
 Prices of energy commodities even higher  
 Zloty returned to above 4.60 vs euro, EURUSD stable  
 Core market bond yields higher, POLGBs yields stable after a sell-off  
 Today MPC meeting, ADP report in the US

On Tuesday, trading looked similar in many aspects to what we saw on Monday: energy commodities were getting more expensive fast (oil price up more than 1.5% and reached the highest level since 2014), core market yields were on the rise (UST to almost 1.56%), EURUSD stayed close to 1.16. What was different was the behaviour of stock exchanges, which rebounded by 1-2%. The morning releases of services PMIs in Europe were slightly stronger than their preliminary readings and the ones covering the US services sector, PMI and ISM, were much more above what the market had expected. What should be noted in the ISM report was the rise of optimism regarding future business activity despite the growing price pressures and backlog of work. This morning August industrial orders data were released in Germany and were a large disappointment (-7.7% m/m).

**NBP President Adam Glapiński** had a speech yesterday in the evening at the economic "Congress 590" in Warsaw. He said that the necessity to adjust monetary policy, i.e. to hike interest rates, is imminent. In his view if the central bank judges that the wage-price spiral could occur in 2-5 quarters, then the decisive removal of policy accommodation would be needed. Glapiński said the central bank knows well how to tighten monetary policy and will not hesitate to use this knowledge once the time is right. But the biggest challenge is to determine the adequate timing and sequence of adjustment. NBP president still believes that inflation in Poland is transitory and he is not convinced that this is already the right time to start cooling the economy. At the same time, Glapiński emphasised that the NBP has reduced the asset purchases "almost to zero", which in his view was the substitute for a rate hike. He also stressed that the zloty is a very strong currency and it should be tamed, plus pointed to the fact that the NBP has been delivering hefty profits to the budget. We think those comments clearly herald the looming start of monetary policy adjustment, but not at today's MPC meeting but most likely in November, when the new NBP forecasts will be available. At the same time, the pace of rate hikes will not be excessive – Glapiński many times repeated that too strong policy reaction cannot harm economic growth. **We keep our forecast that the first rate hike by 15bp will take place in November, will be followed by a pause in December, and then gradual rate hikes in the following quarters, up to 1.0% at the end of 2022.**

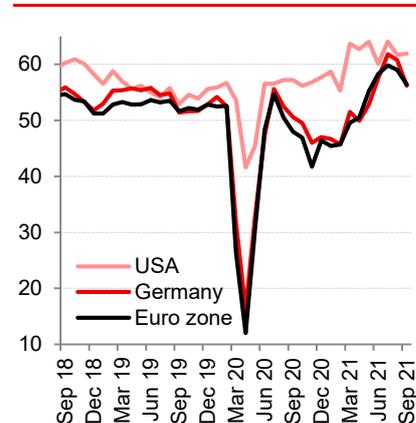
**EURUSD** returned to 1.1600 was moving close to this level throughout the day. Today after worse-than-expected data from Germany the pair reached 1.1580.

**EURPLN** reached above 4.60 during the day and even to 4.62 during the speech of the NBP president. We think that the today's MPC meeting can lead to further PLN weakening rather than to bring it below 4.60 per euro. Today in the morning EURPLN is hovering around 4.61.

As for the **other regional currencies**, RHUF climbed by 0.4% to 358. EURCZK remained stable. Change of USDRUB over the day was also minor and the higher oil price is suggesting further declines below 72.5 reached yesterday at the end of the session.

On the **domestic interest rate market** Yields of 10Y Germany and US bonds climbed by 4bp (to -0.18%) and 5bp (to 1.53%). Overnight they climbed even more – by 2bp to -0.16% and 3bp to 1.56%. The Polish debt market saw a stabilisation after a strong sell-off in the previous days, probably because of today's MPC meeting. **The Finance Ministry** announced it is going to sell OK0724, PS1026, WZ1126, WZ1131 and DS0432 and buy PS0422, OK0722 and WS0922 at the Thursday switching tender (7 October).

Services PMIs



Source: Markit, Bloomberg, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 22 534 18 87  
 Marcin Luzziński +48 22 534 18 85  
 Wojciech Mazurkiewicz +48 22 534 18 86  
 Grzegorz Ogonek +48 22 534 18 84

**FX market**

Today's opening			
EURPLN	4.6082	CZKPLN	0.1805
USDPLN	3.9816	HUFPLN*	1.2896
EURUSD	1.1577	RUBPLN	0.0550
CHFPLN	4.2815	NOKPLN	0.4663
GBPPLN	5.4172	DKKPLN	0.6155
USDCNY	6.4452	SEKPLN	0.4555

\*for 100HUF

Last session in the FX market						05/10/2021
	min	max	open	close	fixing	
EURPLN	4.578	4.617	4.594	4.617	4.603	
USDPLN	3.947	3.980	3.961	3.977	3.969	
EURUSD	1.158	1.161	1.159	1.161	-	

**Interest rate market** 05/10/2021

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	1.09	0
DS0726 (5Y)	1.74	4
DS0432 (10Y)	2.25	-3

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.92	3	0.17	0	-0.52	0
2L	1.46	1	0.38	0	-0.43	1
3L	1.75	2	0.64	1	-0.35	1
4L	1.92	2	0.87	2	-0.27	1
5L	2.04	2	1.04	3	-0.18	2
8L	2.25	2	1.39	4	0.04	2
10L	2.36	2	1.52	4	0.18	2

**WIBOR rates**

Term	%	Change (bps)
O/N	0.10	0
T/N	0.11	0
SW	0.11	0
2W	0.16	0
1M	0.19	0
3M	0.25	0
6M	0.33	0
1Y	0.54	2

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

Term	%	Change (bps)
1x4	0.52	4
3x6	0.73	1
6x9	1.17	5
9x12	1.51	3
3x9	0.88	3
6x12	1.33	4

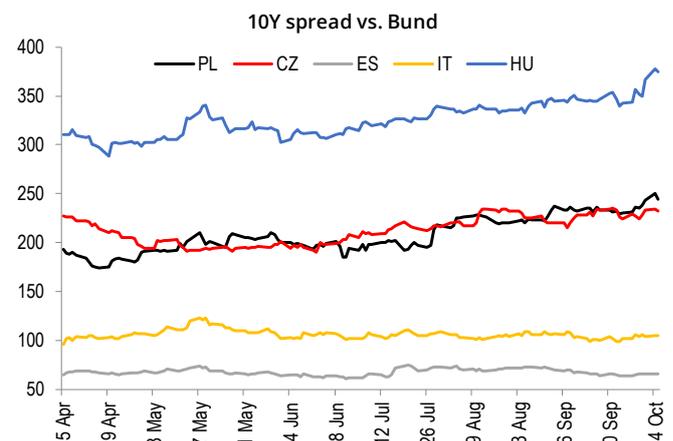
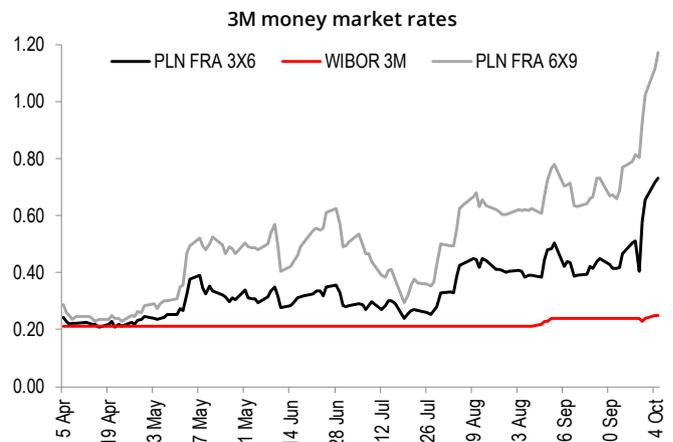
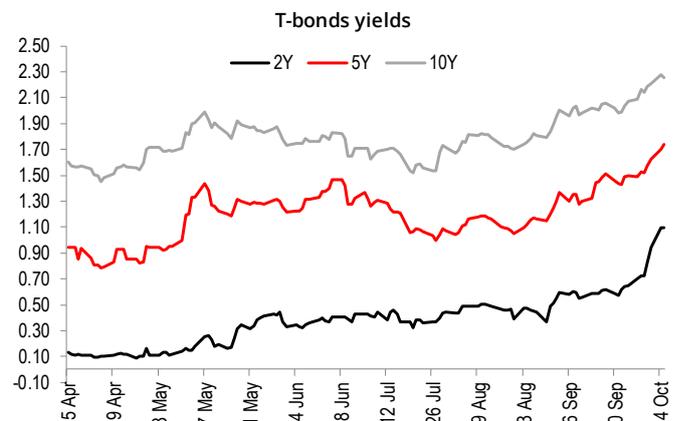
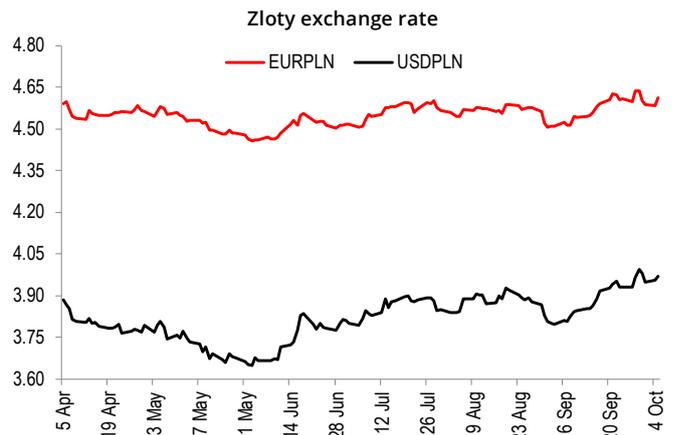
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	244	-6
France	10	0	35	0
Hungary	59	0	375	-3
Spain	31	0	65	-1
Italy	45	0	105	0
Portugal	21	0	55	0
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 (1 October)</b>							
08:00	DE	Retail Sales	Aug	% m/m	1.5	1.1	-4.5
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Sep</b>	<b>pts</b>	<b>54.6</b>	<b>54.5</b>	<b>53.4</b>
09:30	DE	Germany Manufacturing PMI		pts	58.5	58.4	62.6
10:00	EZ	Eurozone Manufacturing PMI		pts	58.7	58.6	61.4
<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>5.8</b>
11:00	EZ	Flash HICP	Sep	% y/y	3.3	3.4	3.0
14:30	US	Personal Spending	Aug	% m/m	0.7	0.8	-0.1
14:30	US	Personal Income	Aug	% m/m	0.2	0.2	1.1
14:30	US	PCE Deflator SA	Aug	% m/m	0.3	0.4	0.4
16:00	US	Michigan index	Sep	pts	71.0	72.8	70.3
16:00	US	ISM manufacturing	Sep	pts	59.5	61.1	59.9
<b>MONDAY (4 October)</b>							
16:00	US	Durable Goods Orders	Aug	% m/m	1.8	1.8	1.8
16:00	US	Factory Orders	Aug	% m/m	1.0	1.2	0.4
<b>TUESDAY (5 October)</b>							
09:55	DE	Markit Germany Services PMI	Sep	pts	56.0	56.2	60.8
10:00	EZ	Eurozone Services PMI	Sep	pts	56.3	56.4	59.0
16:00	US	ISM services	Sep	pts	59.8	61.9	61.7
<b>WEDNESDAY (6 October)</b>							
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
08:00	DE	Factory Orders	Aug	% m/m	-2.2	-7.7	3.4
09:00	HU	Industrial Production SA	Aug	% y/y			10.2
11:00	EZ	Retail Sales	Aug	% m/m	0.9		-2.3
14:15	US	ADP report	Sep	k	430		374
<b>THURSDAY (7 October)</b>							
08:00	DE	Industrial Production SA	Aug	% m/m	-0.1		1.0
09:00	CZ	Industrial Production	Aug	% y/y	6.9		1.1
14:30	US	Initial Jobless Claims		k			362
<b>FRIDAY (8 October)</b>							
03:45	CN	Caixin China PMI Services	Sep	pts	49.2	-	46.7
08:00	DE	Exports SA	Aug	% m/m	0.5	-	0.5
09:00	HU	CPI	Sep	% y/y		-	4.9
14:30	US	Change in Nonfarm Payrolls	Sep	k	500	-	235
14:30	US	Unemployment Rate	Sep	%	5.1	-	5.2

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.