

# Eyeopener

## Zloty in dire straits

Risk aversion higher due to pandemic in Europe  
 Dollar stronger, EM currencies lose, EURPLN below 4.70  
 Bond yields lower in Poland and on core markets  
 Today Polish industrial and construction output, PPI inflation

Strengthening worries about pandemic in Europe, stricter restrictions in Denmark and Norway and announcement of new lockdown by Austria for 10 days caused that in the European markets bond yields retreated by 6-8bp. Crude oil lost over 3%. US equity markets after good start also retreated and the passage in the House of Representatives of the fiscal package "Build Back Better Act" introducing social spending and related to energy transformation worth \$2trn in total in 10 years did not give reasons for a rebound, as it will be more difficult to secure Senate's approval for this project. The sign of markets moving to risk-averse mode was also the drop of EURCHF below 1.05 for the first time since 2015 and a clear dollar strengthening (EURUSD below 1.13 again). Two FOMC members emphasised the potential need to speed up the just-started QE tapering. Christopher Waller would like to triple the purchases reduction in January and Richard Clarida said the discussion on the issue should be started already in December. At the start of this week the Biden's administration will point the nominee for the Fed governor for the next term.

**NBP governor Adam Glapiński** commented the recent zloty weakness. In his opinion the strengthening dollar should be blamed, together with the new pandemic wave in Europe and the situation at the border with Belarus. Glapiński said the as long as the rate is driven by market forces and the moves are not too strong, there will be no central bank reaction. Also, in the environment of elevated inflation the further weakening of the zloty would be inconsistent with the NBP's interest rate policy.

European Commission's spokesperson Christian Wigand informed that the **European Commission sent letters to Poland and Hungary on conditionality mechanism regarding the payments of EU funds**. The countries have two months to provide information which will help the EC to assess if the countries meet the conditions for fund transfer.

In October the average **employment** in Polish corporate sector rose by 0.5% y/y, in line with market expectations and our forecast. The data confirm that with widespread disruptions in supply chains, material shortages as well as very low unemployment causing labour shortages, the momentum of the labour market has to be weaker than in the first months of the reopening of the economy from pandemic lockdowns. Corporate **wage growth** was up 8.4% y/y vs. 8.9% market expectations and our 8.7% forecast. Such somewhat muted employment outcomes may still be seen for several months, until the supply chain problems are resolved, especially that the growing number of Covid cases and some 0.5mn people already sent to quarantine may also put downside pressure on the next readings.

In November Polish **consumer confidence** indexes fell significantly, both the one regarding current situation and the one about expectations. Consumers were visibly more worried about their current and future financial situation (these survey-based indexes reached the 2. and 3. lowest levels during the pandemic, respectively) and economic prospects. At the same time the level of unemployment worries did not change while consumers felt their ability to save in the next 12M is decreasing. We draw a conclusion that the deterioration seen in the consumer survey is based mostly on the observation of the accelerating CPI inflation.

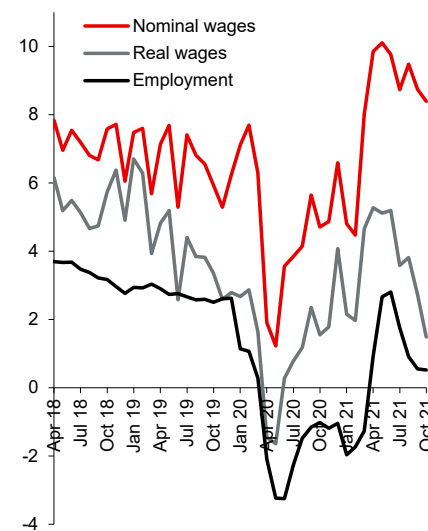
**EURUSD** suddenly turned back below 1.13, reaching 1.125 for a brief period, in line with our suggestion that the Thursday correction of the earlier decline was too small to break the trend.

**EURPLN** after another move higher on Friday moved from 4.67 to an important 4.70 level the breaking of which might lead towards 4.75. It was a result of a few of global factors (worse sentiment, stronger USD) as well as the local ones (lowest negative real rates in the region, EU funds at risk, new Covid-19 wave, tensions at the Polish-Belarusian border, worsening C/A balance). Today in the morning EURPLN opens around 4.6950.

**As for the other CEE currencies** they also lost ground: forint by 1% vs euro (to 368.0) while koruna by 0.5% vs euro (to 25.40). In this circumstances that USD RUB moved up only by 0.2% (to 73.4) one might consider a success.

**On the Polish fixed income market**, bond yields declined 3bp at the front end, 6bp in the middle and 9bp at the long end, while the IRS curve fell by roughly 13bp. The FRA declined between 10bp (3x6) and 20bp (those further out like 21x24). The Friday NBP bills auction was record one at PLN264bn. At the start of 2021 the sizes averaged PLN170bn while in the middle of 2021 around PLN200bn.

Corporate sector data, %/y



Source: GUS, Santander

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### FX market

Today's opening			
EURPLN	4.6895	CZKPLN	0.1838
USDPLN	4.1599	HUFPLN*	1.2639
EURUSD	1.1271	RUBPLN	0.0567
CHFPLN	4.4778	NOKPLN	0.4654
GBPPLN	5.5793	DKKPLN	0.6296
USDCNY	6.3807	SEKPLN	0.4641

\*for 100HUF

Last session in the FX market						19/11/2021
	min	max	open	close	fixing	
EURPLN	4.659	4.697	4.664	4.691	4.684	
USDPLN	4.102	4.163	4.109	4.145	4.146	
EURUSD	1.125	1.136	1.135	1.132	-	

### Interest rate market 19/11/2021

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.87	-12
DS0726 (5Y)	3.27	-5
DS0432 (10Y)	3.38	3

#### IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.80	-7	0.36	2	-0.51	0
2L	3.04	-12	0.77	3	-0.36	-1
3L	3.12	-13	1.04	2	-0.26	-2
4L	3.13	-11	1.20	1	-0.19	-4
5L	3.11	-12	1.31	1	-0.14	-5
8L	3.03	-12	1.49	-5	0.02	-6
10L	3.02	-13	1.57	-4	0.12	-6

#### WIBOR rates

Term	%	Change (bps)
O/N	0.97	-1
T/N	1.11	1
SW	1.25	0
2W	1.28	0
1M	1.44	2
3M	1.69	3
6M	2.02	1
1Y	2.42	1

#### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	2.37	-3
3x6	2.92	-12
6x9	3.21	-13
9x12	3.25	-12
3x9	3.12	-13
6x12	3.34	-18

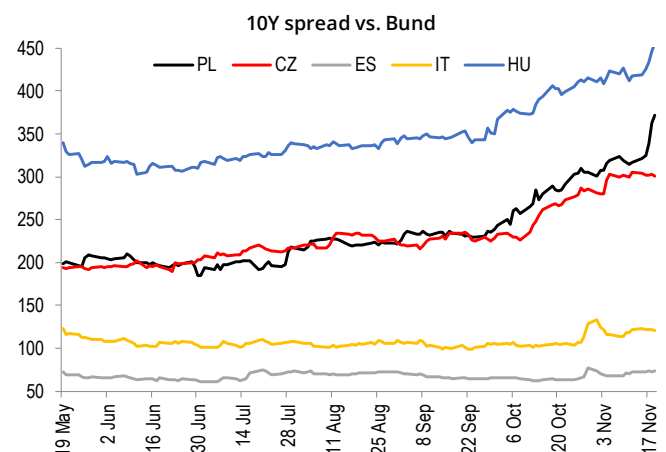
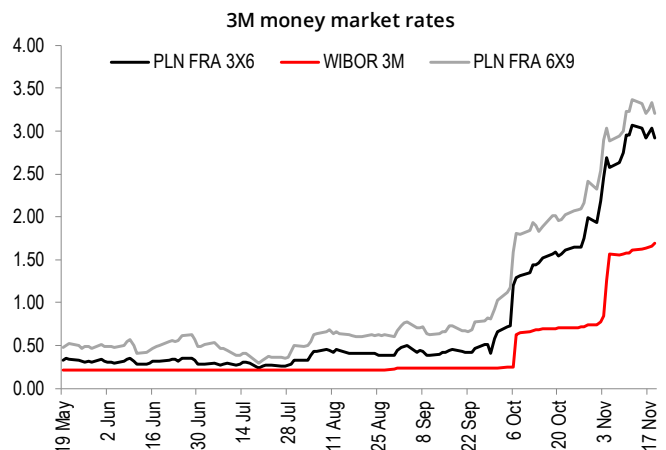
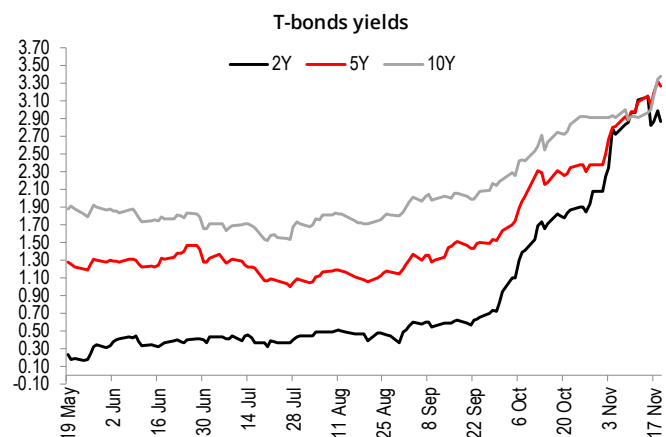
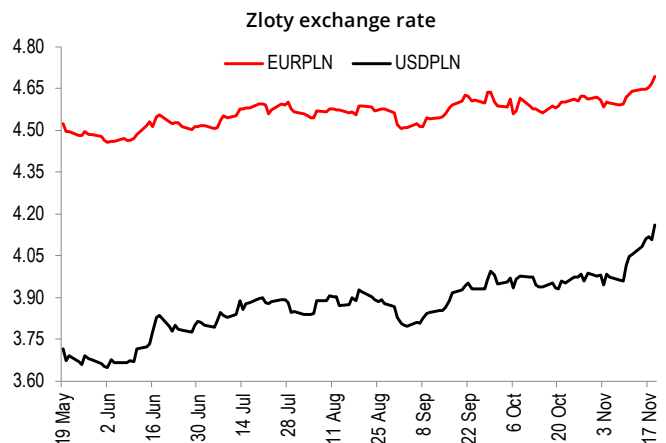
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	52	0	372	10
France	9	0	35	0
Hungary	51	0	455	9
Spain	34	1	73	1
Italy	50	1	121	0
Portugal	23	0	65	2
Ireland	11	0	49	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			
<b>FRIDAY (19 November)</b>								
10:00	PL	Employment in corporate sector	Oct	% y/y	0.5	0.5	0.5	0.6
10:00	PL	Average Gross Wages	Oct	% y/y	8.9	8.7	8.4	8.7
<b>MONDAY (22 November)</b>								
10:00	PL	Sold Industrial Output	Oct	% y/y	5.3	5.0	-	8.8
10:00	PL	Construction Output	Oct	% y/y	2.9	3.3	-	4.3
10:00	PL	PPI	Oct	% y/y	10.8	11.2	-	10.2
16:00	US	Existing Home Sales	Oct	% m/m	-1.4		-	6.97
<b>TUESDAY (23 November)</b>								
09:30	DE	Germany Manufacturing PMI	Nov	pts	57.0		-	57.8
09:30	DE	Markit Germany Services PMI	Nov	pts	52.0		-	52.4
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	57.5		-	58.3
10:00	EZ	Eurozone Services PMI	Nov	pts	54.0		-	54.6
10:00	PL	Retail Sales Real	Oct	% y/y	6.5	6.2	-	5.1
<b>WEDNESDAY (24 November)</b>								
10:00	DE	IFO Business Climate	Nov	pts	96.7		-	97.7
14:00	PL	Money Supply M3	Oct	% y/y	8.4	8.5	-	8.6
14:30	US	Durable Goods Orders	Oct	% m/m	0.2		-	-0.3
14:30	US	GDP Annualized	3Q	% Q/Q	2.2		-	2.0
14:30	US	Initial Jobless Claims		k	260.0		-	268.0
16:00	US	Michigan index	Nov	pts	66.8		-	66.8
16:00	US	New Home Sales	Oct	% m/m	1.0		-	14.0
16:00	US	Personal Spending	Oct	% m/m	0.85		-	0.6
16:00	US	Personal Income	Oct	% m/m	0.35		-	-1.0
16:00	US	PCE Deflator SA	Oct	% m/m	0.7		-	0.3
20:00	US	FOMC Meeting Minutes	Nov/21		-		-	0.0
<b>THURSDAY (25 November)</b>								
08:00	DE	Consumer Confidence (GfK)	Dec		-1.0		-	2.5
10:00	PL	Unemployment Rate	Oct	%	5.5	5.5	-	5.6

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

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