

25 November 2021

Eyeopener

Zloty supported by NBP president

Stock market downs

Dollar stronger, core market yields higher
 EURPLN lower after words of Adam Glapiński
 Polish bonds and IRS curve stable
 Today unemployment rate in Poland

On Wednesday equity markets declined, dollar continued to strengthen while core market yields slightly increased. In Germany SPD, Greens and FPD have formed a coalition which will be ruled by Olaf Scholz. The new coalition might have a strong opinion regarding the rule of law in the EU. In Germany the November Ifo index fell to 96.5pts and slightly disappointed (expectations at 96.7). Business sentiment declined to the lowest level since April due to worse current situation as well as expectations. The sentiment worsening was broad-based and took place in manufacturing, trade and construction. The reasons include sustained supply shortages as well as higher number of Covid-19 cases. Today we got to see weaker-than-expected German data on consumer confidence (GfK) and 3Q GDP data were revised slightly downwards. In the US the trade deficit improved from -\$97bn to -\$82.9bn, beating expectations (-\$95.0), due to strong export dynamics (to 10.7% m/m), while imports remained muted (0.5% m/m). Also initial jobless claims were much better than expected.

ECB's Fabio Panetta said that the recent price increases are a result of purely temporary factors and the ECB should not tighten the monetary policy too early. Premature withdrawal of support would risk damaging the euro zone economy and the internal demand. Earlier, opposite opinions were voiced by **Luis de Guindos** said that the factors influencing inflation become more and more structural and at the same time influence the economic growth.

The FOMC minutes showed that the central bankers were concerned with high inflation and thought that the interest rates should be increased even earlier than currently expected if inflations remains elevated. In their opinion, the tapering should be started as soon as possible, some even wanted to do it aggressively. FOMC members were also concerned about the elevated inflation expectations. The general tone of the document is hawkish, but more or less in line with recent Fed officials' public comments.

Senate Budget and Public Finance commission chief Kazimierz Kleina said that **the deadline for submitting the MPC candidates is set for 23 December**.

The M3 money supply in October increased by 8.6% y/y which was close to our forecast (8.5% y/y). The deposits dynamics accelerated to 8.0% y/y from 7.5% y/y while the cash in circulation declined to 12.6% y/y from 14.8% y/y. The highest increase in deposits was seen in corporates (7.8% y/y vs 6.9% y/y in September) and non-monetary financial institutions (14.7% y/y from 9.3% y/y) which, in our opinion, might have resulted from payments loans within the PFR (Polish Development Fund) shield. Loans accelerated to 3.2% y/y from 2.7% y/y (after adjusting for FX changes). Loans for private persons were growing at a stable pace of around 5% y/y, while loans for corporates accelerated to 0.8% y/y from -0.6% y/y, where the highest dynamics were seen for the current loans (6.4% y/y vs 3.0% y/y in September). The monthly increase in the amount of corporate credit stood at PLN4.6bn and was the strongest since January and second highest in the last 20 years.

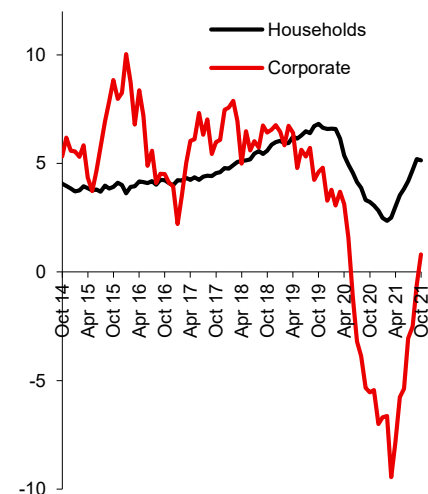
EURUSD dropped by another 0.5% on positive data, to just below 1.1200. This morning the exchange rate is slightly above the level.

EURPLN opened on Wednesday a bit below 4.70, but after the publication of Adam Glapiński's interview, in which he repeated that further weakening of the zloty is inconsistent with the policy of rate hikes and the main goal for the central bank now is to lower inflation, EURPLN dropped to around 4.68 (-0.5%) where it spent most of the day.

Other CEE FX: EURHUF dropped by 0.5% to 368.8, copying the zloty's behaviour. EURCZK did not change and remained around 25.50. USDRUB gave back yesterday almost all of the Tuesday decline and was back to 75.0. Oil prices, going down a bit (Brent barrel to USD82) were not helping the ruble. October industrial output in Russia was a positive surprise at 7.1% y/y vs 6.0% expected and PPI inflation was 27.5% y/y - almost at the expected level.

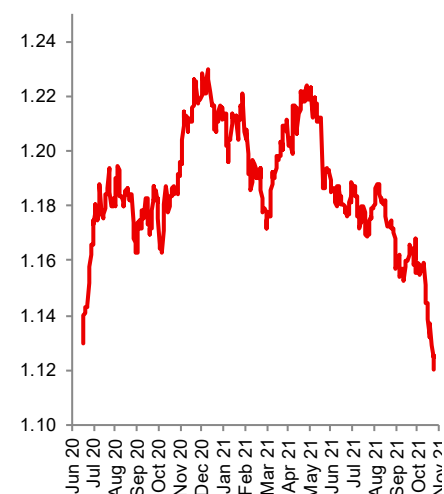
On the interest rate market, in Poland Wednesday trading was quite quiet compared to the volatility the market got used to in the recent weeks - both curves did not move by more than 2bp from Tuesday levels. 10Y POLGB is moving close to 3.42% (the BUnd spread is 363bp) and 10Y IRS is at 3.20%. Most of ASW spreads are back to pre-pandemic levels. Today there is a switch auction by the Ministry of Finance.

Loan growth (FX adjusted), % y/y



Source: NBP, Santander

EURUSD spot rate



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.6694	CZKPLN	0.1830
USDPLN	4.1628	HUFPLN*	1.2676
EURUSD	1.1215	RUBPLN	0.0558
CHFPLN	4.4577	NOKPLN	0.4650
GBPPLN	5.5528	DKKPLN	0.6274
USDCNY	6.3865	SEKPLN	0.4567

*for 100HUF

Last session in the FX market						24/11/2021
	min	max	open	close	fixing	
EURPLN	4.669	4.702	4.701	4.676	4.681	
USDPLN	4.154	4.189	4.182	4.177	4.176	
EURUSD	1.118	1.126	1.124	1.120	-	

Interest rate market 24/11/2021

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	1.02	-1
T/N	1.10	-1
SW	1.25	0
2W	1.30	1
1M	1.47	1
3M	1.72	2
6M	2.09	3
1Y	2.46	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

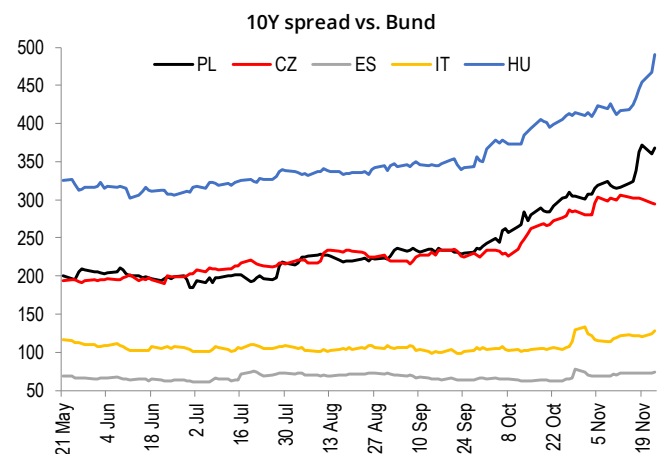
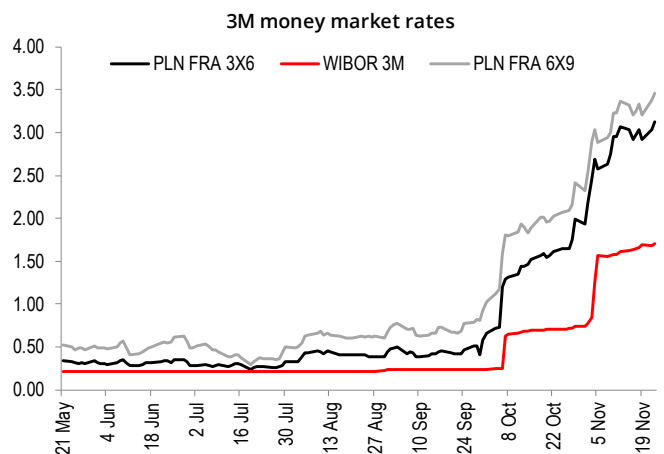
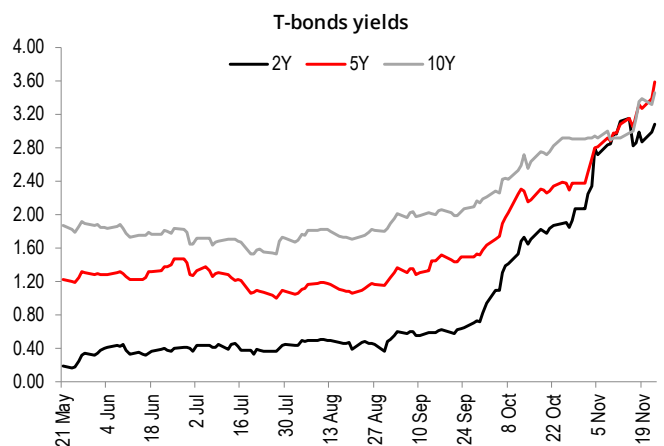
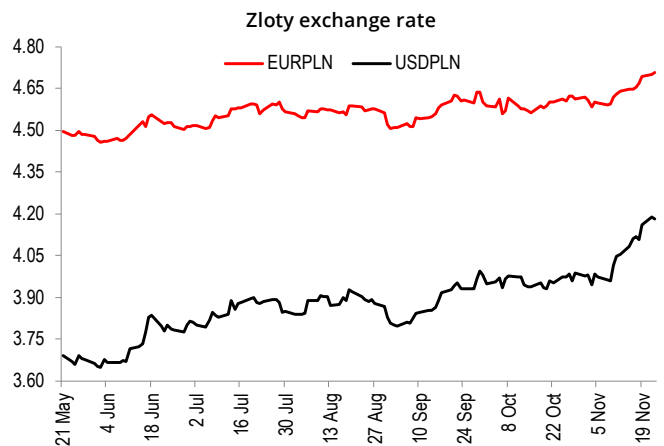
Measures of fiscal risk

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		96.5	97.7
14:00	PL	Money Supply M3	Oct	% y/y	8.4	8.5	8.6	8.6
14:30	US	Durable Goods Orders	Oct	% m/m	0.2		-0.5	-0.4
14:30	US	GDP Annualized	3Q	% Q/Q	2.2		2.1	2.0
14:30	US	Initial Jobless Claims		k	260.0		199.0	270.0
16:00	US	Michigan index	Nov	pts	66.8		-	66.8
16:00	US	New Home Sales	Oct	% m/m	0.0		0.4	14.0
16:00	US	Personal Spending	Oct	% m/m	1.0		1.3	0.6
16:00	US	Personal Income	Oct	% m/m	0.2		0.5	-1.0
16:00	US	PCE Deflator SA	Oct	% m/m	0.7		0.6	0.3
20:00	US	FOMC Meeting Minutes	Nov/21					
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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