

5 November 2021

Eyeopener

CNB raised bar for rate hikes

BoE did not change interest rates, CNB hiked more than expected
 EURUSD fell 0.6% to 1.155 – near the October's low
 Yield of 10Y UST trimmed Wednesday's increase and returned to 1.54%
 EURPLN returned to 4.60, bonds lost slightly
 Today US non-farm payrolls, euro zone retail sales

On Thursday global stock exchanges showed minor gains. The yield of 10Y UST returned down to 1.54% and the Bund one decreased by c.6bp to -0.22%. The British pound lost around 1.5% vs the dollar after the Bank of England – against the expectations – did not raise interest rates (the voting was 7-2 in favour of keeping the main rate unchanged at 0.1%). Albeit the bank showed higher inflation forecasts it referred to market rate hike expectations as excessive given the bank's worries about economic growth. The central bank of Norway also did not change rates (still at 0.25%). On the other hand the Czech central bank hiked rates by 125bp, more than expected. Eurozone data showed producer prices inflation accelerating above expectations in September: to 16.0% y/y from 13.4% y/y a month earlier. At the same time German industrial orders data were a disappointment (9.7% y/y vs expectations at 11.3%). In the USA, trade balance in September moved further into deficit (to USD80.9bn from USD73.3bn a month earlier and -USD80.2bn expected). In Canada the trade surplus did not change at CAD1.9bn. Final readings of services PMIs were almost equal to flash prints: 54.6 pts for Eurozone (down 0.1pp vs flash reading), 52.4 pts for Germany (unchanged), 56.6 for France (unchanged). The Italian index disappointed (52.4 pts vs 54.5 expected) while the Spanish one was slightly above expectations (56.6 pts vs 55.8).

At the November meeting OPEC+ maintained the earlier plan to increase production by 400k barrels per month. The organisation did not yield to the pressure of i.a. US president Joe Biden and the Japanese government to pump more. After the decision the Brent price rose by 2.5% to USD83.5/barrel, but soon returned to USD80.9 after the news that the US may release some of its strategic oil reserve.

EURUSD fell to 1.1540 (by 0.7%), which partly could be related to the start of Fed's policy tightening. The rate is now testing the October low and its breach may result in further declines towards 1.14.

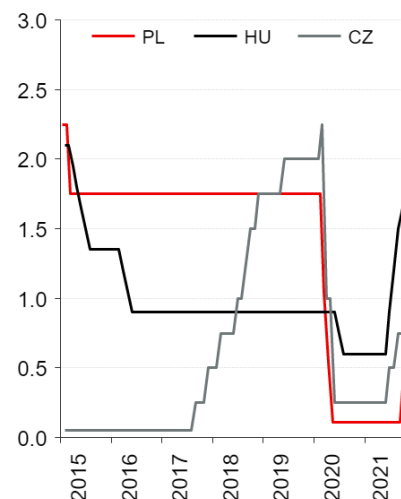
EURPLN soared 0.6% on Thursday to 4.60, trimming its Wednesday's gains which took place after the bigger than expected MPC rate hike. Two-day change is near zero. Important technical levels are 4.5820 from the bottom (50-day moving average) and 4.65 from the top (September's high).

As for the other regional currencies EURHUF slightly increased to 360.0. EURCZK fell by 0.6% to 25.35 after the CNB increased interest rates by much more than expected. After another hike in a row, this time by 125bp, the rate level reached 2.75% and moved away from the ones in Hungary and Poland even more. After the OPEC+ meeting and the lack of oil supply increase the oil price increased (which reversed overnight) while the USDRUB fell 1.3% to 71.30.

On the Polish fixed income market decent volatility continued. The bond yield curve moved higher by as much as 30bp at the front end of the curve (2Y to 2.70%), at the long end yields moved higher in the first part of the day but reversed moves in the second half of the day and 10Y closed below 3.0%. Similar pattern was seen on the IRS curve 2Y moved up 20bp to 2.93% while 10Y has not changed at 2.95% - the 2x10 steepness has not been that flat since long time.

The **Ministry of Finance** bought back bonds PS0422, OK0722, WS0922 worth PLN1.95bn and sold PS1026 and DS0432 plus floaters WZ1126 and WZ1131 worth PLN2.05bn. After the auction the pre-financing of 2022 budget borrowing needs is 8%. BGK informed that on November 8 it will offer bonds FPC0631 and FPC1140 worth at least PLN250m.

Main interest rate of CEE central banks, %



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.5968	CZKPLN	0.1804
USDPLN	3.9757	HUFPLN*	1.2646
EURUSD	1.1561	RUBPLN	0.0554
CHFPLN	4.3617	NOKPLN	0.4650
GBPPLN	5.3802	DKKPLN	0.6212
USDCNY	6.4000	SEKPLN	0.4634

*for 100HUF

Last session in the FX market						04/11/2021
	min	max	open	close	fixing	
EURPLN	4.578	4.608	4.582	4.601	4.599	
USDPLN	3.951	3.995	3.952	3.986	3.981	
EURUSD	1.153	1.159	1.159	1.154	-	

Interest rate market 04/11/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.78	44
DS0726 (5Y)	2.80	13
DS0432 (10Y)	2.93	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.56	21	0.29	-2	-0.51	0
2L	2.93	20	0.62	-6	-0.37	-6
3L	2.98	8	0.89	-6	-0.27	-8
4L	2.97	4	1.08	-5	-0.20	-9
5L	2.97	4	1.20	-6	-0.14	-9
8L	2.93	2	1.46	-5	0.04	-7
10L	2.94	0	1.55	-7	0.15	-6

WIBOR rates

Term	%	Change (bps)
O/N	0.93	65
T/N	1.17	58
SW	1.23	64
2W	1.26	60
1M	1.02	30
3M	1.26	42
6M	1.70	65
1Y	1.99	64

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.77	6
3x6	2.68	22
6x9	3.03	13
9x12	3.23	13
3x9	2.95	26
6x12	3.27	21

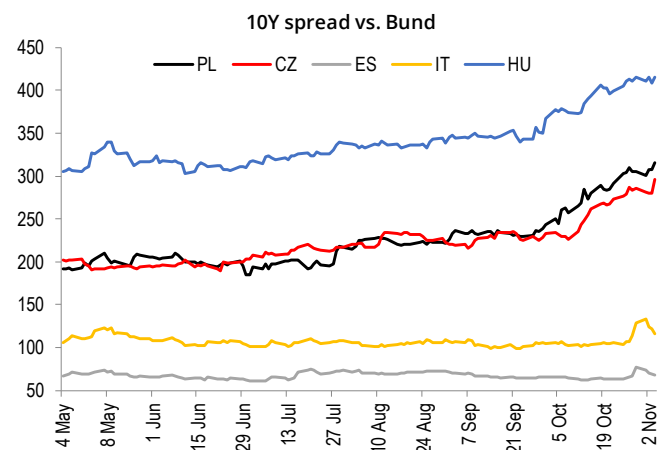
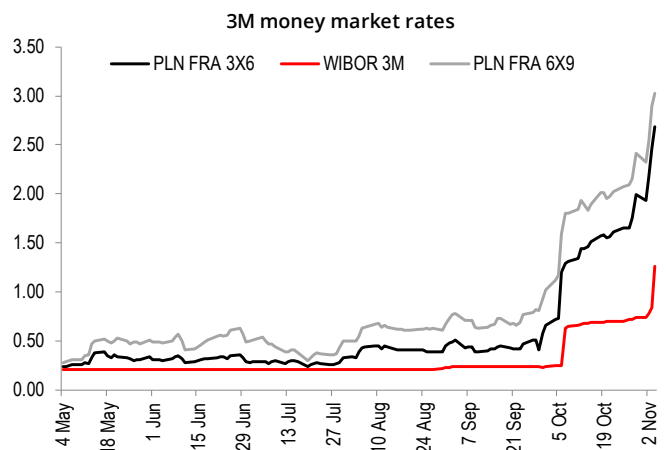
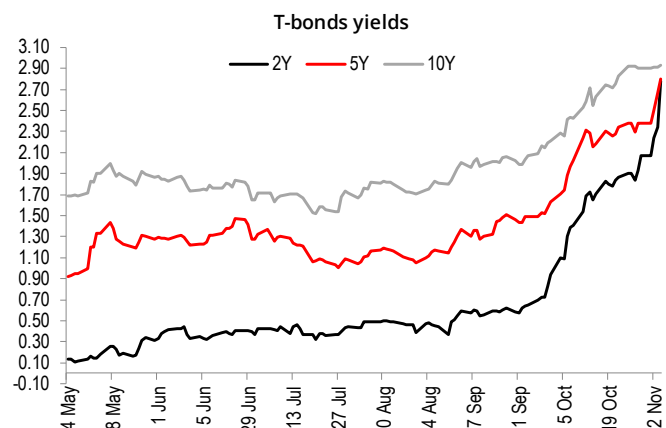
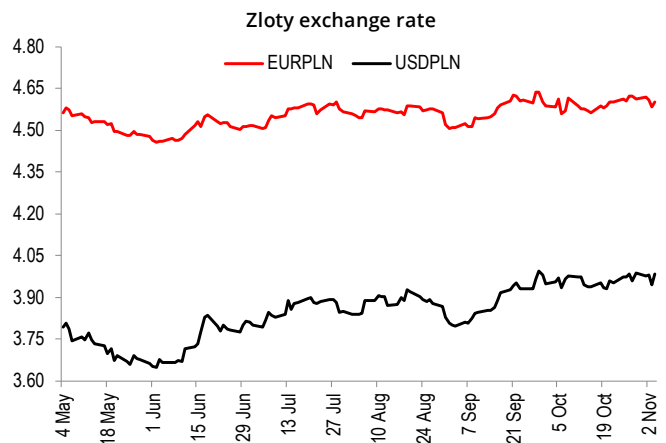
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	316	8
France	10	0	34	-1
Hungary	60	0	415	7
Spain	33	-1	68	-1
Italy	47	-1	116	-5
Portugal	22	0	58	-2
Ireland	11	0	41	-2
Germany	7	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	COUNTR Y	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (29 October)							
09:00	CZ	GDP SA	3Q	% y/y	3.2	2.8	8.1
10:00	PL	CPI	Oct	% y/y	6.4	6.8	5.9
10:00	DE	GDP WDA	3Q	% y/y	2.5	2.5	9.4
11:00	EZ	Flash HICP	Oct	% y/y	3.7	4.1	3.4
11:00	EZ	GDP SA	3Q	% y/y	3.5	3.7	14.2
14:30	US	Personal Spending	Sep	% m/m	0.6	0.6	0.8
14:30	US	Personal Income	Sep	% m/m	-0.3	-1.0	0.2
14:30	US	PCE Deflator SA	Sep	% m/m	0.3	0.3	0.4
16:00	US	Michigan index	Oct	pts	71.4	71.7	71.4
MONDAY (1 November)							
15:00	US	ISM manufacturing	Oct	pts	60.2	60.8	61.1
TUESDAY (2 November)							
09:00	PL	Poland Manufacturing PMI	Oct	pts	53.1	52.0	53.8
09:55	DE	Germany Manufacturing PMI	Oct	pts	58.2	57.8	58.2
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	58.5	58.3	58.5
WEDNESDAY (3 November)							
	PL	MPC decision		%	0.75	1.00	1.25
02:45	CN	Caixin China PMI Services	Oct	pts	53.1	53.8	53.4
11:00	EZ	Unemployment Rate	Sep	%	7.4	7.4	7.5
13:15	US	ADP report	Oct	k	400.0	571.0	523.0
15:00	US	Durable Goods Orders	Sep	% m/m	-0.4	-0.3	-0.4
15:00	US	ISM services	Oct	pts	62.0	66.7	61.9
15:00	US	Factory Orders	Sep	% m/m	0.1	0.2	1.2
19:00	US	FOMC decision	Nov/21		0.25	0.25	0.25
THURSDAY (4 November)							
08:00	DE	Factory Orders	Sep	% m/m	1.8	1.3	-8.8
09:55	DE	Markit Germany Services PMI	Oct	pts	52.4	52.4	52.4
10:00	EZ	Eurozone Services PMI	Oct	pts	54.7	54.6	54.7
						269.	
14:30	US	Initial Jobless Claims		k	275.0	0	283.0
14:30	CZ	Central Bank Rate Decision	Nov/21		2.25	2.75	1.50
FRIDAY (5 November)							
08:00	DE	Industrial Production SA	Sep	% m/m	1.0	-1.1	-3.5
09:00	HU	Industrial Production SA	Sep	% y/y	-	-	0.6
11:00	EZ	Retail Sales	Sep	% m/m	0.2	-	0.3
13:30	US	Change in Nonfarm Payrolls	Oct	k	425.0	-	194.0
13:30	US	Unemployment Rate	Oct	%	4.7	-	4.8

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

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