

## Eyeopener

### New Covid strain caused risk aversion

#### Heavy losses on stock markets

Risk off wave sent UST and Bund yields much lower, EURUSD's unusual rise

EURPLN back to 4.70

Polish IRS and bond curve down almost 30bp

Today flash November inflation in Germany, ESI indexes for EU countries

On Friday equity markets were losing due to worries about the new Covid-19 strain found in Africa. The main indices in Europe lost 3.5-4.0%, in the US 1.5-2.5%. In a typical risk-off move the yield of 10Y UST fell by 10bp to 1.53% and 10Y Bund by 7bp to -0.32%. The crude oil price also went down, by c. 8% to \$75 per barrel for Brent, while gold price went up c.1%, to \$1807 per ounce. M3 money supply in the euro zone accelerated in October to 7.7% y/y from 7.4% in the previous month. German import prices surprised to the upside rising 21.7% y/y (previously 17.7%, expected 19.6%). Consumer confidence in France in November were slightly better than expected (99 vs 98), and business climate indicators in Italy (consumers, manufacturing) also beat forecasts. ECB's Louis de Guindos said the pandemic programme PEPP will terminate in March 2022, in line with the earlier plan. He added that regardless what happens to PEPP, the monetary policy will remain accommodative in his view.

**Central budget** ended October with PLN51.9bn surplus, vs PLN47.6bn in September. The result was in line with our expectations. Budget revenue rose in October by 15.5% y/y, including CIT by 30.8%, PIT 7.9% and VAT 13% y/y. Budget expenditure increased 9.3% y/y. We expect the surplus to decrease in December, in line with the seasonal pattern. In general, the budget revenue looks solid, being supported by economic recovery and high inflation. In turn the spending – as we wrote earlier many times – is not really reflecting the shape of the public finances, as the large part of total expenditure has been phased outside the central budget.

**MPC's Eryk Łon** said that it may be worth mulling keeping rates unchanged in December (meeting is scheduled for 8 December).

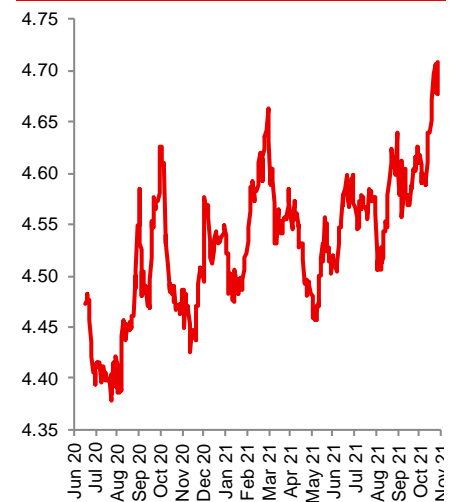
**EURUSD** climbed by 0.8% on Friday thus offsetting about 20% of declines recorded since the end of October. The pair ended the day at 1.1290. The upward move was fuelled by worries about new COVID-19 omicron variant, delaying prospects for interest rate hikes in the USA. Still, the US CPI inflation is still running high and the Fed is ready to reduce its purchases, so a pressure for a stronger dollar is likely to stay and the rate can hit 1.10 at the end of the year.

**EURPLN** after 2 days of declines on Wednesday and Thursday by a total of 1.2% to 4.67, on Friday increased because of the risk-off sentiment globally to almost 4.72. The break above the level might open the way towards 4.75. Today in the morning the EURPLN corrected to slightly below 4.70.

As for the **other CEE currencies**, they behaved similarly to the zloty. EURHUF moved back higher towards 370.0, EURCZK increased significantly going through resistance of 200-day moving average, closed the week at 25.73. USDRUB increased to 75.5 which was helped by cheapening oil.

On the **fixed income market** both domestic yield curves declined significantly at the order of 30bp following the core market yields in the environment of low liquidity. 2Y bonds reached 2.80%, 10Y 3.12%. The 10Y ASW remained near +20bp while the spread vs Bund narrowed to below 350bp.

EURPLN



Source: GUS, Santander

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### FX market

Today's opening			
EURPLN	4,6963	CZKPLN	0,1828
USDPLN	4,1668	HUFPLN*	1,2648
EURUSD	1,1265	RUBPLN	0,0556
CHFPLN	4,5094	NOKPLN	0,4572
GBPPLN	5,5429	DKKPLN	0,6333
USDCNY	6,3844	SEKPLN	0,4538

\*for 100HUF

### Last session in the FX market 26.11.2021

	min	max	open	close	fixing
EURPLN	4,676	4,724	4,685	4,710	4,704
USDPLN	4,155	4,193	4,176	4,167	4,175
EURUSD	1,122	1,132	1,122	1,130	-

### Interest rate market 26.11.2021

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2,81	-27
DS0726 (5Y)	3,30	-29
DS0432 (10Y)	3,15	-32

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2,83	-24	0,36	-7	-0,52	-2
2L	3,01	-31	0,72	-15	-0,39	-4
3L	3,09	-30	1,01	-18	-0,29	-6
4L	3,09	-30	1,17	-17	-0,21	-6
5L	3,08	-30	1,26	-18	-0,15	-7
8L	3,03	-22	1,45	-17	0,02	-8
10L	2,99	-23	1,52	-16	0,13	-8

#### WIBOR rates

Term	%	Change (bps)
O/N	1,02	0
T/N	1,08	-4
SW	1,25	0
2W	1,37	4
1M	1,57	4
3M	1,91	9
6M	2,29	10
1Y	2,55	3

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

Term	%	Change (bps)
1x4	2,49	-8
3x6	2,94	-31
6x9	3,20	-36
9x12	3,20	-37
3x9	3,17	-28
6x12	3,25	-47

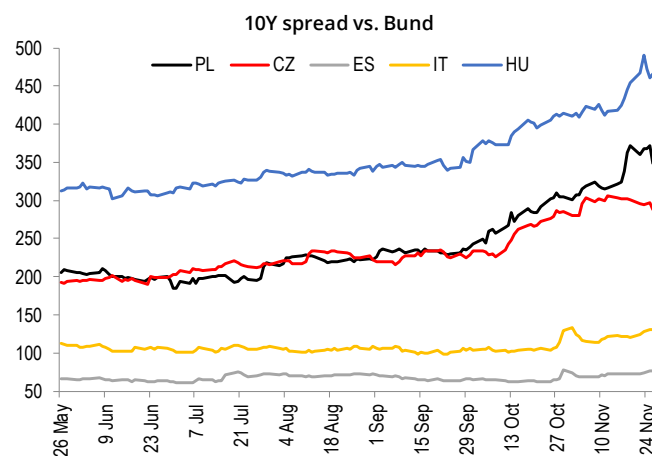
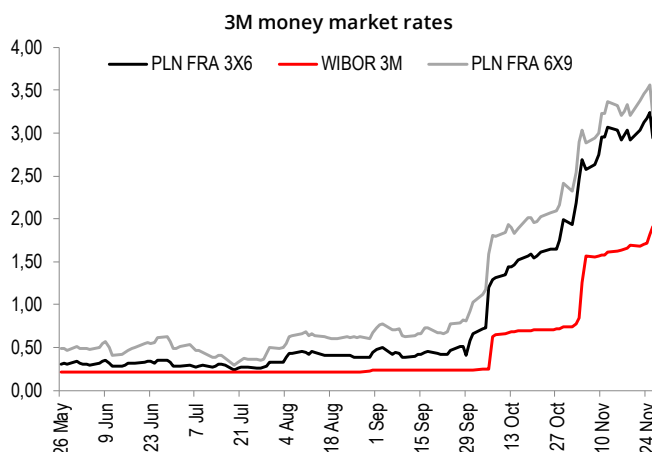
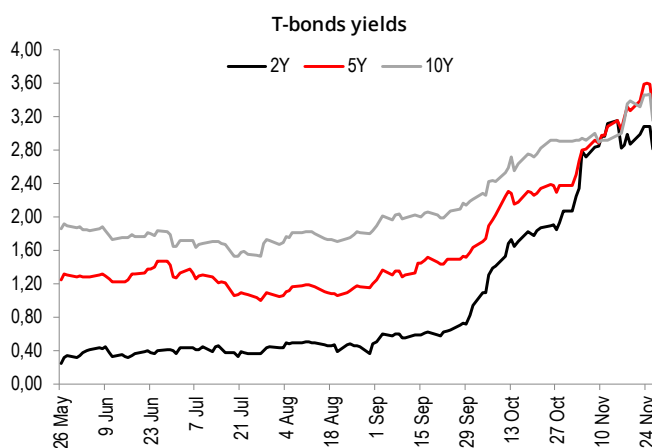
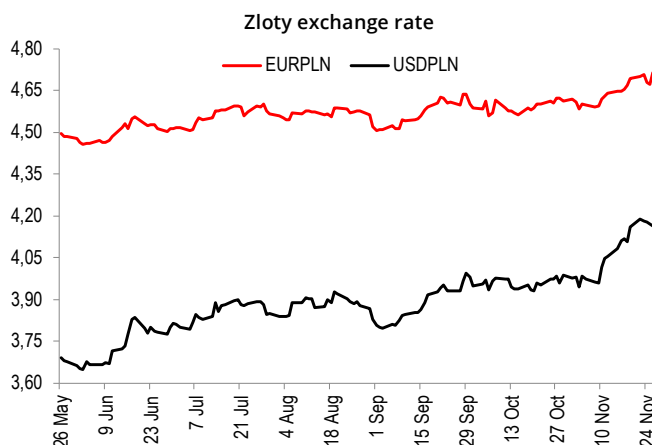
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	349	-23
France	9	0	37	1
Hungary	51	0	466	5
Spain	35	1	76	0
Italy	52	1	131	0
Portugal	23	1	69	1
Ireland	11	1	50	1
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 (26 November)</b>								
	PL	Central Budget Cumul.	Oct	mn PLN	-		51 888	47 589
<b>MONDAY (29 November)</b>								
11:00	EZ	ESI	Nov	pct.	117.9		-	118.6
14:00	DE	HICP	Nov	% m/m	-0.5		-	0.5
16:00	US	Pending Home Sales	Oct	% m/m	0.7		-	-2.3
<b>TUESDAY (30 November)</b>								
09:00	CZ	GDP SA	3Q	% y/y	2.8		-	2.8
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Nov</b>	<b>% y/y</b>	<b>7.2</b>	<b>7.3</b>	-	<b>6.8</b>
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>3Q</b>	<b>% y/y</b>	-		-	<b>5.1</b>
11:00	EZ	Flash HICP	Nov	% y/y	4.3		-	4.1
16:00	US	Consumer Conference Board	Nov	pts	110.0		-	113.8
<b>WEDNESDAY (1 December)</b>								
08:00	DE	Retail Sales	Oct	% m/m	0.6		-	-1.9
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Nov</b>	<b>pts</b>		<b>53.5</b>	-	<b>53.8</b>
09:00	HU	GDP	3Q	% y/y	6.1		-	6.1
09:55	DE	Germany Manufacturing PMI	Nov	pts	57.6		-	57.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	58.6		-	58.6
14:15	US	ADP report	Nov	k	515.0		-	571.1
16:00	US	ISM manufacturing	Nov	pts	61.0		-	60.8
<b>THURSDAY (2 December)</b>								
11:00	EZ	Unemployment Rate	Oct	%	7.4		-	7.4
14:30	US	Initial Jobless Claims	Nov/21	k			-	199.0
<b>FRIDAY (3 December)</b>								
02:45	CN	Caixin China PMI Services	Nov	pts	51.0		-	53.8
09:55	DE	Markit Germany Services PMI	Nov	pts	53.4		-	53.4
10:00	EZ	Eurozone Services PMI	Nov	pts	56.6		-	56.6
11:00	EZ	Retail Sales	Oct	% m/m	0.3		-	-0.3
14:30	US	Change in Nonfarm Payrolls	Nov	k	500.0		-	531.0
14:30	US	Unemployment Rate	Nov	%	4.5		-	4.6
16:00	US	Durable Goods Orders	Oct	% m/m	0.2		-	-0.5
16:00	US	ISM services	Nov	pts	65.0		-	66.7
16:00	US	Factory Orders	Oct	% m/m	0.5		-	0.2

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

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