

7 December 2021

Eyeopener

Improved risk appetite at the start of the week

Equities rebound by more than they fell on Friday, oil up
 EURUSD below 1.13, EURPLN stable below 4.60
 10Y UST yields move higher above 1.40%, Polish IRS and bond yields lower
 Today industrial production in Germany, Czech Republic and Germany

Financial markets started the week in more optimistic moods. As we assumed more than a week ago, the new coronavirus strain is able to change market directions overnight. The information about tightening sanitary regime in France was accompanied by suggestions about the ease of transmission but at the same time the low harmfulness of the of the Omicron variant, which allowed markets to gain risk appetite. Rebound in equity markets and crude oil (Brent +5% to \$74 p/b) took place despite information about notable drop in German factory orders. UST yields were rising (+9bp to 1.45%), while German 10Y Bund remained near -0.39%. German industrial production for October released today in the morning surprised positively (2.8% m/m vs expected 1.0% m/m) while Hungarian and Czech ones disappointed.

According to the Ministry of Labour the **registered unemployment rate** dropped in November to 5.4%, with the number of the unemployed down 10.8k m/m. We expected the unemployment rate to stay at 5.5% amid a small monthly rise of the unemployed count: its decline is quite unusual for November. The last time there was a decline in this month was in 2017 and only because of the change of the lowering of the retirement age (people above the new retirement age were removed from the labour offices' registers), and in 2007 before that. Positive unemployment data reflect the still strong labour demand.

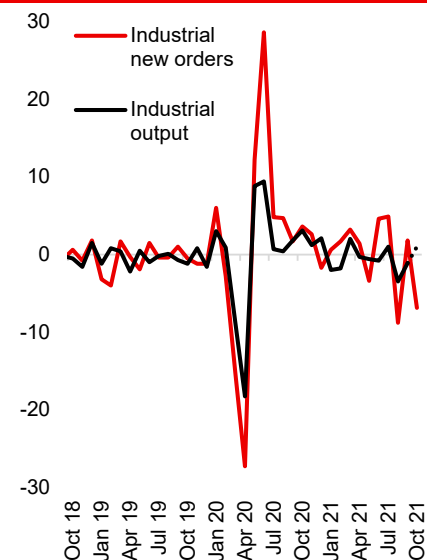
EURUSD pulled back below 1.13 which means that the gentle downside trend that had started a week ago is still in place.

EURPLN lost its downward momentum and failed to set a markedly lower minimum than on Friday (slightly below 4.59), but it also did not manage to go above 4.60. It seems that the pair will stay on this level until the Wednesday MPC decision, which – in our view – has a potential to move the exchange rate. We think that not much will happen if rates go up by 75bp in line with our forecast and market pricing, but many other options are also possible. Hike by 50bp or less can trigger a zloty weakening with target at 4.65 and even possibly 4.70. A hike by 100bp or more can make the pair try to break 4.57. The post-meeting Glapiński's conference was scheduled for Thursday 9 December 15:00CET and this event is likely to fuel more market volatility, even reverse changes caused by the very decision. Declaration about future moves will be key.

Other CEE currencies: EURCZK declined slightly with an attempt to accelerate its downward momentum. The session ended at 25.42. The Czech retail sales surprised to the upside in October, as it rose by 0.3% y/y versus expectations at -1.1% y/y (and vs 0.6% y/y previously). The forint was doing worse – EURHUF ended the day above 366 (+0.4%), but today in the morning it is gaining somewhat (364.8). The ruble approached 74 versus the dollar, which was not a big intraday move, but it seems that the currency is trying to escape from the downward trend of USDRUB valid last week.

On the **interest rate market** Polish yield and IRS curves shifted down by 5bps despite losses recorded on the US bond market. FRA rates also declined, especially these with longer maturities.

Germany industry data, %m/m, s.a.



Source: Refinitiv Eikon, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
 Piotr Bielski +48 22 534 18 87
 Marcin Luziński +48 510 027 662
 Wojciech Mazurkiewicz +48 22 534 18 86
 Grzegorz Ogonek +48 22 534 18 84

FX market

| Today's opening | | | |
|-----------------|--------|---------|--------|
| EURPLN | 4.5934 | CZKPLN | 0.1805 |
| USDPLN | 4.0653 | HUFPLN* | 1.2477 |
| EURUSD | 1.1296 | RUBPLN | 0.0549 |
| CHFPLN | 4.3990 | NOKPLN | 0.4490 |
| GBPPLN | 5.3974 | DKKPLN | 0.6174 |
| USDCNY | 6.3677 | SEKPLN | 0.4481 |

*for 100HUF

| Last session in the FX market | | | | | | 06/12/2021 |
|-------------------------------|-------|-------|-------|-------|--------|------------|
| | min | max | open | close | fixing | |
| EURPLN | 4.584 | 4.602 | 4.598 | 4.596 | 4.589 | |
| USDPLN | 4.054 | 4.081 | 4.076 | 4.072 | 4.062 | |
| EURUSD | 1.127 | 1.131 | 1.128 | 1.128 | - | |

Interest rate market 06/12/2021

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| DS1023 (2Y) | 2.94 | -7 |
| DS0726 (5Y) | 3.31 | -13 |
| DS0432 (10Y) | 3.20 | -9 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|-------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 3.06 | -3 | 0.42 | 3 | -0.50 | 1 |
| 2L | 3.17 | -4 | 0.86 | 5 | -0.36 | 0 |
| 3L | 3.15 | -8 | 1.12 | 5 | -0.26 | 0 |
| 4L | 3.12 | -9 | 1.24 | 7 | -0.19 | 0 |
| 5L | 3.10 | -7 | 1.32 | 9 | -0.14 | 0 |
| 8L | 3.02 | -6 | 1.46 | 10 | 0.01 | 2 |
| 10L | 3.00 | -6 | 1.51 | 9 | 0.10 | 0 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 0.98 | -22 |
| T/N | 1.38 | -15 |
| SW | 1.66 | 8 |
| 2W | 1.75 | 5 |
| 1M | 1.93 | 2 |
| 3M | 2.24 | 3 |
| 6M | 2.53 | 2 |
| 1Y | 2.73 | 2 |

FRA rates on the interbank market**

| Term | % | Change (bps) |
|------|------|--------------|
| 1x4 | 2.79 | -1 |
| 3x6 | 3.13 | -4 |
| 6x9 | 3.37 | -3 |
| 9x12 | 3.34 | -5 |
| 3x9 | 3.33 | -4 |
| 6x12 | 3.49 | 0 |

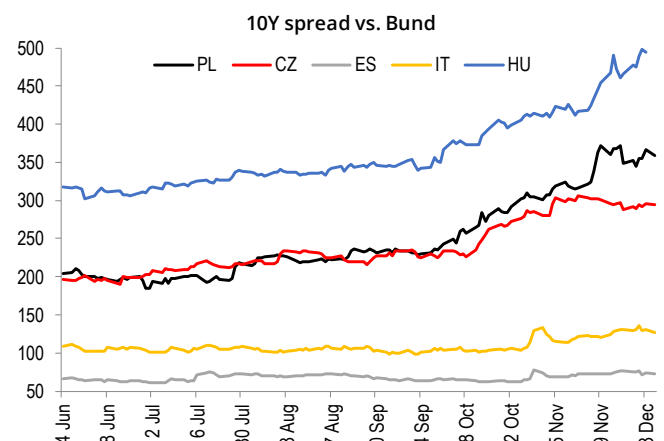
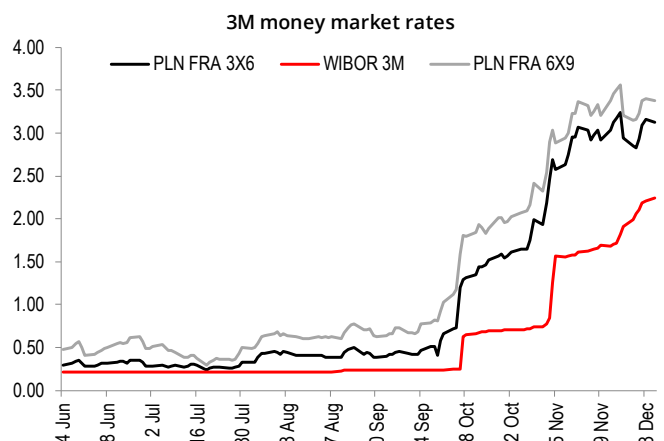
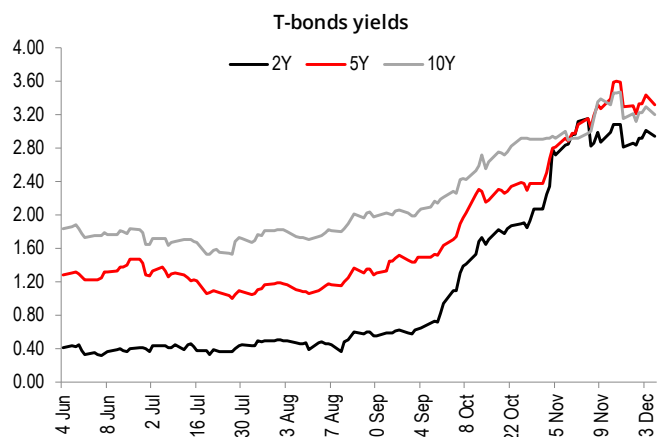
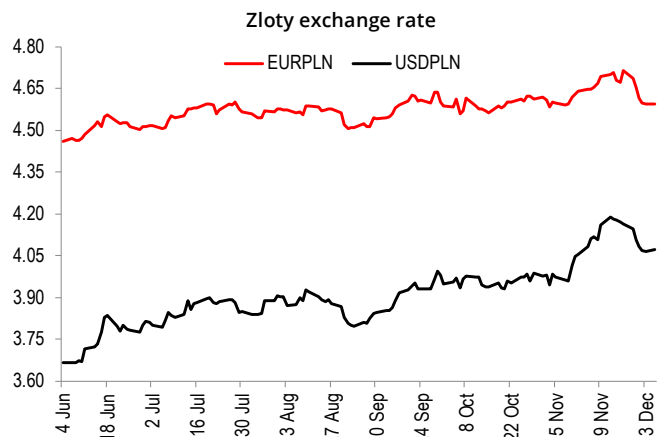
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 52 | 0 | 358 | -9 |
| France | 9 | 0 | 36 | 0 |
| Hungary | 55 | 0 | 0 | -494 |
| Spain | 35 | 0 | 73 | 0 |
| Italy | 48 | -2 | 127 | -3 |
| Portugal | 23 | 0 | 65 | -2 |
| Ireland | 11 | 0 | 46 | 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 | | | |
| 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 | 2.8 | -0.5 | |
| 09:00 | CZ | Industrial Production | Oct | % y/y | -6.8 | -7.4 | -4.0 | |
| 09:00 | HU | Industrial Production SA | Oct | % y/y | -2.0 | -2.7 | -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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.