

3 December 2021

Eyeopener

Fed wants to speed up policy normalisation

Many Fed speakers on faster QE tapering, fears of proinflationary impact of Omicron
 EURUSD stable, UST too, around 1.43%
 EURPLN down for the fourth day running, to 4.59, Polish bonds weaker, 10Y at 3.27%
 Today US non-farm payrolls, services PMIs

On Thursday main equity indices fell in the Eurozone (-2.0%) but increased in the US (+1.2%), markets were tinkering about economic impact on possible Covid-19 restrictions. Yesterday many FOMC members spoke (Quarles, Daly, Barkin, Mester) both those considered doves as well as hawks, all signalling that the new Covid-19 variant will rather increase the inflation problem than reduce it and that Fed should accelerate the QE tapering pace in order to create more manoeuvre space in the interest rates. OPEC+ made a decision of not to change the supply increase path which was agreed earlier on (400k bpd per month). OPEC+ left itself some optionality - the supply decision can be changed anytime depending on the evolution of the Covid-19 situation. The price of a barrel of Brent oil first squeezed lower to below \$68 but at the end of the day closed at \$71, up on a daily basis.

In the Eurozone the October PPI increased by as much as 21.9% y/y (19.0% y/y expected, previously 16.1% y/y) as a function of higher energy costs (16.8% m/m) and indirect goods (1.4% m/m). The unemployment rate in the Eurozone fell to 7.3% from 7.4% which supports solid foundation for further internal demand increase. In the US initial jobless claims stood at 222k below the expectations of 240k and close to the historical minimum from the previous week (which got revised even lower, to 194k from 199k). Japan services PMI increased to 53.0 from 50.7 as the new orders component was the strongest in 2 years while the cost pressure remained elevated. The China services PMI showed a weaker demand but the m/m decline was smaller than expected.

MPC member Łukasz Hardt said that the MPC should raise interest rates at the nearest meeting by at least 50bp in order to tame rising inflation. He thinks that central bank communication aimed at stabilising inflation expectations and more effective use of foreign exchange channel should help lowering the target interest rate needed to fight inflation.

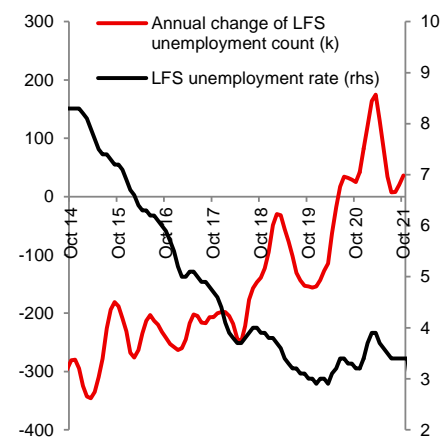
LFS unemployment rate for Poland (seasonally adjusted) remained in October unchanged for the fourth month in a row at 3.4% (vs 2.9% all-time low recorded just before the pandemic and the pandemic peak at 3.9% reached in February-March 2021). The number of the unemployed was only 10-20k higher than in the last months before the pandemic. Amid strong economic growth and continuing labour demand the LFS unemployment rate could drop below 3% next year, to the new all-time low. Such environment favours strong pressure on wage growth.

The **European Court of Justice's advocate general** suggested yesterday the Court should reject challenge from Poland and Hungary against a law that allows Brussels to block EU funds to member states that fail to guarantee independent courts or institutions that can investigate corruption without fear or favour. The Court is expected to issue the final verdict in March next year, and the ruling is usually in line with the opinion of advocate general. The conditionality mechanism regarding the EU funds payments is expected to start working in the spring.

EURUSD was stable on Thursday around 1.1330, but started to go down after the hawkish signals from Fed (in the evening stabilisation at 1.13, further decline this morning). **EURPLN** fell after morning comment of NBP president Adam Glapiński about the change of stance by 0.7% to 4.5920, i.e. exactly to 100-day moving average. 4-day move equals 2.7%. 4.57 could be another target (200-day moving average). However, the possible dollar rebound can be a hindrance (US labour market data today). **Other CEE currencies:** EURHUF was oscillating around 362.2 and stabilised after recent declines. In Hungary, the 1-week deposit rate rose to 3.10% from 2.90% previously (3.05% was expected). EURCZK declined slightly to 25.42. USDRUB exchange rate remained stable at 73.90 despite lower oil prices.

On the **interest rate market** in Poland the bond curve moved upwards again. 2Y yields reached 3.03% and 10Y rose to 3.27% - changes were thus opposite to changes on 10Y Bund (-0.38%). Spread to Bund reached 355bp. The IRS curve moved 12bp higher on the shorter end (2Y to 3.21%) and 5bp on the longer (10Y to 3.08%). Total **PLN-denominated T-bond indebtedness** at the end of October amounted to PLN809.9bn and fell by PLN6.5bn in month. 56% of Polish T-bonds were held by domestic banks (decrease by PLN2.2bn m/m) and 16% by foreign investors (decrease by PLN3.6bn m/m). Households' position in T-bonds rose to PLN52.7bn (7% of total) and was much higher than the holdings of investment funds and almost the size of insurance funds' holdings.

Poland, LFS unemployment data, s.a.



Source: Eurostat, Santander

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FX market

Today's opening			
EURPLN	4,6025	CZKPLN	0,1805
USDPLN	4,0784	HUFPLN*	1,2555
EURUSD	1,1281	RUBPLN	0,0553
CHFPLN	4,4250	NOKPLN	0,4459
GBPPLN	5,4155	DKKPLN	0,6187
USDCNY	6,3678	SEKPLN	0,4470

*for 100HUF

Last session in the FX market						02.12.2021
	min	max	open	close	fixing	
EURPLN	4,586	4,624	4,622	4,600	4,600	
USDPLN	4,046	4,085	4,083	4,068	4,063	
EURUSD	1,130	1,135	1,132	1,131	-	

Interest rate market 02.12.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2,91	0
DS0726 (5Y)	3,33	0
DS0432 (10Y)	3,22	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3,03	12	0,41	2	-0,51	0
2L	3,21	13	0,84	4	-0,37	-1
3L	3,23	11	1,11	5	-0,25	-1
4L	3,21	9	1,23	4	-0,18	-2
5L	3,18	7	1,30	5	-0,14	-2
8L	3,09	6	1,44	4	0,01	-2
10L	3,07	4	1,50	1	0,11	-2

WIBOR rates

Term	%	Change (bps)
O/N	1,37	3
T/N	1,51	17
SW	1,50	13
2W	1,65	8
1M	1,83	3
3M	2,18	7
6M	2,48	5
1Y	2,68	2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2,77	18
3x6	3,09	16
6x9	3,38	16
9x12	3,35	14
3x9	3,33	21
6x12	3,50	16

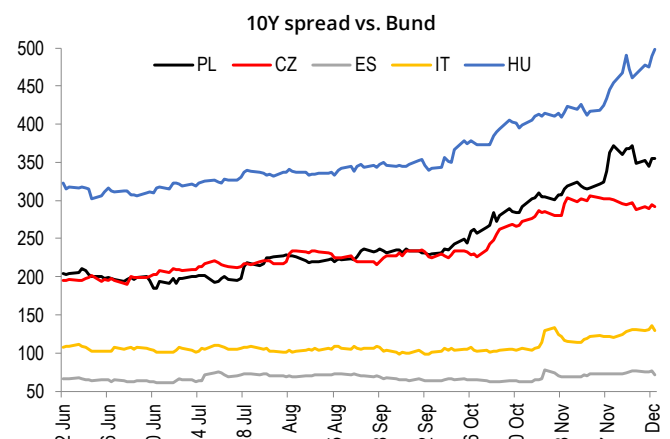
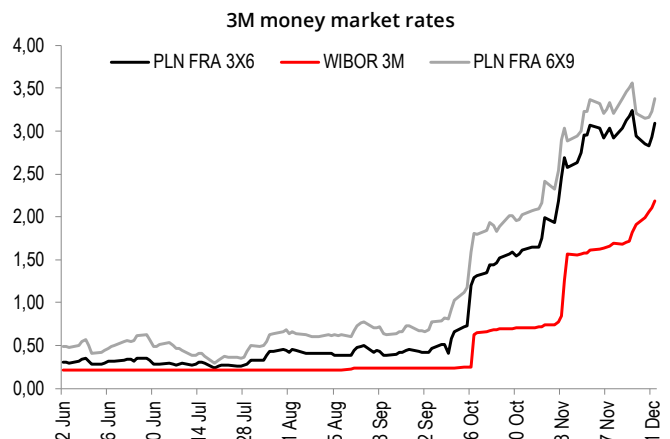
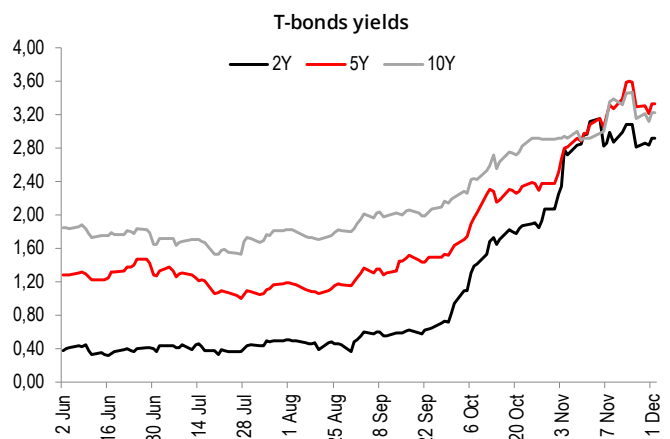
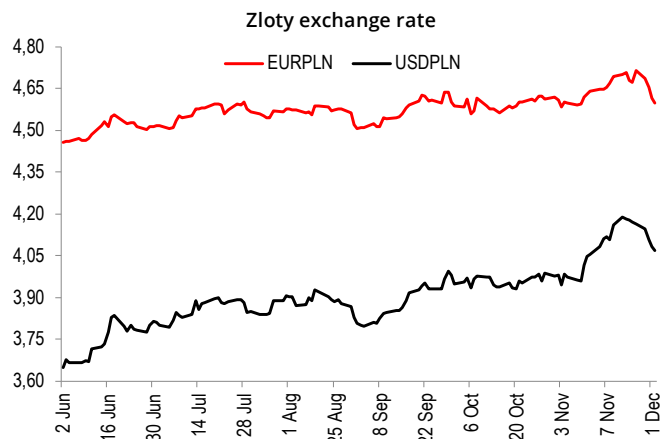
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	52	0	355	0
France	9	0	32	-4
Hungary	55	-2	498	9
Spain	35	-1	71	-5
Italy	50	-3	129	-6
Portugal	23	-1	64	-6
Ireland	10	0	43	-6
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 (26 November)								
	PL	Central Budget Cumul.	Oct	mn PLN	-		51 888	47 589
MONDAY (29 November)								
11:00	EZ	ESI	Nov	pct.	117.9		117.5	118.6
14:00	DE	HICP	Nov	% m/m	-0.2		0.3	0.5
16:00	US	Pending Home Sales	Oct	% m/m	1.0		-4.7	-2.4
TUESDAY (30 November)								
09:00	CZ	GDP SA	3Q	% y/y	2.8		3.1	2.8
10:00	PL	CPI	Nov	% y/y	7.3	7.4	7.7	6.8
10:00	PL	GDP	3Q	% y/y	5.1	5.1	5.3	5.1
11:00	EZ	Flash HICP	Nov	% y/y	4.5		4.9	4.1
16:00	US	Consumer Conference Board	Nov	pts	110.9		109.5	111.6
WEDNESDAY (1 December)								
08:00	DE	Retail Sales	Oct	% m/m	0.6		-0.3	-1.9
09:00	PL	Poland Manufacturing PMI	Nov	pts		53.5	54.4	53.8
09:00	HU	GDP	3Q	% y/y	6.1		6.1	6.1
09:55	DE	Germany Manufacturing PMI	Nov	pts	57.6		57.4	57.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	58.6		58.4	58.6
14:15	US	ADP report	Nov	k	525.0		534.0	570.0
16:00	US	ISM manufacturing	Nov	pts	59.1		61.1	60.8
THURSDAY (2 December)								
11:00	EZ	Unemployment Rate	Oct	%	7.4		7.3	7.4
14:30	US	Initial Jobless Claims	Nov/21	k	240.0		222.0	194.0
FRIDAY (3 December)								
02:45	CN	Caixin China PMI Services	Nov	pts	51.0		52.1	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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