

8 October 2021

Eyeopener

More hikes likely, but not every month

NBP's Glapiński MPC surprised the markets on purpose, it's further plans unclear
 Constitutional Tribunal ruled that the EU law is inconsistent with Polish constitution
 EURPLN rebounded by half of the Wednesday fall during NBP Glapiński conference
 IRS and front end bond yields higher still
 Today non-farm payrolls in the US

On Thursday markets were in positive moods thanks to delay in US debt ceiling problem until December. Also the decline in oil price was a positive factor. Later, however, the US denied that they are planning to use its strategic oil reserves, which caused a rebound with Brent reaching USD83/bbl. Stock markets in Europe gained over 1%, US equity indices also went up. EURUSD remained close to 1.1550. German industrial output in August proved weaker than expected (-4% m/m vs 0.5%), and the output level was still by 9% lower than before the pandemic. Manufacturing saw a decline by 4.7% m/m and the surveyed companies blamed it on supply shortages. In August German export fell by 1.2% m/m, more than expected. New jobless claims in the USA proved a bit lower than forecasts and previous readings, showing a declining availability of workforce. Today's non-farm payrolls in the USA will be important for markets and it can affect further Fed decisions about QE tapering. Chinese PMI in services jumped in September by 53.4pts, exceeding expectations by 4pts.

At the press conference the **NBP president Adam Glapiński** said it was the MPC's intention to surprise the financial market, delivering rate hike sooner and c. 3x bigger than anticipated. Glapiński said the MPC press release deliberately neither signalled likely continuation of rate hikes nor ruled it out – the decisions will be data-dependent. We think the baseline scenario is that in November rates go up again, by 25bp (October flash CPI well above 6%, new NBP projection much higher, zloty might be under pressure from the Constitutional Court ruling - see below). The next hikes may be in January, March and possibly July, and the main reference rate could end 2022 at 1.50%. But the uncertainty about the precise timeline is high. [More in the economic comment.](#)

The Constitutional Tribunal ruled that some EU Treaty regulations are in conflict with the Polish Constitution. Soon after that, The [European Commission issued a statement](#) warning it will not hesitate to take actions in order to defend the uniform application of integrity of the EU law. Didier Reynders, European Commissioner for Justice said that the Commission means here the ongoing negotiation about the National Recovery Plan and the so-called conditionality mechanism. We see a rising risk of further delays in disbursements from the Recover Fund, and – should the conflict escalate – also from the Cohesion Fund, which would undermine economic outlook and cause a pressure on the zloty. Much will depend on the government's stance in talks with the Commission.

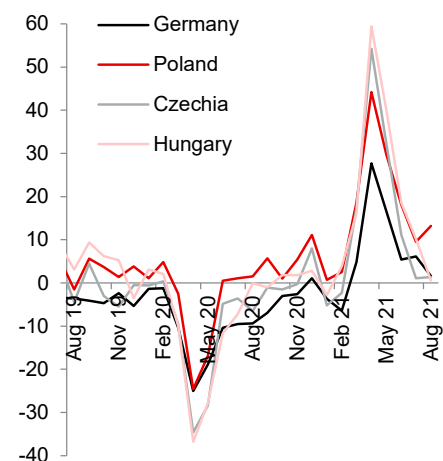
EURUSD remained near 1.1550 and we think it still has potential to fall to 1.1400.

EURPLN after the Wednesday drop, yesterday reversed a half of the move, starting from 4.54 and reaching 4.59. The quick rise occurred during the NBP governor's speech as he was sending signals that the MPC is not going to copy the approach of Czechia or Hungary (i.e. telling in advance it will hike rates at every meeting by a set value). It is hard to guess now further actions by the MPC. We think that apart from responding to the global market mood, the zloty will now be sensitive to local data, especially on inflation. Also, the Constitutional Court ruling is likely to be putting negative pressure on the zloty.

As for the **other regional currencies**, EURHUF was more quiet. During the session it tested the possibility of a return below 358, but this morning it opens around 359. EURCZK was moving in a similar range as the day before, close to 25.40. August reading of Czech industrial output was a significant miss which might make the koruna vulnerable vs the euro now. USDRUB dropped by c.0.9% and the last time it went below 72.0 was in June this

On the **domestic interest rate market** the long end of the yield curve stayed above 2.40%, the 5Y segment rose by 8bp and intraday temporarily traded above 2%. On the short end the upward drive of the yield remained strong (+11bp above the Wednesday closing level, to 1.31%). These moves happened despite the cancellation of a switch auction by the Ministry of Finance and with core bond markets moving much less. The 10Y IRS, having tested 2.50% on Wednesday, yesterday closed above the level and 5Y, which on Wednesday tested 2.20%, rose yesterday above 2.30%. 2Y IRS made the second c.26bp upside leap in a row. The yield of 10Y German bonds stayed at -0.19% and Treasuries by this morning rose by 6bp to 1.59%. BGK stated that it will offer no less than PLN0.5bn of FPC0725, FPC0328, FPC0631 and FPC0733 bonds on 11 October.

Industrial output, %/y



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5865	CZKPLN	0.1805
USDPLN	3.9727	HUFPLN*	1.2615
EURUSD	1.1546	RUBPLN	0.0553
CHFPLN	4.2612	NOKPLN	0.4581
GBPPLN	5.4016	DKKPLN	0.6155
USDCNY	6.4490	SEKPLN	0.4473

*for 100HUF

Last session in the FX market						07.10.2021
	min	max	open	close	fixing	
EURPLN	4.537	4.581	4.550	4.576	4.547	
USDPLN	3.926	3.963	3.938	3.958	3.933	
EURUSD	1.155	1.157	1.155	1.156	-	

Interest rate market

07.10.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	1.39	9
DS0726 (5Y)	1.97	8
DS0432 (10Y)	2.43	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.49	23	0.17	0	-0.51	0
2L	1.93	21	0.41	2	-0.43	0
3L	2.17	21	0.70	3	-0.34	1
4L	2.27	18	0.92	4	-0.26	0
5L	2.34	16	1.10	5	-0.17	1
8L	2.48	16	1.44	5	0.06	0
10L	2.55	15	1.58	6	0.20	0

WIBOR rates

Term	%	Change (bps)
O/N	0.13	3
T/N	0.48	37
SW	0.51	40
2W	0.51	35
1M	0.56	37
3M	0.63	38
6M	0.73	39
1Y	0.95	39

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.95	6
3x6	1.29	9
6x9	1.81	22
9x12	2.19	22
3x9	1.43	11
6x12	1.95	21

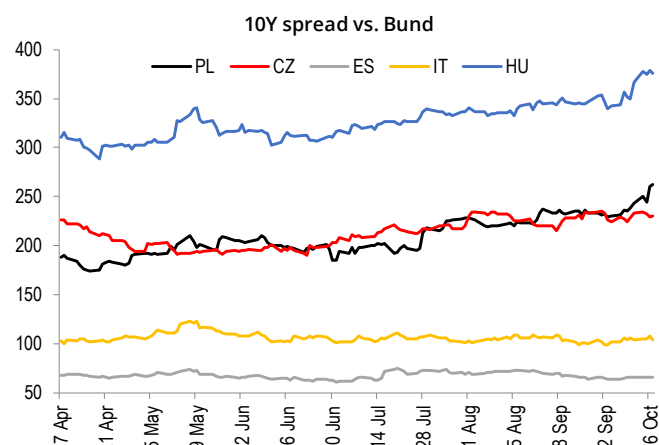
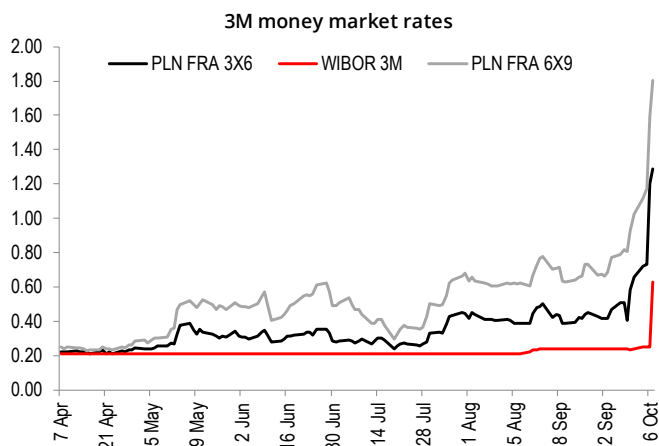
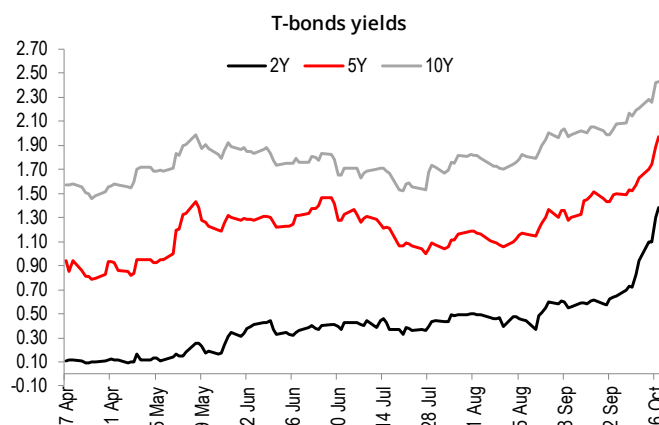
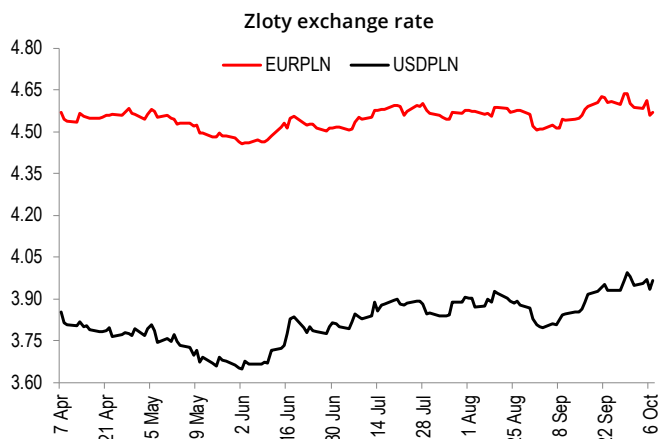
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	262	2
France	10	0	35	0
Hungary	59	0	376	-2
Spain	31	0	65	0
Italy	44	-1	104	-3
Portugal	21	0	55	0
Ireland	11	0	39	1
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		
FRIDAY (1 October)							
08:00	DE	Retail Sales	Aug	% m/m	1.5	1.1	-4.5
09:00	PL	Poland Manufacturing PMI	Sep	pts	54.6	54.5	53.4
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
10:00	PL	CPI	Sep	% y/y	5.5	5.5	5.8
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
MONDAY (4 October)							
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
TUESDAY (5 October)							
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
WEDNESDAY (6 October)							
	PL	MPC decision		%	0.1	0.1	0.5
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
THURSDAY (7 October)							
08:00	DE	Industrial Production SA	Aug	% m/m	-0.5	-4.0	1.3
09:00	CZ	Industrial Production	Aug	% y/y	5.1	1.4	1.1
14:30	US	Initial Jobless Claims		k	348	326	364
FRIDAY (8 October)							
03:45	CN	Caixin China PMI Services	Sep	pts	49.2	53.4	46.7
08:00	DE	Exports SA	Aug	% m/m	0.5	-1.2	0.5
09:00	HU	CPI	Sep	% y/y	5.5	5.5	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

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