

6 December 2021

Eyeopener

Low labour supply in the US

In the US low unemployment rate and employment change, record high ISM services
 Temporary stronger dollar post US data, EURPLN stable
 Big 10Y UST yield decrease, POLGBs rather stable
 Today German factory orders

Friday saw declines on the stock markets, stronger in the USA than in Europe. On Monday stock market futures are suggesting further declines. 10Y bond yields declined markedly (by about 7bp, to 1.35%, today starting at 1.38%), but German securities witnesses only a minor fall (to -0.39%). EURUSD remained close to 1.13 while Brent prices stayed above \$70. US labour market statistics showed a very low increase in employment in November (210k) and a stronger-than-expected decline in unemployment rate, proving a low availability of the labour force. However, wage growth remained contained. ISM in manufacturing rose to an all-time high driven by new orders and low current stocks in relation to business needs. Meanwhile service indicators for the euro zone and Germany were revised downwards as compared to flash readings., yet they remained above the neutral 50pts. This morning's data on orders in German industry disappointed markedly due to declining demand from abroad.

Words of **deputy minister for EU funds and regional policies Waldemar Buda** show that chances for a National Recovery Plan advance payment are very low and regular payments will appear in mid-2022 and will be governed by the regime of conditionality for the protection of the Union budget.

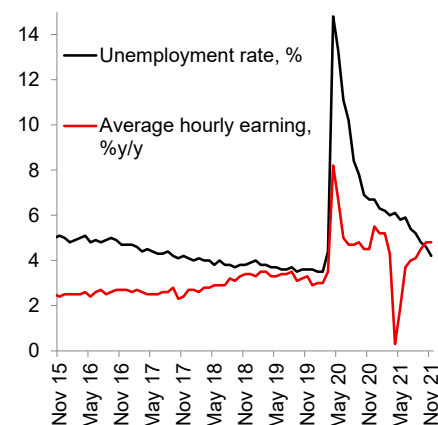
EURUSD moved down to 1.128 after the US data, but later rebounded to 1.132. An extension of that rise would be an attempt to get out of the gentle downside trend seen since the start of December. In our view it is quite likely that the dollar regains strength now, especially if supported by a high reading of US CPI.

EURPLN lost its downside momentum after reaching 4.60. The significant appreciation of the zloty last week was based on 1) weaker USD and improvement in the global sentiment (other EM currencies also gained), 2) NBP Glapinski's comments which boosted expectations for quicker and faster interest rate hikes, 3) positive FT headline regarding the chances of approving of EU Recovery fund for Poland. Each of these factors might turn around in the coming days, we think. That is why we expect EURPLN to move towards 4.65 this week.

Other CEE currencies: EURHUF, after the Thursday change of direction and a rebound above 364.0, on Friday could not extend the move, but at the same time it did not reverse it (the FX pair opens just above 365.0 today). The Friday trading on EURCZK showed almost the same pattern as on Thursday. 25.4 proved again to be an important support. USDRUB reversed the Thursday fall and closed the week at 73.9, some 1.5% lower than it had started it.

On the **interest rate market** there were little changes, both swap and bond curves moved around 1-2bp lower. A couple of days before the MPC meeting the short FRA rates went up (c.3bp) while longer (e.g. 18x21) declined c.3bp. FRA rates imply a possibility of rate hike in December by even 100bp or more (FRA1x4 2.83%) and the increase of NBP reference rate to c.3.5% in 2-3 quarters. We think the MPC will raise interest rates on Wednesday by 75bp, possibly signalling a pause in the cycle. If the rate hike this week appears to be lower than expected, it could slow the flattening of the curve observed recently. Higher US inflation and loss of investors' faith in approval of EU recovery fund for Poland could favour higher domestic yields.

US labour market data



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5921	CZKPLN	0.1802
USDPLN	4.0707	HUFPLN*	1.2483
EURUSD	1.1284	RUBPLN	0.0553
CHFPLN	4.4222	NOKPLN	0.4416
GBPPLN	5.3688	DKKPLN	0.6173
USDCNY	6.3724	SEKPLN	0.4436

*for 100HUF

Last session in the FX market						03/12/2021
	min	max	open	close	fixing	
EURPLN	4.583	4.622	4.599	4.602	4.593	
USDPLN	4.050	4.093	4.070	4.067	4.065	
EURUSD	1.126	1.133	1.130	1.131	-	

Interest rate market 03/12/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.01	10
DS0726 (5Y)	3.44	11
DS0432 (10Y)	3.29	7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.09	6	0.39	-2	-0.51	0
2L	3.22	1	0.81	-4	-0.36	1
3L	3.23	0	1.06	-5	-0.26	-1
4L	3.21	0	1.17	-5	-0.19	0
5L	3.18	0	1.23	-7	-0.14	0
8L	3.08	-1	1.37	-7	-0.01	-2
10L	3.06	-1	1.42	-8	0.10	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.20	-17
T/N	1.53	2
SW	1.58	8
2W	1.70	5
1M	1.91	8
3M	2.21	3
6M	2.51	3
1Y	2.71	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2.80	3
3x6	3.16	7
6x9	3.40	2
9x12	3.39	4
3x9	3.37	4
6x12	3.49	-1

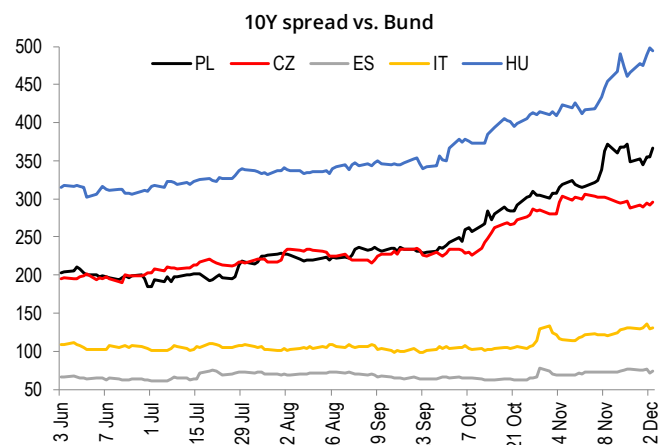
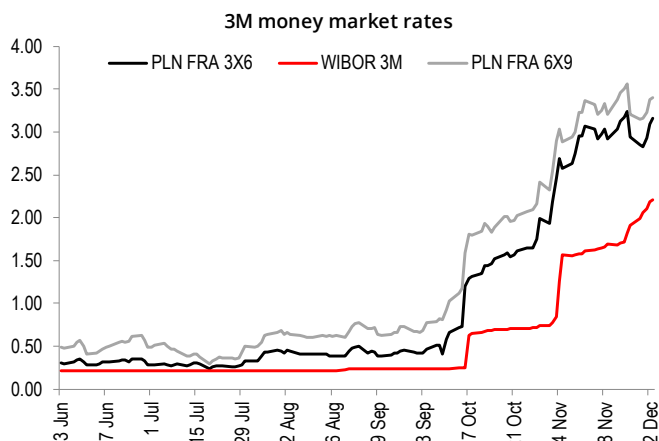
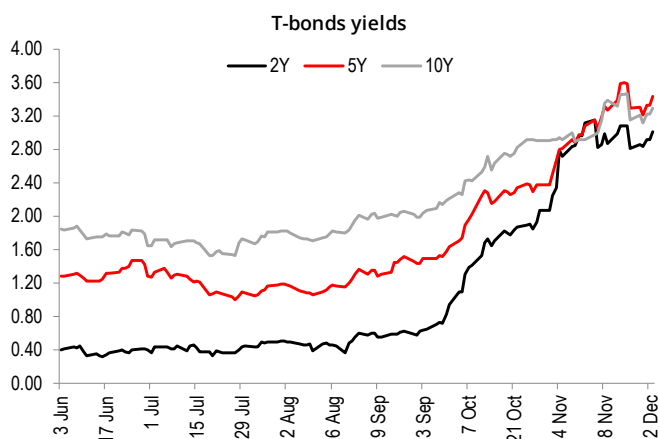
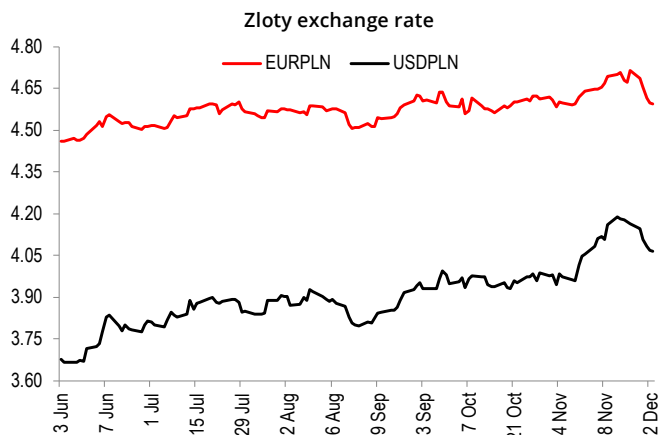
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	367	12
France	9	0	36	4
Hungary	56	0	494	-4
Spain	35	0	73	2
Italy	51	0	130	1
Portugal	23	0	67	3
Ireland	11	0	46	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 (3 December)								
02:45	CN	Caixin China PMI Services	Nov	pts	53.0		52.1	53.8
09:55	DE	Markit Germany Services PMI	Nov	pts	53.4		52.7	52.4
10:00	EZ	Eurozone Services PMI	Nov	pts	56.6		55.9	54.6
11:00	EZ	Retail Sales	Oct	% m/m	0.3		0.2	-0.4
14:30	US	Change in Nonfarm Payrolls	Nov	k	545.5		210	546.0
14:30	US	Unemployment Rate	Nov	%	4.5		4.2	4.6
16:00	US	Durable Goods Orders	Oct	% m/m	-0.5		-0.4	-0.5
16:00	US	ISM services	Nov	pts	65.0		69.1	66.7
16:00	US	Factory Orders	Oct	% m/m	0.5		1.0	0.2
MONDAY (6 December)								
08:00	DE	Factory Orders	Oct	% m/m	-0,3		-6,9	1,3
TUESDAY (7 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	1,0		-	-1.1
09:00	CZ	Industrial Production	Oct	% y/y	-6.3		-	-4.0
09:00	HU	Industrial Production SA	Oct	% y/y			-	-1.7
11:00	EZ	GDP SA	3Q	% y/y	3.7		-	3.7
11:00	DE	ZEW Survey Current Situation	Dec	pts			-	12.5
WEDNESDAY (8 December)								
	PL	MPC decision		%	1.75	2,00	-	1.25
09:00	HU	CPI	Nov	% y/y	7.2		-	6.5
THURSDAY (9 December)								
08:00	DE	Exports SA	Oct	% m/m			-	-0.7
14:30	US	Initial Jobless Claims		k			-	222.0
FRIDAY (10 December)								
08:00	DE	HICP	Nov	% m/m			-	0.3
09:00	CZ	CPI	Nov	% y/y	5.9		-	5.8
14:30	US	CPI	Nov	% m/m	0,7		-	0.9
16:00	US	Michigan index	Dec	pts	68,0		-	67.4

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

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