

26 October 2021

Eyeopener

Ifo point to supply challenges

Stock exchanges slightly up

EURUSD back down to 1.16, zloty weakens with EURPLN above 4.61

Core market bonds gain, but the Polish ones lose again

Today US consumer confidence and new home sales data

The week started with dollar strengthening on the global markets (EURUSD hit 1.16 from the top), decreasing core bond yields by c.2bp. Crude oil price was stable, but gas price went up. October's Ifo in Germany fell, as expected, to its lowest level since April. The index of current situation fell to 100.1 while expectations index to 95.4. Sectors that were relying on domestic demand assessed the situation and the outlook better, while more pessimism was presented by manufacturing and transport (exposed to problems with expensive freight and component shortage). In turn, the US regional Dallas Fed business survey jumped from 4.6 to 14.6 thanks to improvement in orders, rebound in expectations and higher wages – the report was still picturing bottlenecks, shortages and high costs of materials, shortages and high costs of labour. The Bundesbank has signalled in its monthly report that GDP growth in 2021 will be probably lower than its June estimate (3.7%).

The GUS Statistical Bulletin revealed that consumer inflation expectations soared in October. Despite the biggest move up since the start of pandemic, the measure is still well below the level suggested by its correlation with the actual inflation and slightly below its level from the start of 2020. Registered unemployment rate in September was confirmed at 5.6%, the level earlier announced by the Labour Ministry (drop from August's 5.8%) and the monthly decline in the number of unemployed by over 26k was the best result for September since 2014. The number of job offers per 100 unemployed exceeded 10 – is was at this level in the middle of 2019 and on average in 2018, which signals that it may be increasingly hard for companies to hire new staff. The number of employed people in the corporate sector increased in September by 11k, while average employment fell by 5k – it could imply that the average worktime has decreased (due to downtime in some industries) or that the number of extended sick leaves and child care leaves has increased. It also seems to contradict the idea that cancellation of PFR loans triggered significant layoffs in companies. In September the value of industrial orders rose by 17.7% y/y and was the highest since 2003. The value of foreign orders rose by 10.8% y/y and remained below the levels from March and April this year.

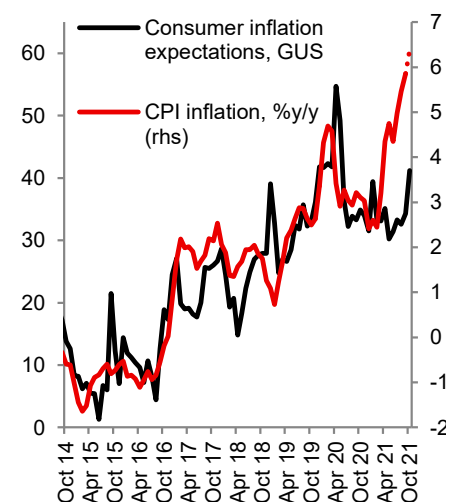
EURUSD reacted to the Monday releases (falling Ifo) with a rapid decline from around 1.166 to 1.160, but failed to break below that level.

EURPLN rose by c0.01PLN to 4.615 and in our view it may continue to rise in the coming days.

As regards **other CEE currencies**, the koruna lost 0.2% (to 25.73) and the forint 0.3% (365.8) vs the euro while USDRUB managed to slip below 70.0 and stayed below the level most of the day.

On the **interest rate market** the selloff of Polish government bonds intensified again: 2Y yield rose by 4bp, 5Y by 8bp and 10Y by 10bp. The IRS curve also rose and became steeper, with the range of changes 4-7bp. The FRA market added some 6-10bp to the rates covering the next two years. **BGK** sold Covid bonds worth PLN517mn with demand at PLN530mn plus PLN41mn at the top up auction.

Polish CPI inflation (w/Santander forecast for Oct'21) and consumer inflation expectations



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.6108	CZKPLN	0.1789
USDPLN	3.9726	HUFPLN*	1.2620
EURUSD	1.1605	RUBPLN	0.0571
CHFPLN	4.3144	NOKPLN	0.4755
GBPPLN	5.4687	DKKPLN	0.6196
USDCNY	6.3814	SEKPLN	0.4615

*for 100HUF

Last session in the FX market 25/10/2021

	min	max	open	close	fixing
EURPLN	4.592	4.620	4.602	4.615	4.602
USDPLN	3.939	3.984	3.946	3.975	3.950
EURUSD	1.159	1.166	1.166	1.161	-

Interest rate market 25/10/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	1.90	3
DS0726 (5Y)	2.38	4
DS0432 (10Y)	2.92	9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	3	0.27	0	-0.51	-1
2L	2.21	5	0.61	1	-0.35	-1
3L	2.43	5	0.89	-3	-0.21	0
4L	2.54	5	1.09	-2	-0.12	-2
5L	2.61	5	1.25	-1	-0.04	-1
8L	2.72	5	1.53	2	0.16	-1
10L	2.80	5	1.64	1	0.27	0

WIBOR rates

Term	%	Change (bps)
O/N	0.28	-1
T/N	0.39	0
SW	0.50	0
2W	0.52	0
1M	0.59	0
3M	0.70	0
6M	0.92	1
1Y	1.21	2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.16	1
3x6	1.65	4
6x9	2.07	4
9x12	2.43	2
3x9	1.84	6
6x12	2.24	1

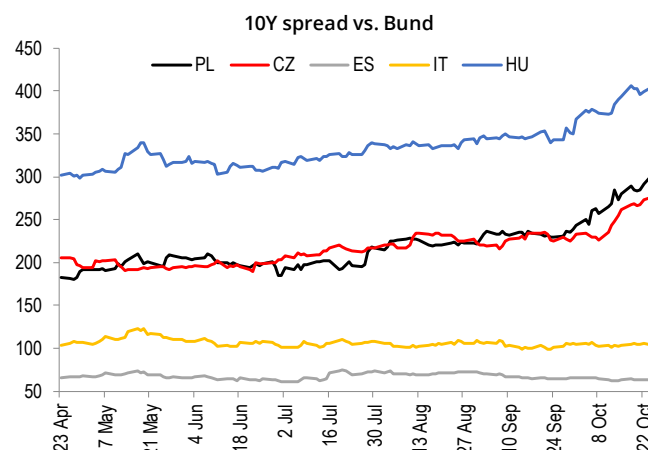
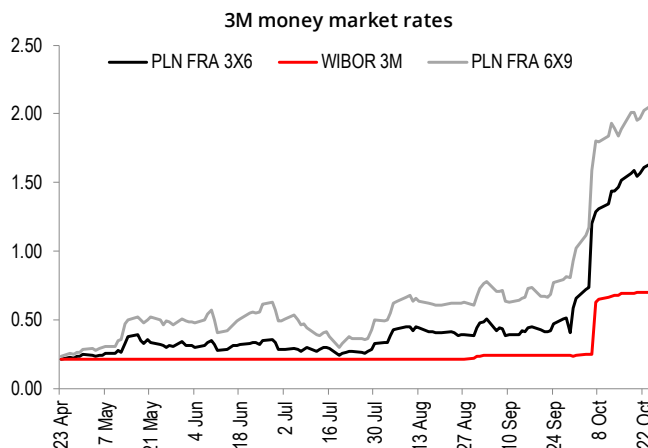
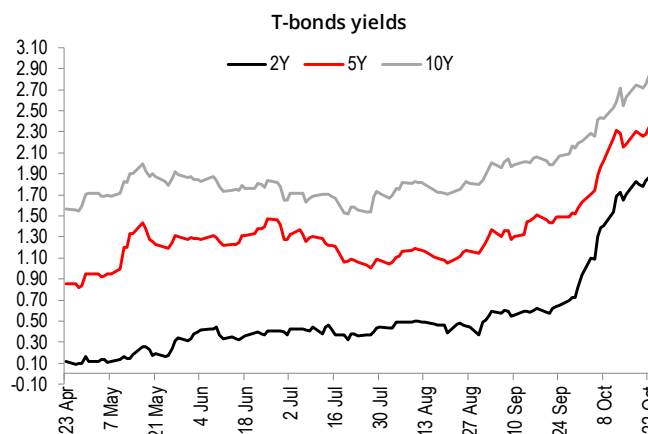
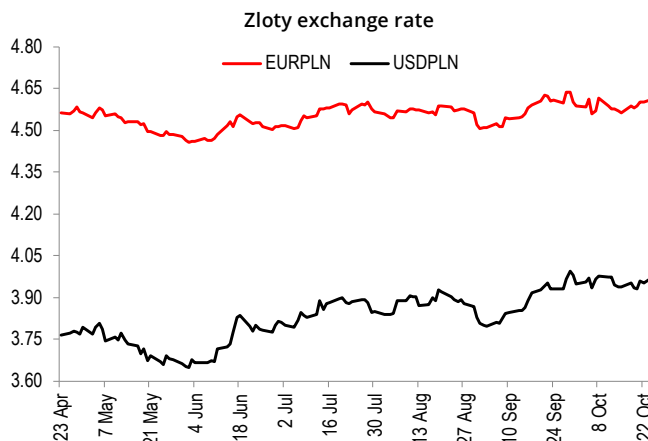
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	303	11
France	10	0	33	0
Hungary	60	0	405	6
Spain	30	0	63	0
Italy	43	0	103	-2
Portugal	20	0	51	-1
Ireland	11	0	38	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 (22 October)							
09:30	DE	Germany Manufacturing PMI	Oct	pts	56.6	58.2	58.4
09:30	DE	Markit Germany Services PMI	Oct	pts	55.2	52.4	56.2
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	57.1	54.7	58.6
10:00	EZ	Eurozone Services PMI	Oct	pts	55.4	54.7	56.4
14:00	PL	Money Supply M3	Sep	% y/y	8.6	8.5	8.6
MONDAY (25 October)							
10:00	DE	IFO Business Climate	Oct	pts	97.9	97.7	98.8
10:00	PL	Unemployment Rate	Sep	%	5.6	5.6	5.8
TUESDAY (26 October)							
16:00	US	Consumer Conference Board	Oct	pts	109.5	-	109.3
16:00	US	New Home Sales	Sep	% m/m	2.4	-	1.5
WEDNESDAY (27 October)							
	DE	Retail Sales	Sep	% m/m	-0.8	-	1.1
14:30	US	Durable Goods Orders	Sep	% m/m	-1.0	-	1.8
THURSDAY (28 October)							
11:00	EZ	ESI	Oct	pct.	-	-	117.8
13:45	EZ	ECB Main Refinancing Rate	Oct/21	%	0.0	-	0.0
14:00	DE	HICP	Oct	% m/m	0.0	-	0.3
14:30	US	GDP Annualized	3Q	% Q/Q	3.0	-	6.7
14:30	US	Initial Jobless Claims		k		-	290.0
16:00	US	Pending Home Sales	Sep	% m/m	1.0	-	8.1
FRIDAY (29 October)							
09:00	CZ	GDP SA	3Q	% y/y	3.2	-	8.1
10:00	PL	CPI	Oct	% y/y	6.4	6.4	5.9
10:00	DE	GDP WDA	3Q	% y/y	2.7	-	9.4
11:00	EZ	Flash HICP	Oct	% y/y	3.7	-	3.4
11:00	EZ	GDP SA	3Q	% y/y	3.5	-	14.2
14:30	US	Personal Spending	Sep	% m/m	0.5	-	0.8
14:30	US	Personal Income	Sep	% m/m	-0.1	-	0.2
14:30	US	PCE Deflator SA	Sep	% m/m	0.3	-	0.4
16:00	US	Michigan index	Oct	pts	71.4	-	71.4

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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