

Eyeopener

FOMC wants to start tapering in November

Stock markets in Europe in black, stable in the USA after inflation data
 FOMC minutes: QE tapering possible in November
 Dollar weaker, gold price higher, UST yields a bit lower
 EURPLN slightly lower, IRS and Polish bond yields down
 Today current account in Poland, initial jobless claims in the USA

On Wednesday European stocks were slightly up while the US equities were roughly flat despite better than expected reports from JP Morgan and Blackrock which kick-started the 3Q21 reporting season of US corporates. Today further big US banks post their results: Bank of America, Citibank, Morgan Stanley. Even though the US September CPI slightly surprised to the upside, the core market yields declined a bit (Bund by 3bp to -0.13%, UST by 1bp to 1.56%), the dollar weakened. Oil price declined during the day only to rebound in the second part of the session, gold increased 2% towards 1800 per ounce.

August euro zone industrial production surprised to the upside (5.1% y/y vs 4.7% y/y expected) but slowed down vs previous reading of 7.7% y/y as most of the sectors saw declines, except for the energy one. Despite increasing orders, the supply problems, delays and higher costs persist. Over medium term those imbalances should fade away, however as long as they are in place they will negatively affect the GDP in countries where manufacturing is a large part of GDP, like Germany. In September the US CPI slightly surprised to the upside to 5.4% y/y vs expected 5.3% y/y, the core CPI met expectations at 4.0% y/y. We expect the inflation to remain at the current level in 4Q21E after which it should decline to near 5.0% y/y in 1Q22E.

It seems that the Fed is less and less tolerant for elevated inflation. It could be deduced e.g. from the comment of **Raphael Bostic from the Atlanta Fed**, who said that price increases are broadening and cover more and more areas. He judged that the observed inflation rise lasts longer than earlier assumed and therefore the term transitory should no longer be used. Bostic is the advocate of QE tapering and predicts the first rate hikes in a year's time. In turn, **minutes from the Fed's September** meeting revealed that according to US central bankers the decision about tapering of asset purchases should be taken at the next meeting (November 2-3) and the entire programme could end in mid-2022.

EURUSD opened around 1.1535 and went up during the day to 1.1575. After the release of FOMC minutes the dollar weakened somewhat and this morning EURUSD is close to 1.1600.

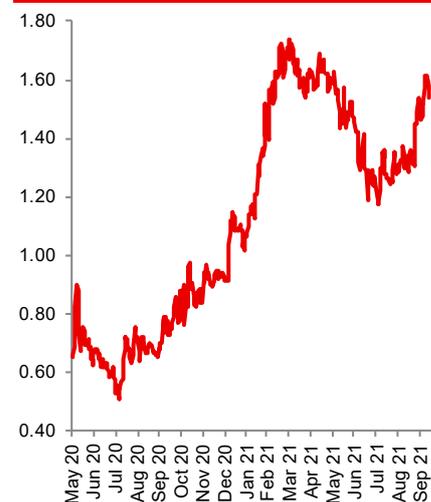
EURPLN stayed near 4.58, slightly below it throughout the day and again a bit above it at the end of the day. This morning the zloty is slightly stronger and EURPLN is around 4.573.

When it comes to the other CEE FX, EURHUF did not change (360.2), EURCZK dropped a bit (to 25.38). USDRUB rose by 0.3% to 72.05 despite a rise of EURUSD, stable oil price and favourable conditions for EM currencies.

On the interest rate market the slightly lower UST 10Y yields, despite the higher-than-expected reading of US inflation, caused a more than proportionate decline of Polish IRS rates – the curve lowered from 3bp at the short end (2Y to 2.01%) to 5bp on the long end (10Y at 2.64%). On the bond market, liquidity was greatly reduced and yields were almost unchanged (2Y at 1.65%), or a bit lower (10Y at 2.64%).

Before the bond purchasing operation, **NBP** informed that it was ready to buy up to PLN1bn of govies (PS1026, DS1023, DS1030) and BGK bonds (FPC0328), but eventually it only bought papers for less than PLN0.6bn. NBP governor said recently that the QE programme is already tapered, but remains one of the NBP tools.

Yield of 10Y US government bond, %



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5726	CZKPLN	0.1798
USDPLN	3.9425	HUFPLN*	1.2575
EURUSD	1.1597	RUBPLN	0.0548
CHFPLN	4.2765	NOKPLN	0.4646
GBPPLN	5.3893	DKKPLN	0.6142
USDCNY	6.4373	SEKPLN	0.4537

*for 100HUF

Last session in the FX market						13.10.2021
	min	max	open	close	fixing	
EURPLN	4.569	4.584	4.584	4.577	4.581	
USDPLN	3.949	3.970	3.968	3.957	3.964	
EURUSD	1.153	1.158	1.155	1.157	-	

Interest rate market 13.10.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	1.73	4
DS0726 (5Y)	2.28	-3
DS0432 (10Y)	2.71	13

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.59	-1	0.21	1	-0.51	0
2L	2.02	-3	0.48	2	-0.38	-1
3L	2.23	-3	0.78	3	-0.27	-1
4L	2.36	-3	0.99	1	-0.18	-1
5L	2.45	-4	1.13	-1	-0.09	-2
8L	2.60	-4	1.42	-3	0.13	-4
10L	2.68	-3	1.54	-5	0.25	-5

WIBOR rates

Term	%	Change (bps)
O/N	0.22	-2
T/N	0.33	-2
SW	0.50	0
2W	0.51	1
1M	0.56	0
3M	0.68	1
6M	0.82	2
1Y	1.10	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.09	-1
3x6	1.44	0
6x9	1.90	-3
9x12	2.26	-8
3x9	1.60	2
6x12	2.11	0

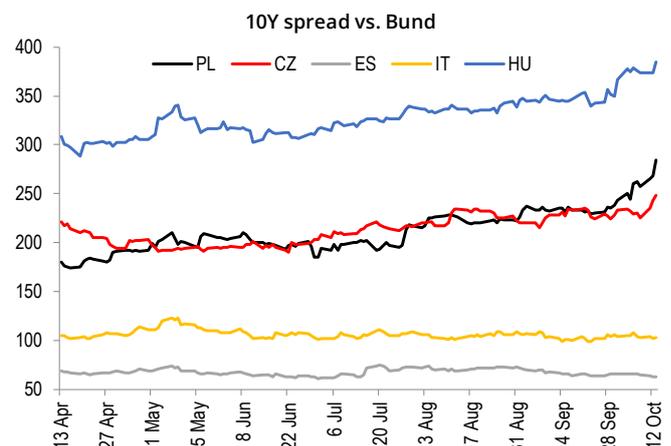
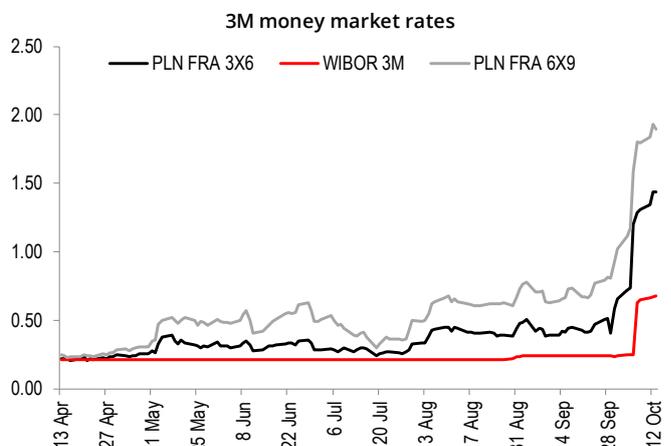
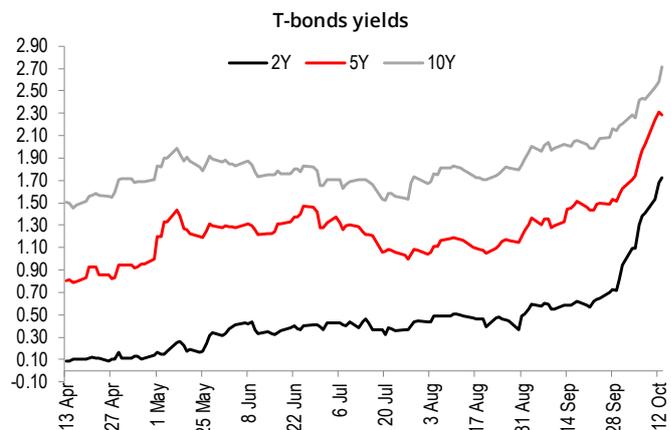
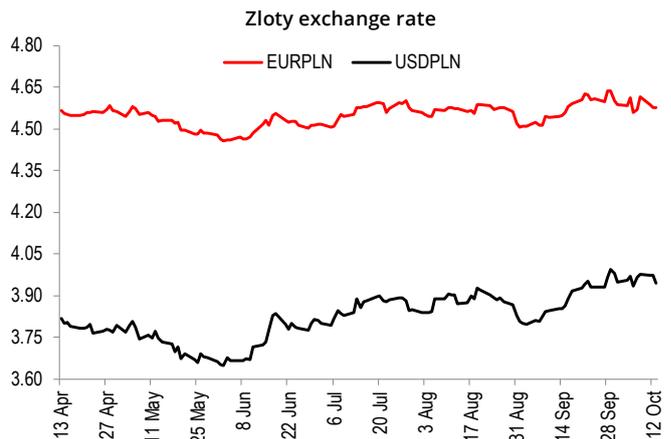
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	284	16
France	10	0	33	0
Hungary	59	0	385	11
Spain	31	0	63	0
Italy	43	0	103	1
Portugal	20	0	51	0
Ireland	11	1	37	-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 (8 October)								
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	
MONDAY (11 October)								
09:00	CZ	CPI	Sep	% y/y	4.5	4.9	4.1	
TUESDAY (12 October)								
11:00	DE	ZEW Survey Current Situation	Oct	pts	28.0	21.6	31.9	
WEDNESDAY (13 October)								
08:00	DE	HICP	Sep	% m/m	0.3	0.3	0.3	
11:00	EZ	Industrial Production SA	Aug	% m/m	-1.7	-1.6	1.5	
14:30	US	CPI	Sep	% m/m	0.3	0.4	0.3	
20:00	US	FOMC Meeting Minutes	Sep/21					
THURSDAY (14 October)								
14:00	PL	Current Account Balance	Aug	€mn	-747	-896	-	-1827.0
14:00	PL	Trade Balance	Aug	€mn	-850	-289	-	-714.0
14:00	PL	Exports	Aug	€mn	21147	21600	-	22346.0
14:00	PL	Imports	Aug	€mn	22016	21889	-	23060.0
14:30	US	Initial Jobless Claims		k		-	326.0	
FRIDAY (15 October)								
10:00	PL	CPI	Sep	% y/y	5.8	5.8	-	5.5
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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