

13 October 2021

# Eyeopener

## Sell-off of Polish T-bonds

Stock markets down, EURUSD testing downs from early October (1.1530)  
 UST yield stable, Bund up  
 Strong sell-off of POLGBs after information on additional MPC meeting  
 EURPLN stable  
 Today inflation in USA, euro zone industrial output, FOMC minutes

On Tuesday equity indices fell in Asia, Europe and US due to inflation fears and high energy prices but also due to worries that the 3Q21 corporate reporting season starting this week might not be as good as thought earlier (today report JP Morgan and BlackRock).

The October ZEW expectations index fell in the Eurozone (to 21.0 from 31.1) as well as in Germany (to 22.3 from 26.5), while the German ZEW current assessment declined to 21.6 from 28.0 a month ago. The automotive and electronic sectors' readings were the lowest since November 2020. This was another worse than expected macroeconomic reading from Germany: last week August factory orders and exports disappointed. Better than expected labour market data came in from Norway and the UK. In the US the NFIB small business sentiment slightly declined to 99.1 vs 99.5 expected, the price indices suggest the stabilisation of prices in the coming months. Entrepreneurs are rather optimistic as far as sales prospects are concerned while they worry about the labour shortages. Fed's Richard Clarida said that Fed plans to end the bond purchasing by mid-2022.

**NBP governor Adam Glapiński** repeated yesterday his previous words that the observed inflation is driven by supply shocks, not by demand shocks and the October interest rate increase was supposed to prevent second round effects in the future.

**NBP said that the additional previously unscheduled, MPC meeting** (one-day, non-decisive) will take place on 19 October. On top of that on 21 October the minutes from the 6 October meeting will be published. The one-day meeting occurred also in September and on the following regular meeting the MPC has unexpectedly increased interest rates, hence after the 19 October meeting news the market started to price in further rate increases this year. In our opinion, the MPC only has returned to the pre-pandemic working schedule, when the non-decisive meetings were occurring on a regular basis. Since the latest MPC meeting till 19 October there will not be too many new data, also the NBP staff projections will not be ready until November: e.g. last year the November inflation projection was including macroeconomic data till 26 October, but also referred to the flash CPI reading from 30 November as well as to the number of Covid-19 cases till 5 November.

**The IMF in its World Economic Outlook** report has changed the economic forecasts for Poland. The GDP growth in 2021 is expected at 5.1% (4.6% previously), in 2022 at 5.1% as well (5.2% previously). As for the inflation forecast, 2021 is seen at 4.4%, 2022 at 3.3%. The C/A surplus in 2021 is expected at 2.3%, 2022 at 1.6% of GDP. The global GDP growth in 2021 was revised slightly lower to 5.9% (from 6.0%), 2022 remained unchanged at 4.9%. The IMF has warned against the inflation risk globally, in the context of which it encouraged the global central banks to remain alert.

On Tuesday **the government published officially in its Journal of Laws the recent Constitutional Court ruling** from 7 October regarding the supremacy of Polish constitution over the EU law, thus enacting it. Today the Constitutional Court ruling will be discussed in Brussels during the meeting of EU Commissioners.

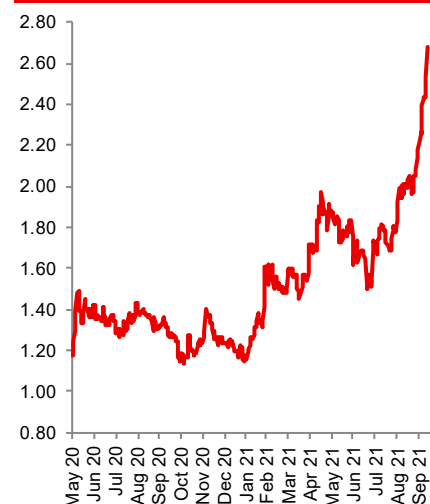
**EURUSD** on Tuesday remained near opening (1.1550) for the better part of the day but later approached the October low of 1.1530. Breaking of the level opens the way toward 1.1400.

**EURPLN** in light of the further increases in the FRA rates which at the end of the day priced around 50bp of hikes at the MPC meeting in November and other 25bp in December, remained relatively stable (lower by 0.2% to 4.5750). Today in the morning the pair opens above 4.58.

**As regards other CEE currencies**, EURHUF climbed by 0.4% to 360.50. EURCZK was stable near to 25.40. Similarly USDRUB at 71.90. The Russia current account surplus rose in August more than expected (to USD17.1bn as compared to forecasts at USD16.4bn).

**The interest rate market** was ripe for a stabilisation and reconsideration after two weeks of sell-off. However, information about one-day MPC meeting scheduled for 19 October amid non liquid market caused a major jump of yields, with 10Y paper up by 14bp to 2.67%. The IRS curve also shifted up, but less markedly, by 7bp with 10Y rate reaching 2.70%. The FRA markets is pricing-in hikes by about 75bp. In our view, the market expectations for rate hike in the upcoming months are overshoot and a downward correction is possible.

10Y POLGB yield, %



Source: Bloomberg, Santander

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**FX market**

Today's opening			
EURPLN	4.5779	CZKPLN	0.1799
USDPLN	3.9660	HUFPLN*	1.2580
EURUSD	1.1547	RUBPLN	0.0552
CHFPLN	4.2659	NOKPLN	0.4641
GBPPLN	5.3937	DKKPLN	0.6153
USDCNY	6.4477	SEKPLN	0.4520

\*for 100HUF

Last session in the FX market						12.10.2021
	min	max	open	close	fixing	
EURPLN	4.571	4.592	4.588	4.576	4.586	
USDPLN	3.960	3.973	3.970	3.966	3.966	
EURUSD	1.153	1.157	1.156	1.154	-	

**Interest rate market** 12.10.2021

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	1.68	15
DS0726 (5Y)	2.31	7
DS0432 (10Y)	2.58	5

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.60	8	0.20	0	-0.50	1
2L	2.05	8	0.46	2	-0.37	2
3L	2.26	6	0.76	1	-0.26	3
4L	2.39	7	0.97	1	-0.17	3
5L	2.49	9	1.14	0	-0.07	4
8L	2.63	9	1.46	-3	0.17	3
10L	2.71	9	1.59	-3	0.30	3

**WIBOR rates**

Term	%	Change (bps)
O/N	0.24	4
T/N	0.35	-6
SW	0.50	0
2W	0.50	0
1M	0.56	1
3M	0.67	1
6M	0.80	2
1Y	1.07	5

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

Term	%	Change (bps)
1x4	1.10	4
3x6	1.44	9
6x9	1.93	9
9x12	2.33	10
3x9	1.58	15
6x12	2.11	13

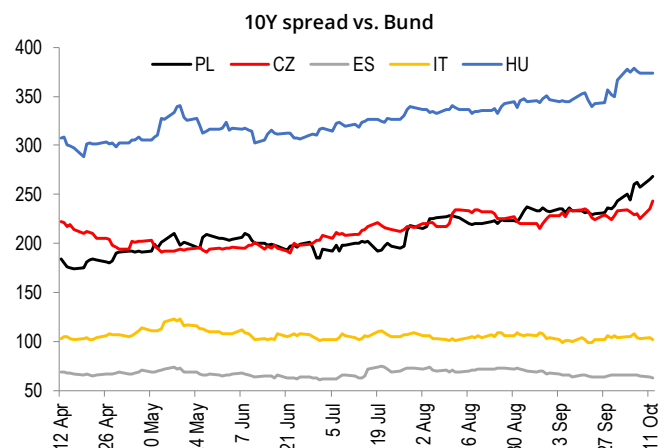
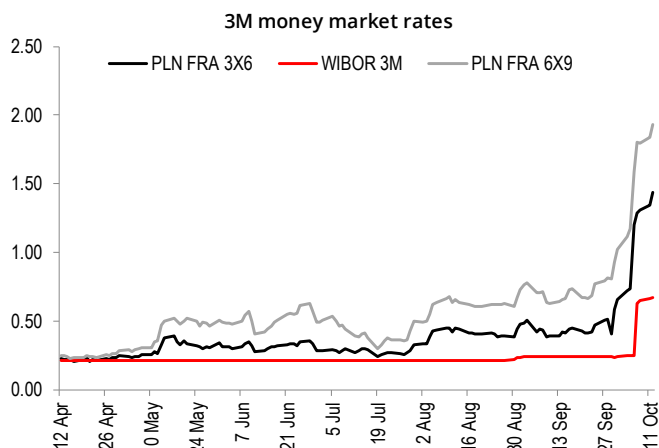
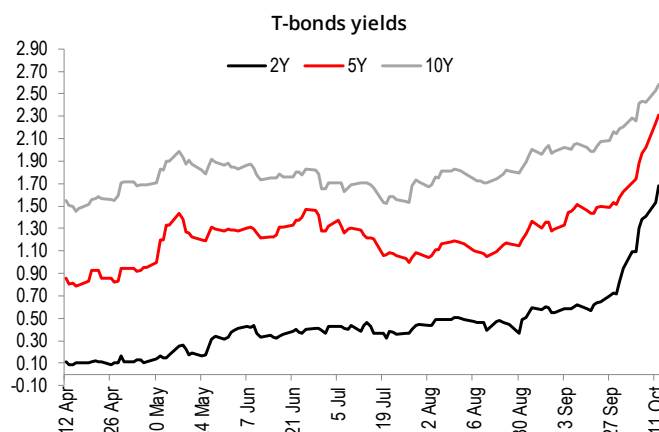
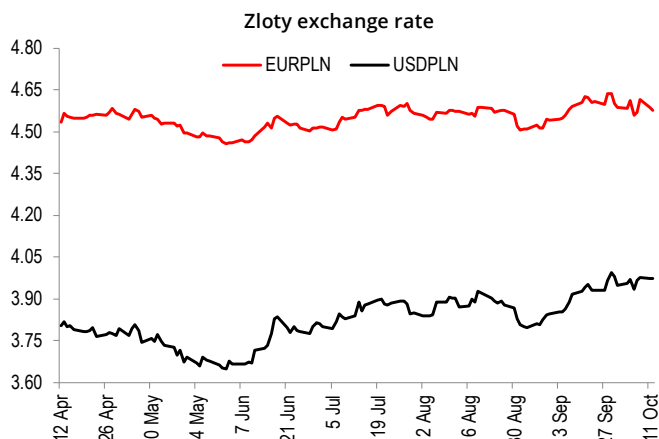
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	268	3
France	10	0	33	-1
Hungary	59	0	374	0
Spain	31	0	63	-1
Italy	43	0	101	-2
Portugal	21	0	51	-1
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 (8 October)</b>								
03:45	CN	Caixin China PMI Services	Sep	pts	49.2	51.4	46.7	
08:00	DE	Exports SA	Aug	% m/m	0.5	-1.2	0.6	
09:00	HU	CPI	Sep	% y/y	5.5	5.5	4.9	
14:30	US	Change in Nonfarm Payrolls	Sep	k	500.0	194.0	366.0	
14:30	US	Unemployment Rate	Sep	%	5.1	4.8	5.2	
<b>MONDAY (11 October)</b>								
09:00	CZ	CPI	Sep	% y/y	4.5	4.9	4.1	
<b>TUESDAY (12 October)</b>								
11:00	DE	ZEW Survey Current Situation	Oct	pts	28.0	21.6	31.9	
<b>WEDNESDAY (13 October)</b>								
08:00	DE	HICP	Sep	% m/m	0.3	0.3	0.3	
11:00	EZ	Industrial Production SA	Aug	% m/m	-1.5	-	1.5	
14:30	US	CPI	Sep	% m/m	0.3	-	0.3	
20:00	US	FOMC Meeting Minutes	Sep/21					
<b>THURSDAY (14 October)</b>								
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Aug</b>	<b>€mn</b>	<b>-747</b>	<b>-896</b>	<b>-</b>	<b>-1827.0</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Aug</b>	<b>€mn</b>	<b>-850</b>	<b>-289</b>	<b>-</b>	<b>-714.0</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Aug</b>	<b>€mn</b>	<b>21147</b>	<b>21600</b>	<b>-</b>	<b>22346.0</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Aug</b>	<b>€mn</b>	<b>22016</b>	<b>21889</b>	<b>-</b>	<b>23060.0</b>
14:30	US	Initial Jobless Claims		k		-	326.0	
<b>FRIDAY (15 October)</b>								
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Sep</b>	<b>% y/y</b>	<b>5.8</b>	<b>5.8</b>	<b>-</b>	<b>5.5</b>
14:30	US	Retail Sales Advance	Sep	% m/m	-0.3	-	0.7	
16:00	US	Michigan index	Oct	pts	73.5	-	72.8	

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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