

Eyeopener

Industrial output above forecasts

Stock markets stable

Dollar stronger, yields higher

EURPLN volatile: from 4.72 through 4.685 to 4.70

Industrial output and PPI inflation above expectations

Today retail sales and construction output, November PMI abroad

At the start of the week equity markets were quite idle – changes up or down did not exceed 0.3%. The dollar continued its strengthening – DXY index rose 0.4% to 96.4, partly due to higher yields in the core markets. As a result, gold price fell 1.3% to \$1822 per ounce. Crude oil price increased 0.9% to \$79.1 p/b. In November flash indicator of consumer confidence in the euro zone disappointed (-6.8pts vs expected -5.5 and previous -4.8), with inflation and new Covid cases among the main reasons. US home sales rose slightly vs previous month (6.34m vs 6.30m) which was the highest level since January. Home supply remains low, which means that prices could continue rising.

Jerome Powell has been nominated by the US President Joe Biden for the second four-year term as the chairman of the Federal Reserve. The second contender, Lael Brainard, has been nominated the vice-chair. Brainard is considered as slightly more dovish, but also as the advocate of stronger regulation of banking sector. Presidential nominations still have to be approved by the Congress.

Industrial output soared by 7.8% y/y in October, well above market consensus and our forecast around 5% y/y. The surprise came from the incredibly strong rebound in production of energy and heating (40.6% y/y), while in manufacturing the activity was decent (5.5% y/y). We think the manufacturing sector will continue growing at a decent pace, driven by export expansion, as the sector remains competitive and extremely resilient. Supply chain disruptions and pandemic lockdowns in Europe may slow the growth somewhat in the nearest months, however. **In October Polish PPI inflation** soared to 11.8% y/y vs market expectations at 10.8% and our 11.2% forecast. This is the highest reading since 1997. Our core PPI measure went from 7.9% y/y to 8.5%, confirming that the cost pressure on companies remains very strong and is still being transferred to own prices. In November almost all sectoral business sentiment indicators fell due to significantly worse assessment of future business conditions, especially in industry. Read more in our [Economic comment](#).

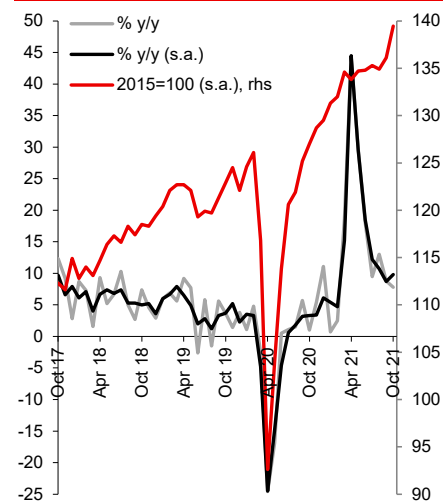
EURUSD fell on Monday by 0.3% to 1.1250 and printed a third consecutive low. The technical analysis indicators (like RSI for example) point to EURUSD being oversold. However, due to the fact that the fundamental reasons for the EURUSD decline are still present and strong (tightening of financing conditions in the US), the further EURUSD declines in the nearest days could not be ruled out.

EURPLN started the week with breaking 4.70 and then moved higher, temporarily remaining above 4.72 (+0.6%). In the second part of Monday PM Morawiecki commented on the exchange rate: "we will do whatever it takes in order for the zloty to remain strong, we want the zloty to remain stable". On top of that PM commented about the anti-inflationary shield, which assumes lowering of the excise tax on energy. In reaction to PM words EURPLN abruptly fell and temporarily remained 0.2% below the Friday close (near 4.6880). At the close of Monday the EURPLN broke the 4.70 level again, however. Today opens near 4.71. In nearest days the exchange rate will depend on the EURUSD exchange rate to a large degree.

The other CEE currencies were losing as well. EURHUF moved up by 0.6% (2-day price change is already at +1.5%) and touched 370.0. Hungarian business sentiment indicators improved in November (to 9.1pts from 8.7) while the consumer sentiment indicators worsened (to -25.1pts from -15.2). The forint might be under pressure from not sufficient interest rate increases; the nearest decision regarding the 1-week deposit rate takes place on Thursday. EURCZK has not changed much (25.42). The Czech government announced that due to worsening situation in Czech hospitals it is weighing implementation of the state of emergency. USDRUB moved up as much as 2% to 74.8. On Monday the oil prices were roughly stable hence the move mainly resulted from the stronger dollar.

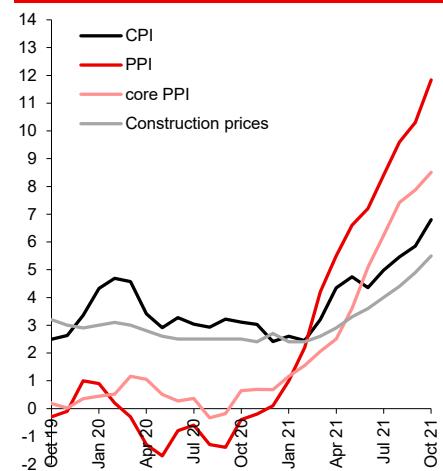
On the Polish fixed income market both yield curves - the bond and IRS one have corrected most of the Friday significant declines. On Monday the bond yield curve moved up c. 10bp at the front end and belly and 1-2bp at the long end. The IRS curve gained 15bp at the front end and 11bp at the long end. Such a significant day-to-day volatility of the curves results partly from investors' uncertainty regarding the EURPLN exchange rate. The Ministry of Finance said that as of the end of October, the sovereign debt stood at PLN1127bn (of which local debt PLN856.6bn while the foreign exchange denominated one at PLN270.4bn).

Industrial output in Poland



Source: GUS, Santander

Inflation measures, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7080	CZKPLN	0.1846
USDPLN	4.1811	HUFPLN*	1.2701
EURUSD	1.1258	RUBPLN	0.0559
CHFPLN	4.4921	NOKPLN	0.4672
GBPPLN	5.6034	DKKPLN	0.6328
USDCNY	6.3832	SEKPLN	0.4647

*for 100HUF

Last session in the FX market 22/11/2021

	min	max	open	close	fixing
EURPLN	4.681	4.724	4.688	4.707	4.721
USDPLN	4.155	4.189	4.157	4.179	4.186
EURUSD	1.123	1.129	1.128	1.126	-

Interest rate market 22/11/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.98	11
DS0726 (5Y)	3.39	12
DS0432 (10Y)	3.31	-7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.92	12	0.41	5	-0.51	1
2L	3.19	16	0.84	7	-0.36	1
3L	3.27	15	1.14	10	-0.24	2
4L	3.26	13	1.30	10	-0.17	2
5L	3.25	14	1.41	10	-0.12	3
8L	3.15	12	1.61	12	0.04	3
10L	3.13	12	1.67	10	0.15	3

WIBOR rates

Term	%	Change (bps)
O/N	1.01	4
T/N	1.11	0
SW	1.25	0
2W	1.29	1
1M	1.45	1
3M	1.68	-1
6M	2.04	2
1Y	2.44	2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2.39	2
3x6	3.03	12
6x9	3.38	18
9x12	3.45	20
3x9	3.27	16
6x12	3.54	21

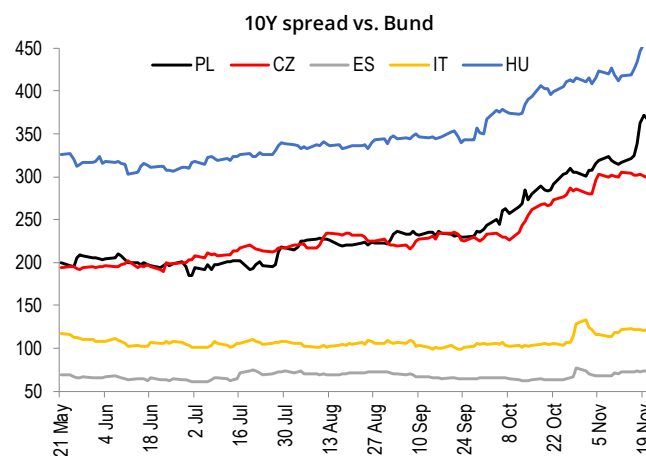
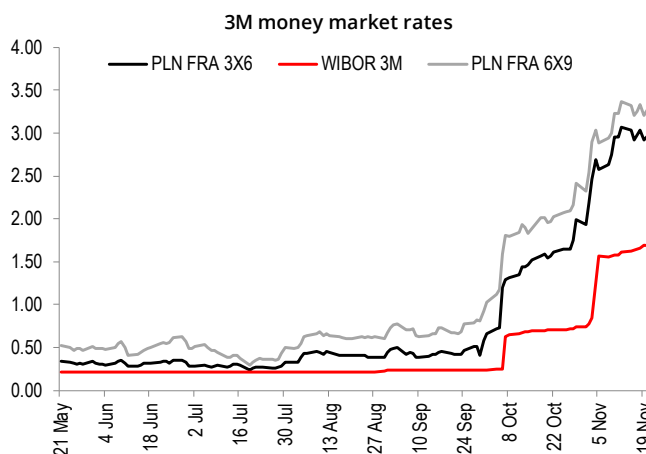
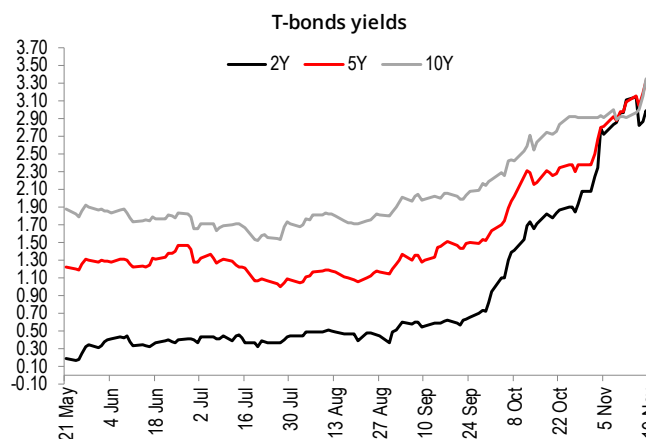
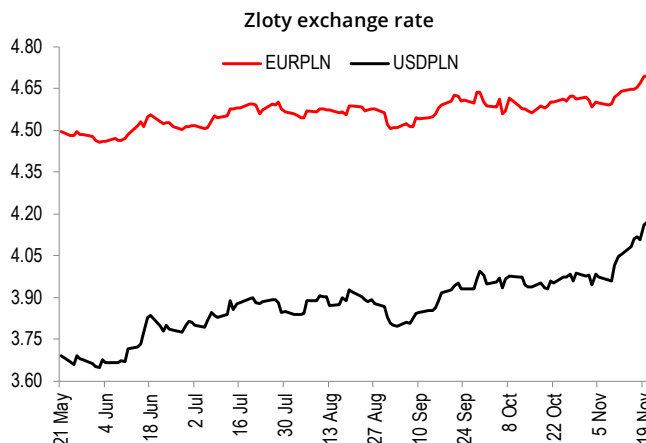
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	52	0	361	-12
France	9	0	35	0
Hungary	50	0	468	13
Spain	34	0	72	-1
Italy	50	1	124	3
Portugal	23	0	65	0
Ireland	10	0	45	-4
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 (19 November)								
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
MONDAY (22 November)								
10:00	PL	Sold Industrial Output	Oct	% y/y	5.3	5.0	7.8	8.8
10:00	PL	PPI	Oct	% y/y	10.8	11.2	11.8	10.3
16:00	US	Existing Home Sales	Oct	% m/m	-1.4		0.8	7.0
TUESDAY (23 November)								
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
10:00	PL	Construction Output	Oct	% y/y	2.9	3.3	-	4.3
WEDNESDAY (24 November)								
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
THURSDAY (25 November)								
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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