

Eyeopener

NBP head on CPI and interest rates prospects

NBP governor reassured about downside inflation outlook

Equities up after strong US labour market data, infrastructural package approved

Dollar stronger, but so were US and German bonds

EURPLN around 4.60, some downside correction of POLGB yields and Polish IRS

Today presentation of NBP inflation report, Czech industrial output

On Friday bond yields in the core markets were declining: UST by c.8bp to 1.46%, Bund by 6bp to -0.28%, despite rising equity markets and positive data from the US labour market. Retail sales in the euro zone rose 2.5% y/y in September (-0.3% m/m). Weaker reading of September's industrial production were recorded in Germany (-1.1% y/y) and France (0.8% y/y). US non-farm employment surprised positively, rising 531k (expected 450k, after previous month's 194k) and unemployment rate fell more than expected to 4.6% from 4.8%. US Congress passed the 7-year infrastructural package worth USD1.2 trillion, which ends the six month-long negotiations. At the same time, the next big fiscal package based on social spending (USD1.75 trillion in 10 years), is planned to be discussed on November 15.

The NBP president **Adam Glapiński** said that "everything is suggesting inflation will be declining after January and there is no need to hike rates further. He also said that "we cannot tighten the monetary policy too much to avoid raising unemployment". According to Glapiński, in the medium term (about 2 years) he wanted inflation to go down to 1.5%-3.5% range. Glapiński thought that current actions of the MPC will be enough to achieve this target. Quotes from this statement, which were released earlier in the media suggested that no further hikes are probable. Later the news covering his remarks were corrected to mean that there can be no hikes after January. In general, these words were interpreted by markets as a suggestion of lower total amount of hikes and shorter adjustment period than priced in by the markets. The MPC member **Eugeniusz Gatnar** said that inflation could climb as high as to 9% early in 2022 and the MPC started to make up for lost time and should remain on the path of monetary policy normalisation. He said he hoped that "a few further moves" will allow to bring inflation down and that the MPC should acknowledge it sees the elevated inflation and is actively fighting it. Meanwhile, **Grażyna Ancyparowicz** said that the need to hike rates further will appear if inflation keeps rising above the NBP forecast. In her view, the implementation of "Polish Deal" will trigger an additional inflation pressure, which is unfortunate. She was not sure when is the MPC going to end its hiking cycle, as the Council's composition is about to change. Thus, it cannot be said whether rates can go up in the next step "to, say, 2%" in December or later. She added there was "no divergence" of views during the vote to hike rates by 75bp in November.

PM **Mateusz Morawiecki** said that inflation at 6-7% is a threat to the economic growth and assessed that the upcoming months will be marked by fighting this inflation rise. He said that this week the government will try to use all available fiscal and regulatory instruments to mitigate effects of high inflation.

EURUSD on Friday again tried to go lower and reached 1.1520 temporarily, but closed the week at 1.1550 - effectively unchanged both on a daily as well as weekly basis (1.1560).

EURPLN on Friday opened at 4.60 after which it spiked to 4.63 after the markets struggled to properly interpret NBP governor's words commenting on the possibility of further interest rate increases. At the end of the day the exchange rate moved back to below the starting point to 4.5970. Over the whole previous week the EURPLN fell by 0.5%.

As for the **other regional currencies** EURHUF also fell over the previous week but by less than EURPLN - by 0.3%. On Friday its move lower was of similar magnitude (close near 359.1) while the macro data out of Hungary were mixed: better than expected retail sales, while worse than expected industrial production. EURCZK significantly fell for another day - on Friday alone by 0.6% to 25.2, during the whole previous week by noticeable 1.8% in total. USDRUB after significant intraday variation on Friday fell by 0.4% to 71.20, however on a weekly basis increased by 0.2%.

On the Polish **fixed income market** on Friday there was some retracement after the previous increases - the bond yield curve declined by 5bp in 2Y and 10Y tenors (remaining roughly unchanged near 5Y). IRS curve declined by 8-10bp along the curve. Also FRA contracts traded lower by roughly 15bp. Today BGK will offer bonds of 2 series for at least PLN 0.25 bn.

Polish government 10-year bond yield, %



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5973	CZKPLN	0.1804
USDPLN	3.9751	HUFPLN*	1.2805
EURUSD	1.1563	RUBPLN	0.0558
CHFPLN	4.3537	NOKPLN	0.4641
GBPPLN	5.3653	DKKPLN	0.6212
USDCNY	6.3973	SEKPLN	0.4638

*for 100HUF

Last session in the FX market 05.11.2021

	min	max	open	close	fixing
EURPLN	4.590	4.623	4.600	4.597	4.607
USDPLN	3.971	4.003	3.982	3.976	3.991
EURUSD	1.151	1.157	1.155	1.156	-

Interest rate market 05.11.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.72	-6
DS0726 (5Y)	2.81	1
DS0432 (10Y)	2.91	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.54	-2	0.27	-2	-0.52	-1
2L	2.83	-10	0.60	-1	-0.38	-1
3L	2.91	-7	0.84	-5	-0.28	-1
4L	2.90	-7	1.02	-5	-0.22	-2
5L	2.86	-11	1.14	-6	-0.16	-3
8L	2.84	-9	1.37	-9	0.00	-4
10L	2.86	-8	1.46	-9	0.10	-5

WIBOR rates

Term	%	Change (bps)
O/N	0.96	3
T/N	1.17	0
SW	1.25	2
2W	1.26	0
1M	1.32	30
3M	1.56	30
6M	1.87	17
1Y	2.25	26

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.74	-3
3x6	2.58	-10
6x9	2.89	-14
9x12	3.04	-19
3x9	2.83	-12
6x12	3.04	-23

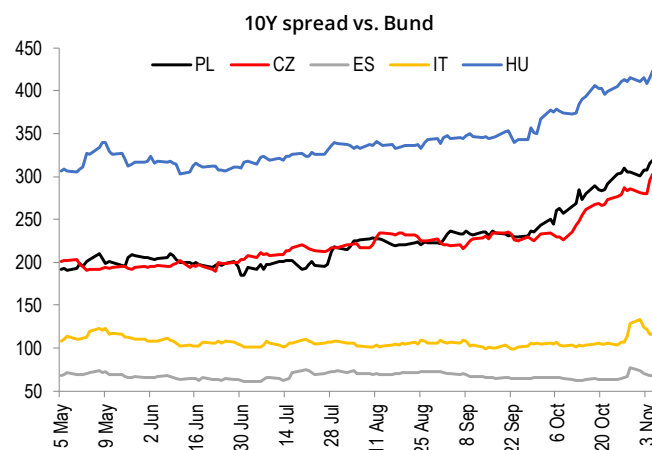
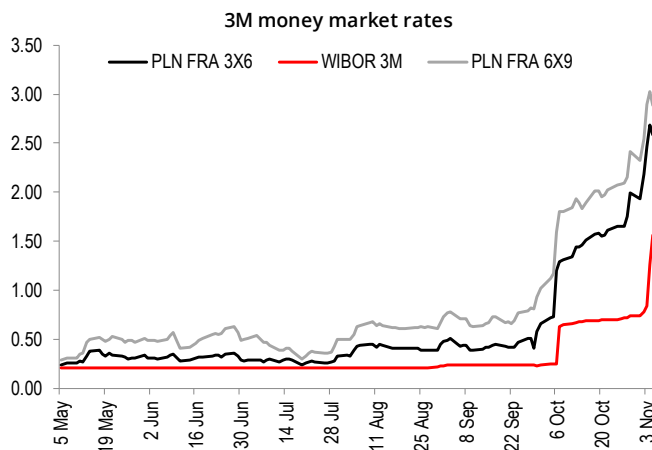
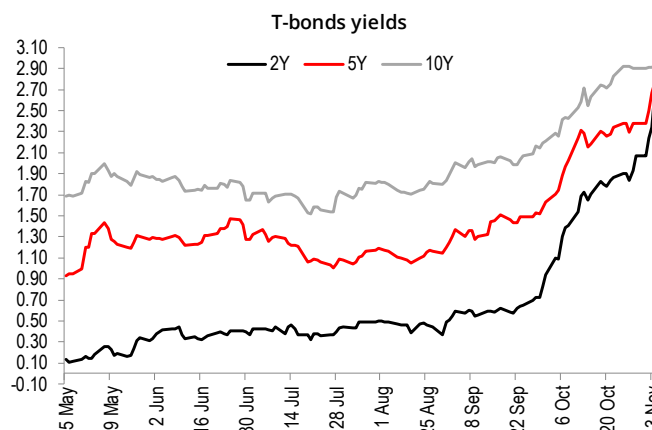
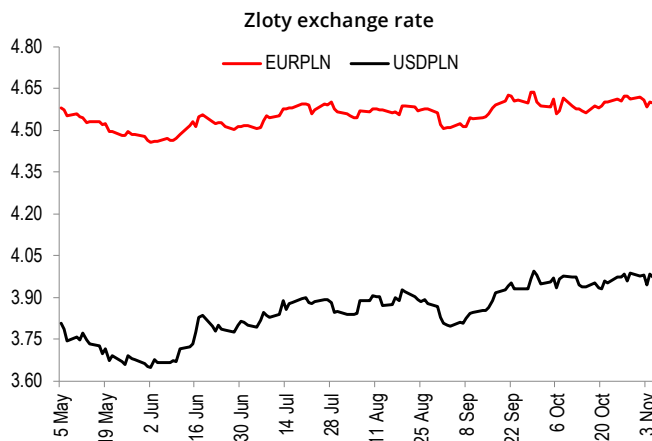
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	319	3
France	10	0	34	0
Hungary	60	0	424	9
Spain	33	0	68	0
Italy	45	-1	116	-1
Portugal	22	0	59	1
Ireland	11	0	41	0
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	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
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	-0.2		-1.7	0.6
11:00	EZ	Retail Sales	Sep	% m/m	0.2		-0.3	0.3
13:30	US	Change in Nonfarm Payrolls	Oct	k	450.0		531.0	312.0
13:30	US	Unemployment Rate	Oct	%	4.7		4.6	4.8
MONDAY (8 November)								
09:00	CZ	Industrial Production	Sep	% y/y	-0.9		-	1.4
TUESDAY (9 November)								
08:00	DE	Exports SA	Sep	% m/m	-		-	-1.1
09:00	HU	CPI	Oct	% y/y	0.0		-	5.5
11:00	DE	ZEW Survey Current Situation	Nov	pts	-		-	21.6
WEDNESDAY (10 November)								
08:00	DE	HICP	Oct	% m/m	0.5		-	0.5
09:00	CZ	CPI	Oct	% y/y	5.4		-	4.9
13:30	US	Initial Jobless Claims		k			-	269.0
14:30	US	CPI	Oct	% m/m	0.55		-	0.4
FRIDAY (12 November)								
10:00	PL	GDP	3Q	% y/y	4.8		-	11.2
11:00	EZ	Industrial Production SA	Sep	% m/m	-		-	-1.6
16:00	US	Michigan index	Nov	pts	72.5		-	71.7

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

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