

Eyeopener

October data keep surprising to the upside

Stock markets again stable

Polish data on retail sales and construction output above expectations

Dollar unchanged, 10Y UST and Bund higher by 2 and 5bp

Polish bonds losing, especially on the longer end, IRS curve up

Today money supply in Poland, lfo in Germany, minutes FOMC in USA

Equity indices for another day were rather muted - the daily percentage changes of main indices levels were not larger than 0.5%. The 10Y UST yield moved up 2bp to 1.65% (MTD increase of 10bp, the move reversed a bit overnight), while the 10Y Bund up by 5bp to -0.24% (MTD decrease of 13bp). The US president Joe Biden announced more oil supply from US Strategic Petroleum Reserve, earlier a similar move was made by India. In market opinion the additional supply would be too small - the price of the barrel of Brent shot up by 2% as a result to \$81.3 (today opens \$82.4). Preliminary November PMI in the Eurozone, Germany and France surprised noticeably to the upside, the biggest positive surprise was seen in the services PMI (by 2.0-3.0 pts), less so in manufacturing PMI (by 0.7-1.5 pts) - manufacturers suffered from lack of some components. The new orders and employment components were positive. The ECB's Isabel Schnabel and Klaas Knot suggested being alert on the risk of increasing prices. "The risks to inflation are skewed to the upside" said Schnabel. Such comments increase the likelihood of the start of ECB tapering already at the meeting on 16 December.

In October Polish retail sales rose by 6.9% y/y in constant prices, slightly above market consensus at 6.5% and our estimate at 6.2%. So far it seems that high inflation rates (retail sales deflator jumped to 7.0% y/y, highest in more than 10 years) did not discourage consumers despite a major deterioration in consumer confidence, but we think it is likely to happen in the upcoming months.

Construction output rose by 4.2% y/y in October vs 4.3% in September, slightly above expectations (we: 3.3%, market: 2.9%) after advancing by 2.6% m/m (fastest m/m growth since May). We think that the stronger results of construction constitute a mere rebound after surprisingly a weak September (-2.0% m/m in seasonal terms) and expect a rather muted growth in the months to come. In October **the Polish housing market** kept showing very high activity. Our measure of ongoing housing projects to the highest level since early 2008.

Companies employing 50+ persons showed 23.5% y/y rise of turnover, still very high margins and 9.5% y/y rise of real investment outlays. Read more about yesterday's data in our [Economic comment](#).

NBP president Adam Glapiński said in an interview for interia.pl that lowering inflation is currently NBP's most important aim and that further zloty weakening is not in line with the MPC monetary policy. These words supported the zloty. **MPC member Łukasz Hardt** (whose term ends at the end of February 2022) said that the interest rate hiking cycle should be continued. The target interest rate level might be lowered as a result of NBP communication which is "stabilizing inflation expectations" as well as thanks to more effective FX channel.

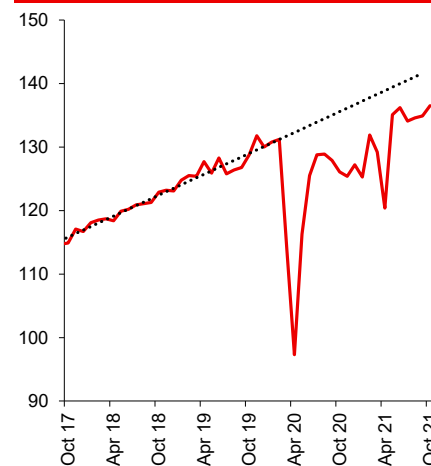
Counting from the October high at 1.17 the **EURUSD** fell in total by 3.9% to 1.1250. On Tuesday the exchange rate has stabilised after the previous declines and spent most of the day within a narrow range 1.1240 - 1.1270. Today FOMC minutes might shed some light on the discussion within the Fed regarding the pace of tapering and hence move the USD.

EURPLN was rising steadily for another day. On Tuesday by 0.3% to 4.72. In the meantime the resistance level 4.70 became the support level, which has been tested already at the end of the day. The failure of test would imply a return to the upward trend of EURPLN. Today in the morning EURPLN opened just below 4.70 and then slid to 4.685 following release of interview with Adam Glapiński.

Other CEE currencies were depreciating once again. EURHUF rose to 372.0 from 370.0 one day before. EURCZK increased to 25.47 (+0.2%), while USDRUB was fluctuating near 74.9 despite news about releasing strategic oil reserves by a number of countries (USA, India).

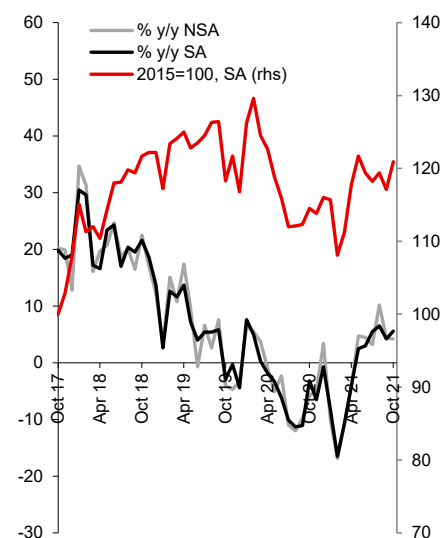
On the Polish interest rate market the bond yield curve moved up and steepened. 2Y yields soared by 7bp to 3.09% and 10Y by 13bp to 3.42%. IRS curve initially was rising even more but closed the day 4-6bp higher. The Ministry of Finance announced that at the switching auction on Thursday it will buy back bonds PS0422, OK0722, WS0922, WZ1122 and sell OK0724, PS1026, WZ1126, WZ1131, DS0432.

Retail sales in Poland (sa volume vs trend)



Source: GUS, Santander

Construction output



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.6962	CZKPLN	0.1840
USDPLN	4.1752	HUFPLN*	1.2571
EURUSD	1.1245	RUBPLN	0.0560
CHFPLN	4.4748	NOKPLN	0.4688
GBPPLN	5.5872	DKKPLN	0.6314
USDCNY	6.3875	SEKPLN	0.4615

*for 100HUF

Last session in the FX market 23/11/2021

	min	max	open	close	fixing
EURPLN	4.691	4.725	4.708	4.703	4.717
USDPLN	4.170	4.201	4.190	4.175	4.189
EURUSD	1.123	1.127	1.123	1.126	-

Interest rate market 23/11/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.09	11
DS0726 (5Y)	3.59	20
DS0432 (10Y)	3.45	14

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.99	7	0.40	-1	-0.50	1
2L	3.27	8	0.84	0	-0.34	2
3L	3.35	8	1.15	0	-0.21	3
4L	3.35	9	1.33	2	-0.13	4
5L	3.33	8	1.43	2	-0.07	5
8L	3.22	7	1.65	4	0.11	7
10L	3.19	5	1.72	5	0.22	8

WIBOR rates

Term	%	Change (bps)
O/N	1.03	2
T/N	1.11	0
SW	1.25	0
2W	1.29	0
1M	1.46	1
3M	1.70	2
6M	2.06	2
1Y	2.45	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2.44	5
3x6	3.13	9
6x9	3.46	8
9x12	3.52	7
3x9	3.35	8
6x12	3.63	9

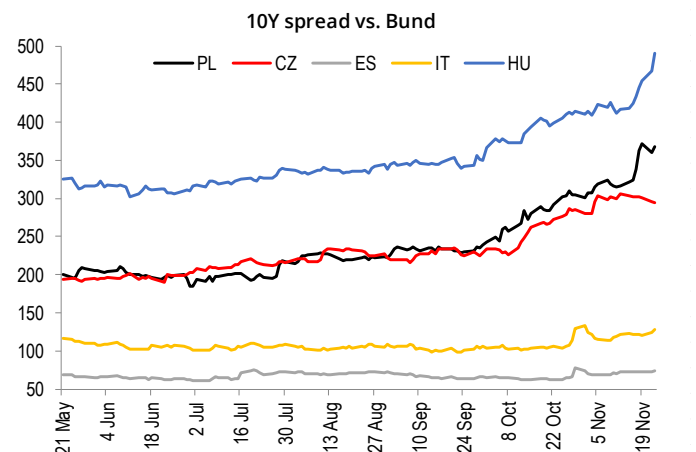
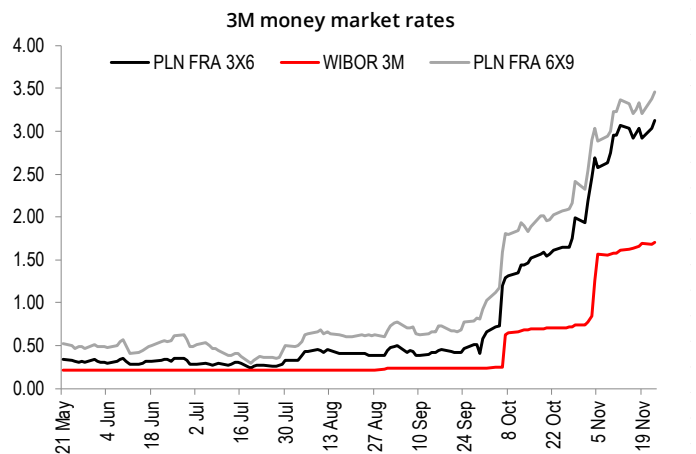
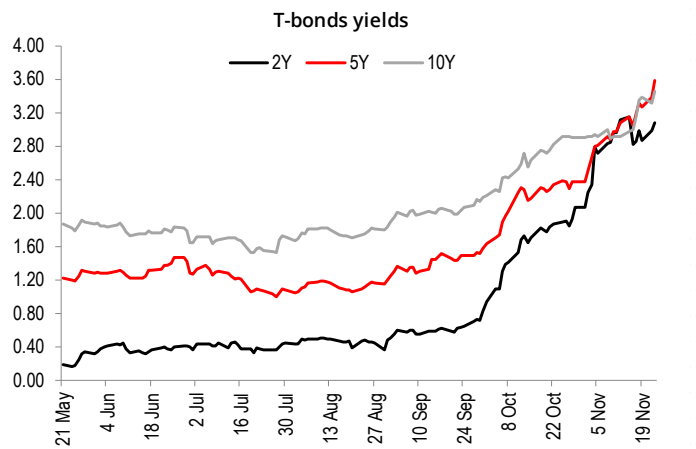
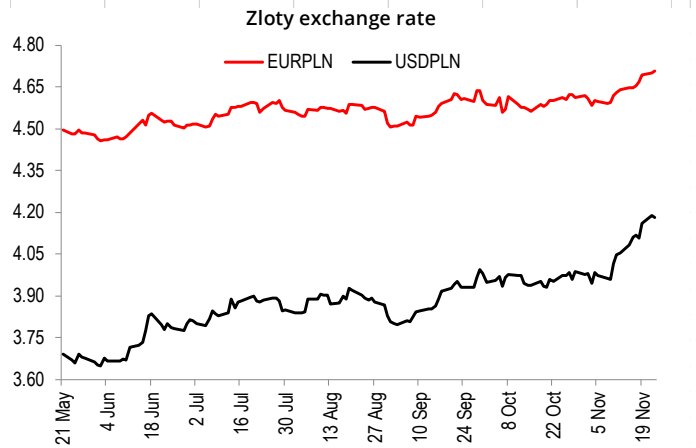
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	369	8
France	9	0	36	1
Hungary	51	0	491	23
Spain	34	0	74	1
Italy	51	0	128	4
Portugal	23	0	67	1
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 (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	56.9		57.6	57.8
09:30	DE	Markit Germany Services PMI	Nov	pts	51.5		53.4	52.4
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	57.4		58.6	58.3
10:00	EZ	Eurozone Services PMI	Nov	pts	53.0		55.8	54.6
10:00	PL	Retail Sales Real	Oct	% y/y	6.5	6.2	6.9	5.1
10:00	PL	Construction Output	Oct	% y/y	3.4	3.3	4.2	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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