

7 October 2021

# Eyeopener

## Out of the blue sky

Surprising interest rate rate increase by MPC has shaken the local markets

Zloty gained 1% vs euro, EURUSD fell to 1.1550

Significant POLGB losses, abrupt increase of expected interest rates path

Today NBP Glapinski's press conference, Constitutional Court meets again

On Wednesday the dollar appreciated again after a few days of staying put. We think that this development was triggered by higher than expected employment data in the ADP report, which is usually a good forecast of official US labour market statistics, due for release of Friday. Employment is in Fed's focus, as it is preparing to taper its QE programme (high readings bring such a decision forward). Main equity markets in Europe and in the USA fell by over 1% yesterday and core market yields were flat. Oil price are halted (Brent went down by 2% to \$81/bbl). As regards European data, after yesterday morning disappointing reading of German industry the euro zone retail sales disappointed as well. Moreover, this morning the German industrial output in August was also markedly below expectations. Polish markets were however thinking about something else – the unexpected hike by the MPC.

**Polish MPC raised the main reference rate from 0.1% to 0.5%**, the lombard rate from 0.5% to 1.0% and kept deposit rate at 0.0%. The reserve requirement rate was raised from 0.5% to 2.0%. We think this is just the beginning of the tightening cycle. We do not expect the pace of rate hikes to be very rapid, as Glapiński was emphasizing many times it is crucial that removal of accommodation must not hamper economic growth. However, a sequence of +25bp rate hikes in the coming months is quite possible, as inflation will be quickly breaching next thresholds – most likely above 6% in October, near 7% at the turn of the year. Some hints about the timing and scale of next moves may be laid out today at 1500CET at the NBP president's press conference. More in [Economic Comment](#).

Today at 10:00 the **Constitutional Tribunal** will return to the supremacy of the EU law over Polish law. Yesterday in the evening the CJEU vice president Rosario Silva de Lapuerta declined the motion of the Polish government to set aside the judgment on the Disciplinary Chamber, motivated by the Polish side by the very supremacy of the Polish law over CJEU rulings.

The **World Bank** has shown its new forecasts for Poland: GDP growth is expected at 4.5% this year, 4.7% in 2022 and 3.3% in 2023 (revision from 3.8%, 4.5% and 3.8%, respectively), while inflation is expected at 4.2% in 2021, 3.6% in 2022 and 3.1% in 2023.

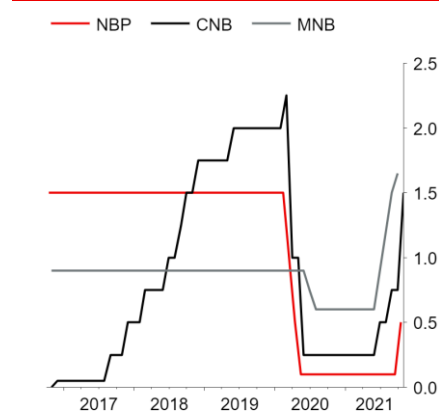
**EURUSD** declined to 1.545. We see a potential for a further decline, even to 1.14.

**EURPLN** was going up ahead of the MPC decision and at the tipping point was above 4.62. The unexpected rate hike triggered large demand for the zloty and by the end of the day the exchange rate was below 4.56 (appreciation of PLN by 1% in one day). This morning EURPLN is opening around 4.55. The NBP governor's speech today may be key to the extension of the decline, which reached the 200-day moving average. We think the governor will try to ease market expectations for a quick tightening in Poland.

As for the **other regional currencies**, EURHUF rose by another 0.4% to 360, just a bit below the tops from the last days of September, but this was where it made a U-turn (and this morning is at 358.3). The minutes from the September meeting of MNB stated that the 15bp hike at that meeting was unanimous and there will be more 15bp moves delivered at next meetings until the inflation outlook stabilises. The Czech koruna responded to stronger dollar by losing 0.3% (EURCZK up to 25.40). Albeit this time the oil price did not rise. The ruble managed to stay neutral vs the dollar (USDRUB at 72.40) supported by high CPI data and a hawkish message from the deputy governor of the CBR, Alexey Zabolotkin.

On the **domestic interest rate market** On the domestic interest rate market, there was a major rise of yields: 5Y and 10Y by c.15bp, 2Y by 24bp and 40bp ytd. 10Y IRS gained 7bp but intraday was even seen above 2.50% (close at 2.40%). The 5Y ate rose by 14bp to 2.17% and 2Y by 26bp to 1.72% which still was relatively small compared to the jump of FRAs up to one year by 40-50bp. **BGK** issued a 7Y Eurobond for EUR500m for the anti-covid fund it manages. The **Ministry of Finance** most likely due to the sudden rate hike, cancelled a switch auction planned for today (it wanted to sell OK0724, PS1026, WZ1126, WZ1131, DS0432 and buy PS0422, OK0722, WS0922).

Main interest rates in CEE3



Source: Refinitiv Datastream, Santander Bank Polska

### 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 Luziński +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	4.5431	CZKPLN	0.1805
USDPLN	3.9297	HUFPLN*	1.2581
EURUSD	1.1562	RUBPLN	0.0543
CHFPLN	4.2399	NOKPLN	0.4581
GBPPLN	5.3408	DKKPLN	0.6155
USDCNY	6.4452	SEKPLN	0.4473

\*for 100HUF

#### Last session in the FX market 06.10.2021

	min	max	open	close	fixing
EURPLN	4.543	4.632	4.607	4.553	4.620
USDPLN	3.938	4.007	3.977	3.944	3.999
EURUSD	1.153	1.159	1.158	1.154	-

### Interest rate market 06.10.2021

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	1.30	21
DS0726 (5Y)	1.89	15
DS0432 (10Y)	2.42	16

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.26	34	0.17	0	-0.52	1
2L	1.72	26	0.40	2	-0.43	0
3L	1.96	21	0.67	3	-0.35	0
4L	2.09	17	0.88	1	-0.26	1
5L	2.18	14	1.05	1	-0.18	0
8L	2.32	7	1.39	-1	0.06	1
10L	2.40	3	1.52	-1	0.19	1

#### 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	0.34	1
1Y	0.56	2

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

Term	%	Change (bps)
1x4	0.89	36
3x6	1.20	47
6x9	1.59	42
9x12	1.97	46
3x9	1.33	45
6x12	1.74	41

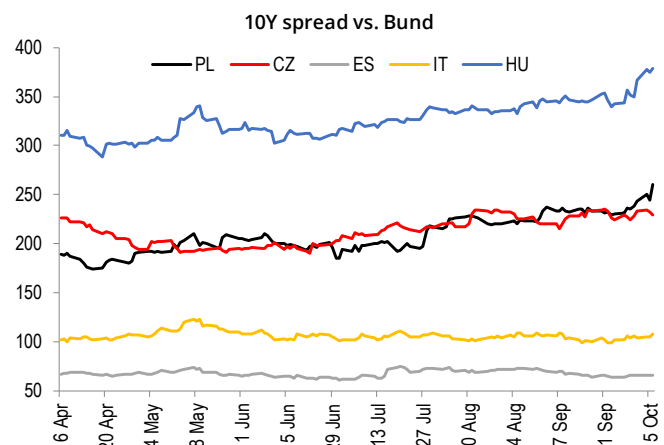
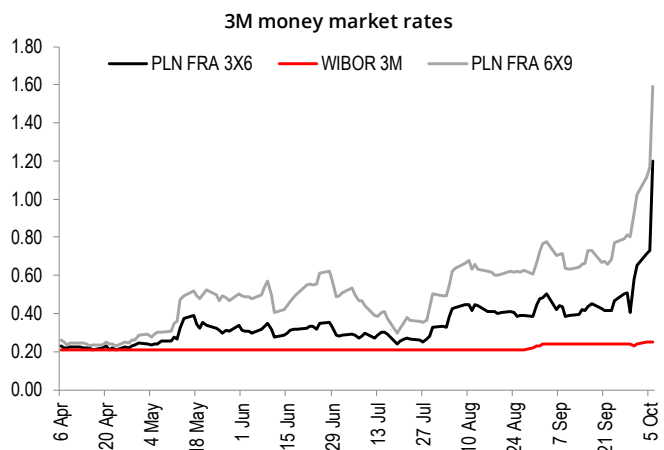
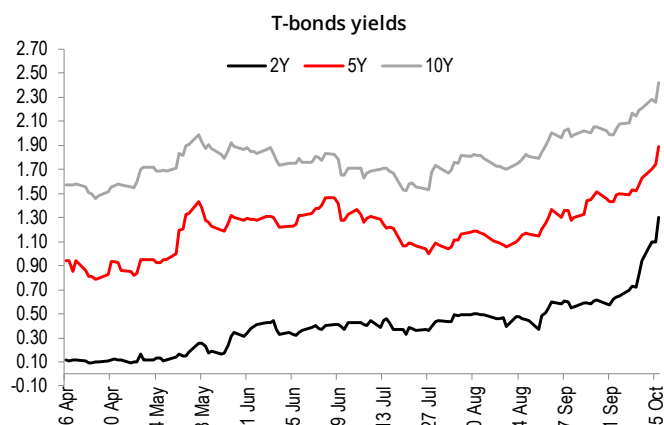
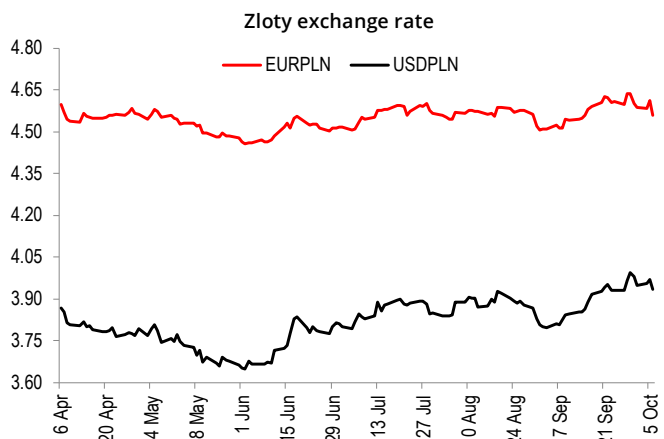
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	260	16
France	10	0	35	0
Hungary	59	0	378	3
Spain	31	0	66	0
Italy	45	0	107	2
Portugal	21	0	56	0
Ireland	11	0	38	0
Germany	8	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>0.5</b>
08:00	DE	Factory Orders	Aug	% m/m	-2.2	-7.7	4.9
09:00	HU	Industrial Production SA	Aug	% y/y	4.8	2.6	8.0
11:00	EZ	Retail Sales	Aug	% m/m	0.9	0.3	-2.6
14:15	US	ADP report	Sep	k	428	568	340
<b>THURSDAY (7 October)</b>							
08:00	DE	Industrial Production SA	Aug	% m/m	-0.5	-4.0	1.3
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.