

Eyeopener

Zloty still under pressure

Main equity and bond markets abroad stable
 EURUSD near 1.13, EURPLN near 4.66
 Polish bond curve steepens: 10Y yields up, 2Y stable
 Today US Philadelphia Fed index

On Wednesday the stock markets in Europe and in the USA were stable, similarly as the Brent oil (\$82), while gold price went up (+0.8% to \$1865). EURUSD, despite attempts to continue the downward trend valid since last week's Tuesday (by 2.5% thus far), stabilised on Wednesday slightly above 1.13. 10Y UST and Bund yields also were stable (1.61% and -0.24%, respectively). In Europe, the market focused on inflation data. In the United Kingdom the October inflation climbed to the highest level since 2011: 4.2% y/y (from 3.1% y/y one month earlier), exceeding expectations by 0.3pp (core inflation jumped to 3.4% y/y and RPI to 6.0% y/y). The yesterday's reading, together with recent news from the labour market, increased the probability that the Bank of England will hike its rates on 16 December already, we are expecting a hike by 15bp to 0.25%. In the euro zone the final inflation reading saw it confirmed at 4.2% y/y, with energy prices key for further evolution of inflation in the euro zone and possible second round effects. In the USA, building permits rose more than expected (1650k vs expectations at 1630k), while house starts disappointed (1520k vs 1579k), but remained stable in monthly terms. It seems that despite difficulties with finding labour force and materials for construction, the demand is starting to rise and this can cause further rise of prices in the housing sector. These numbers could contribute negatively to the housing sector's contribution to US GDP in 4Q21.

MPC's Łukasz Hardt said this morning in a radio interview that the probability of a rate hike in December is "quite high". Hardt warned against too quick and too radical tightening of monetary policy via rate hikes, but admitted that this may prove necessary due to the too late start of MPC reaction.

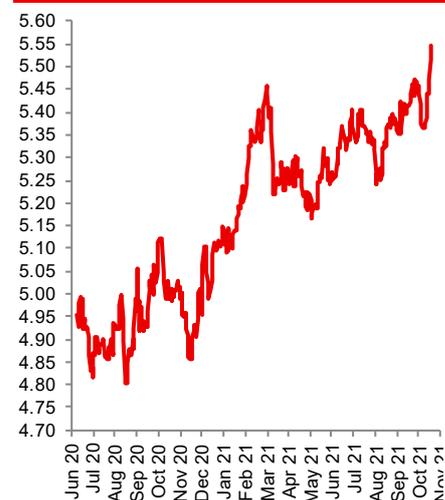
EURUSD having opened at 1.1320 dropped for the time being to 1.1270, but recovered quickly and closed the day at 1.1310. The dollar recently strengthened c.2.5% on positive US economic data. No significant correction after such a large move may signal further decline of EURUSD to 1.12 or even 1.10.

EURPLN on Wednesday rose above 4.66 for a short while, but at the end of the day was at 4.657 – marginally above the opening level. CHFPLN rose to 4.13, USDPLN was moving around 4.12 and GBPPLN near 5.55. 14-day RSI indicator reached 70 which is a signal of EURPLN being overbought. However due to the rising UST yields, the appreciation of the dollar and local risk factors (ongoing conflict with the EU, the border crisis with Belarus, deteriorating current account) the risks for EURPLN are still rather on the upside and the key level now may be the last year's top from late March at 4.68. Only the breach of the level could signal potential for further rise.

As for the **other regional currencies**, EURHUF fell 0.4% to 364.50. EURCZK was stable (25.23). USDRUB fell by 0.9% to 72.50 already before the publication of the 3Q21 advance GDP data which showed a slowdown towards 4.3% y/y. The publication has not impacted the USDRUB exchange rate by much which today in the morning is still near 72.50.

On the Polish fixed income market the yield curves bear steepened which constitutes a sudden turnaround after the recent flattening and even inverting of the curves at some parts. The POLGB 2Y yields remained unchanged near 2.9% while 10Y shoot up by over 20bp to 3.11%. Such yield curve behaviour might result from recent comments of MPC's Gatnar (considered a hawk) that two rate hikes by 50bp each would be enough to bring the inflation back to target band. On the other hand it might have been a reaction to disappointing NBP QE auction where only c. PLN 400m of bonds were bought while offers for PS1026 and FPC0328 bonds (PLN 700m each) were not accepted at all.

GBPPLN is at highest level since 2016



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.6551	CZKPLN	0.1842
USDPLN	4.1073	HUFPLN*	1.2680
EURUSD	1.1328	RUBPLN	0.0566
CHFPLN	4.4255	NOKPLN	0.4691
GBPPLN	5.5455	DKKPLN	0.6256
USDCNY	6.3765	SEKPLN	0.4636

*for 100HUF

Last session in the FX market 17/11/2021

	min	max	open	close	fixing
EURPLN	4.646	4.664	4.651	4.656	4.661
USDPLN	4.103	4.125	4.115	4.113	4.120
EURUSD	1.129	1.133	1.130	1.132	-

Interest rate market 17/11/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.86	4
DS0726 (5Y)	3.19	15
DS0432 (10Y)	3.15	15

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.80	4	0.33	0	-0.51	-1
2L	3.08	5	0.74	-2	-0.34	-2
3L	3.16	6	1.03	-3	-0.22	-1
4L	3.16	6	1.20	-3	-0.14	-1
5L	3.14	6	1.32	-4	-0.08	-1
8L	3.06	11	1.53	-6	0.08	-1
10L	3.05	12	1.62	-5	0.19	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.95	-2
T/N	1.07	-2
SW	1.25	0
2W	1.28	1
1M	1.41	1
3M	1.65	1
6M	1.98	1
1Y	2.40	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2.36	4
3x6	2.98	6
6x9	3.25	5
9x12	3.26	4
3x9	3.18	4
6x12	3.41	10

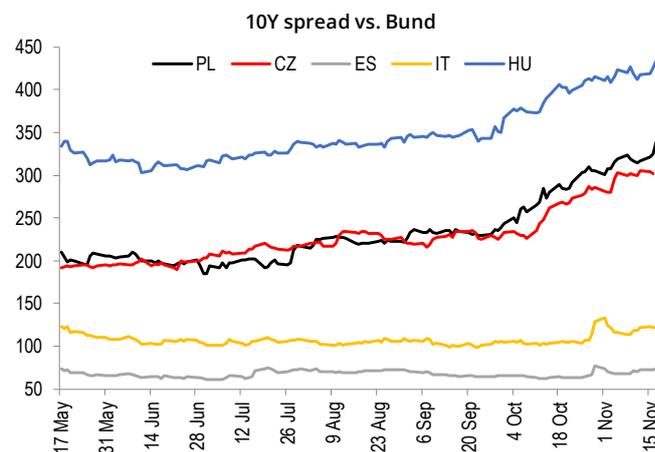
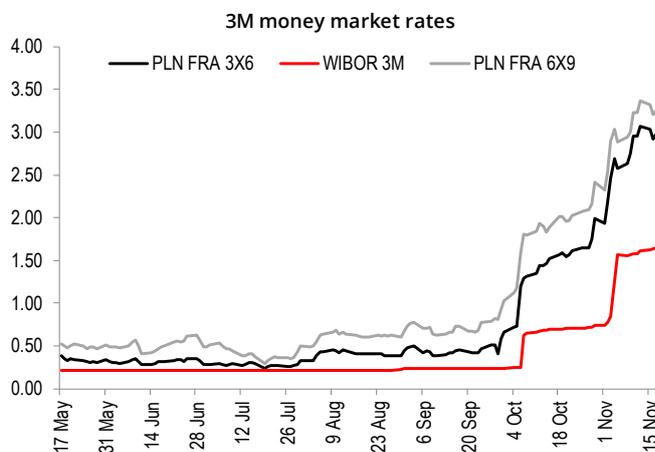
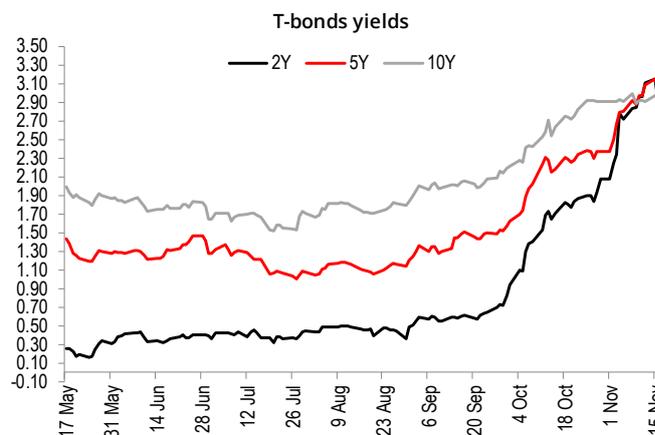
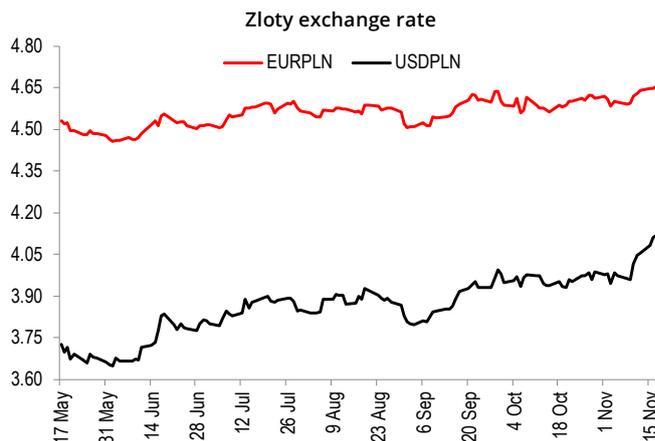
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	339	15
France	9	0	36	0
Hungary	51	0	434	9
Spain	34	0	73	1
Italy	48	-1	122	1
Portugal	23	0	63	2
Ireland	11	0	47	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	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (12 November)								
10:00	PL	GDP	3Q	% y/y	4.8	3.8	5.1	11.2
11:00	EZ	Industrial Production SA	Sep	% m/m	-0.5		-0.2	-1.7
16:00	US	Michigan index	Nov	pts	72.5		66.8	71.7
MONDAY (15 November)								
10:00	PL	CPI	Oct	% y/y	6.8	6.8	6.8	5.9
14:00	PL	Current Account Balance	Sep	€mn	-	-1175	-1339	-1441
14:00	PL	Trade Balance	Sep	€mn	-	-321	-111	-1279
14:00	PL	Exports	Sep	€mn	-	25104	24537	21680
14:00	PL	Imports	Sep	€mn	-	25425	24648	22959
TUESDAY (16 November)								
09:00	HU	GDP	3Q	% y/y	7.4		6.1	17.8
11:00	EZ	GDP SA	3Q	% y/y	3.7		3.7	14.3
14:00	HU	Central Bank Rate Decision	Nov/21	%	2.1		2.1	1.8
14:00	PL	CPI Core	Oct	% y/y	-	4.6	4.5	4.2
14:30	US	Retail Sales Advance	Oct	% m/m	1.4		1.7	0.8
15:15	US	Industrial Production	Oct	% m/m	0.7		1.6	-1.3
WEDNESDAY (17 November)								
11:00	EZ	HICP	Oct	% y/y	4.1		4.1	4.1
14:30	US	Housing Starts	Oct	% m/m	1.6		-0.7	-2.7
THURSDAY (18 November)								
14:30	US	Initial Jobless Claims		k	260.0		-	269.0
14:30	US	Index Philly Fed	Nov		20.95		-	23.8
FRIDAY (19 November)								
10:00	PL	Employment in corporate sector	Oct	% y/y	-	0.5	-	0.6
10:00	PL	Average Gross Wages	Oct	% y/y	-	8.7	-	8.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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