

Eyeopener

MPC chasing the region

Interest rates in Poland up by 50bp, another 50bp hike possible in January
 EURUSD strongly up, zloty weakens post MPC decision
 Core market bonds in decline, Polish IRS curve below 3%
 Today NBP Governor's press conference

On Wednesday stock markets were no longer growing, but government bond yields in the USA and Germany pushed up at a higher pace, by some 5bp on 10Y (UST to 1.51%, Bund to -0.32%). The dollar was quickly giving ground to the recovering euro (EURUSD European close around 1.135). Brent oil stuck close to US\$76 per barrel, having only touched the level a day earlier. There was more information on benign symptoms of Omicron infections and research that three doses of Covid vaccines can neutralize the variant. The rate hikes delivered by the MPC caused a quite large move of the zloty (weakening). Today's data on German exports in October were a positive surprise: 4.1% m/m rise while 0.8% was expected and after -0.7% m/m in September.

Polish **Monetary Policy Council decided to hike main interest rates by 50bp** (the reference rate up to 1.75%), in line with market consensus and slightly less than we had anticipated (+75bp). In the press release the Council confirmed earlier assessment of the NBP president Adam Glapiński that elevated inflation may be not as transitory as earlier thought. They also acknowledged that some central banks abroad started withdrawing monetary accommodation and CEE peers are raising interest rates. The communique leaves the door open for further rate hikes by saying that future decisions will remain focused on bringing inflation to the target in the medium run and the assessment will take into account the new incoming information. At the same time, the MPC signals it wants to secure balanced economic growth. We assume the next rate hike by 50bp is possible in January, after December CPI tops 8% y/y, and then a pause is likely until March, when the new NBP projection will be released. We still assume the peak NBP rate in this cycle at 3.0%, which should be achieved in 1H22. More in [Economic Comment](#).

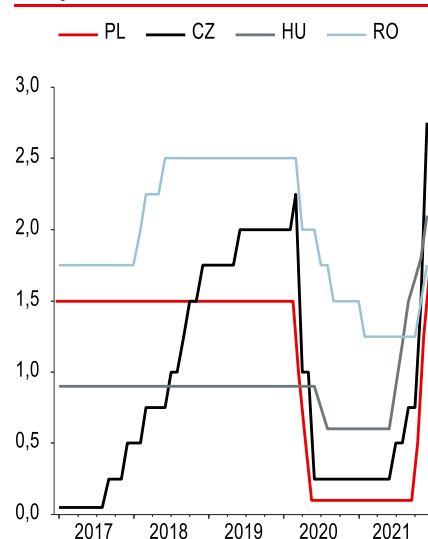
EURUSD climbed to 1.135 in a decisive move as the euro was regaining some strength. Today the pair started the day at 1.330.

EURPLN the zloty, which gained markedly in the final minutes before the MPC decision, quickly depreciated to 4.62 per euro afterwards (+0.8%).

Other CEE currencies: apparently some investors who had abandoned the zloty after the MPC decision switched to HUF, which in the first part of the day was still slowly depreciating (Hungarian November CPI was released at that time, marginally above expectations), but in the evening made a quick 0.8% gain vs. the euro (EURHUF down to 365.5). EURCZK was moving a bit higher than a day before. CNB's Tomas Holub stated that rate hikes will continue in line with the November projection while the koruna – so far weaker than assumed in the projection – is a proinflationary factor. The Biden-Putin call did not raise the risk of a confrontation as the presidents expressed willingness to keep the talks going. At the same time the Russian central bank assured that there will be a rate hike in December and it will be larger than 25bp. November inflation was shown at 8.4% y/y (as expected) vs. 8.1% a month earlier. Core inflation rose to 8.7% y/y (8.4% expected, 8.0% previously). USDRUB dropped to 73.70.

On the Polish **interest rate market** bond yields declined by 4-7bp, less at the long end of the curve. IRS rates were at the end of the day lower by 14bp in 2Y segment, 10bp in the belly and 7bp at the long end. As a result, the entire swap curve got below 3%. FRA rates and bond yields decreased slightly after the MPC decision. The NBP governor's press conference explaining the MPC decision will take place today at 15:00 CET. As always, markets will seek new hints regarding the monetary policy outlook.

Policy rates in CEE, %



Source: Refinitiv Datastream, Santander Bank Polska

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FX market

| Today's opening | | | |
|-----------------|--------|---------|--------|
| EURPLN | 4.6018 | CZKPLN | 0.1804 |
| USDPLN | 4.0648 | HUFPLN* | 1.2604 |
| EURUSD | 1.1319 | RUBPLN | 0.0552 |
| CHFPLN | 4.4075 | NOKPLN | 0.4567 |
| GBPPLN | 5.3617 | DKKPLN | 0.6182 |
| USDCNY | 6.3434 | SEKPLN | 0.4486 |

*for 100HUF

| Last session in the FX market | | | | | | 08/12/2021 |
|-------------------------------|-------|-------|-------|-------|--------|------------|
| | min | max | open | close | fixing | |
| EURPLN | 4.578 | 4.616 | 4.584 | 4.614 | 4.594 | |
| USDPLN | 4.047 | 4.078 | 4.059 | 4.073 | 4.071 | |
| EURUSD | 1.127 | 1.134 | 1.129 | 1.133 | - | |

Interest rate market 08/12/2021

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| DS1023 (2Y) | 2.78 | -8 |
| DS0726 (5Y) | 3.15 | -10 |
| DS0432 (10Y) | 3.13 | -7 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|-------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 2.86 | -16 | 0.44 | -2 | -0.50 | 0 |
| 2L | 2.99 | -15 | 0.88 | -2 | -0.34 | 1 |
| 3L | 2.97 | -15 | 1.15 | -2 | -0.22 | 2 |
| 4L | 2.97 | -9 | 1.29 | 0 | -0.14 | 3 |
| 5L | 2.95 | -6 | 1.37 | 0 | -0.09 | 4 |
| 8L | 2.85 | -6 | 1.53 | 2 | 0.05 | 4 |
| 10L | 2.85 | -4 | 1.58 | 2 | 0.15 | 5 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 0.97 | -1 |
| T/N | 1.65 | 28 |
| SW | 1.78 | 5 |
| 2W | 1.86 | 5 |
| 1M | 1.97 | 2 |
| 3M | 2.27 | 1 |
| 6M | 2.55 | 0 |
| 1Y | 2.76 | 1 |

FRA rates on the interbank market**

| Term | % | Change (bps) |
|------|------|--------------|
| 1x4 | 2.49 | -30 |
| 3x6 | 2.86 | -22 |
| 6x9 | 3.06 | -25 |
| 9x12 | 3.06 | -20 |
| 3x9 | 3.05 | -24 |
| 6x12 | 3.22 | -22 |

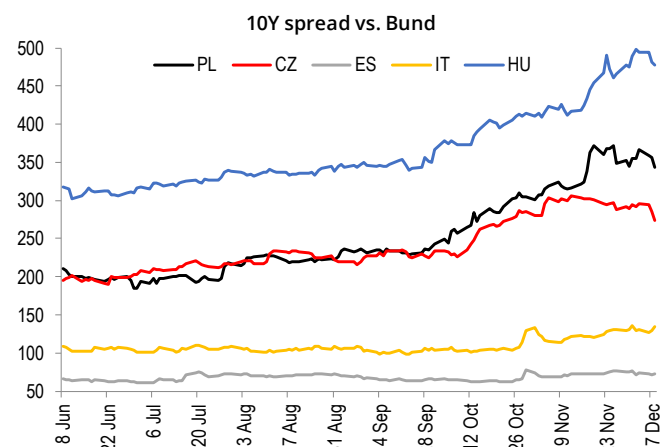
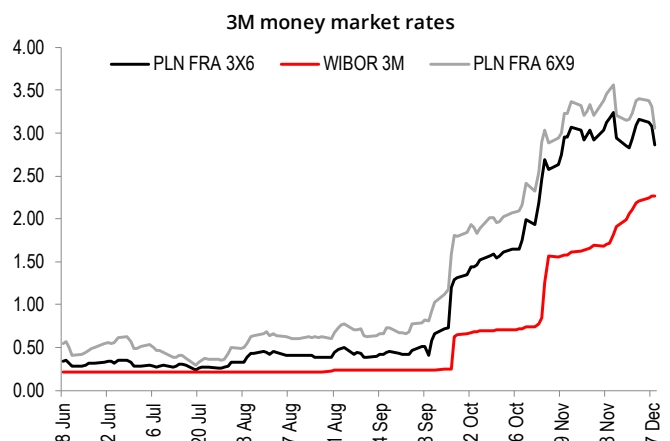
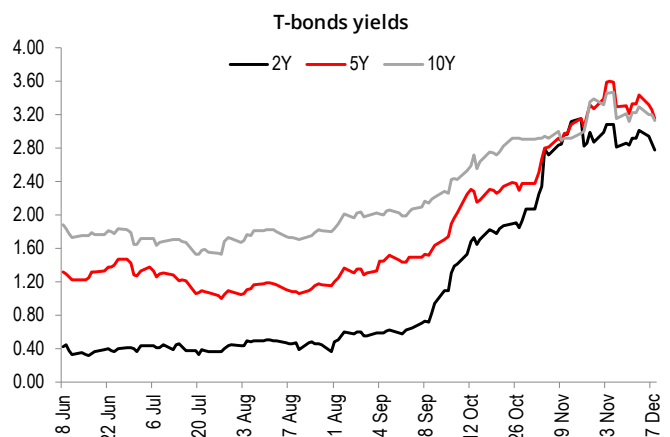
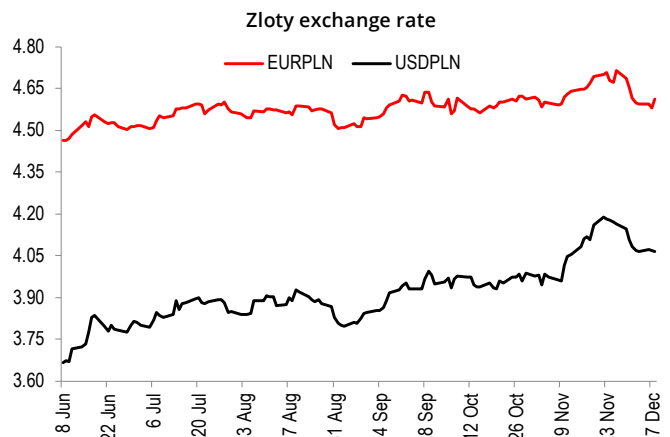
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 55 | 0 | 344 | -13 |
| France | 9 | 0 | 36 | 1 |
| Hungary | 56 | 0 | 478 | -3 |
| Spain | 35 | 0 | 73 | 2 |
| Italy | 52 | 3 | 134 | 5 |
| Portugal | 23 | 0 | 66 | 2 |
| Ireland | 11 | 0 | 44 | -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 | | 3.9 | 3.7 |
| 11:00 | DE | ZEW Survey Current Situation | Dec | pts | 5.0 | | -7.4 | 12.5 |
| WEDNESDAY (8 December) | | | | | | | | |
| | PL | MPC decision | | % | 1.75 | 2.00 | 1.75 | 1.25 |
| 09:00 | HU | CPI | Nov | % y/y | 7.3 | | 7.4 | 6.5 |
| THURSDAY (9 December) | | | | | | | | |
| 08:00 | DE | Exports SA | Oct | % m/m | 0.8 | | 4.1 | -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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