

# Eyeopener

## Hiking cycle not over

NBP Governor: further hikes at the current pace provided no change to economy  
 EURUSD back below 1.13, EURPLN near 4.60  
 2Y POLGB yields noticeably higher post NBP Glapinski press conference  
 Today inflation data in the US, Germany, Czech Republic, US consumer confidence

Markets were stuck in quite negative mood on Thursday due to the new sharp jump of energy price futures in Europe. Equity markets saw small declines, 10Y bond yields shaved off 3bp from earlier increases (UST to 1.50%). Crude oil, which used to get higher in December, did not even attempt to breach \$76 level and retreated to \$74. The weekly jobless claims number broke the new record – the result 184k was the lowest recorded for more than 50 years (the previous low was set one month earlier). Such low inflow to unemployment registers is a symptom of problems with labour supply in the USA. Chinese central bank raised the required reserve rate for the FX deposits from 7% to 9%. Previous such move took place in May (from 5%) to prevent yuan appreciation. As a result, yesterday USDCHN rose c.0.5% to 6.37. Today US inflation data will be released, markets expect a rise to 6.8% in November from 6.2% in October (core inflation respectively: 4.9% and 4.6%).

**The NBP governor Adam Glapiński** said at the press conference that it is “very likely” that the MPC will continue interest rate hikes at the pace consistent with recent moves, unless the circumstances change (e.g. economic outlook worsens). He also said the room for rate hikes remains “significant” and the central bank will not hesitate to move if necessary. Glapiński de facto confirmed that the tightening cycle continues, even though refused to name it “the cycle”, as the central bank wants to have the option to stop if the outlook deteriorates. The main objective for the MPC is to bring inflation to the target in the medium run (by the end of 2023), but at the same time the monetary policy will aim at stabilising economic growth and avoiding a rise in unemployment. NBP sees average inflation in 2022 “around 5%”, which in our view is unrealistically low – after taking into account the impact of the government’s anti-inflation shield we estimate average CPI above 6.5% next year. Glapiński did not signal any target level for the NBP rate, but we still believe that 3.0% (being currently priced-in by the market) is the fair assumption and should be achieved before the end of 1H22. We still think the MPC will hike rates again in January by 50bp, after the flash December CPI jumps to 8% y/y.

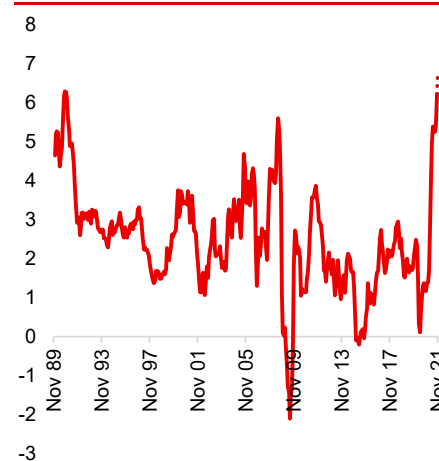
**EURUSD** pulled back from the Wednesday move above 1.13. The decline may go much deeper today if US inflation beats forecasts.

**EURPLN** having reached the area close to 4.62 on Wednesday and after an attempt to break above it in the first half of the Thursday session, dropped to 4.60. The reason was the flavour of the monetary policy speech by Adam Glapiński (admitting frankly for the first time that there will be more rate hikes). Apart from that the NBP governor stressed that the current zloty level are satisfying and did not signal any potential action by NBP to correct it. USDPLN remained in a side trend which it entered at the start of December after a 0.10PLN drop between 29 Nov and 2 Dec.

**Other CEE currencies:** The central bank of Hungary raised once again its 1-week deposit rate, this time by 20bp to 3.30%. Since the 16 November meeting where the reference rate went up by 30bp to 2.10%, the 1-week deposit rate was pushed up in total by 150bp. This probably helped the forint retain the Wednesday gain vs. the euro. EURHUF was close to 365 at the end of the day and this morning is around 365.80. The koruna and the ruble were marginally stronger day-to-day (EURCZK 25.42, USDRUB 73.65).

On the Polish **interest rate market** The message of the NBP president caused an upward move of the shorter end of the yield curve by 14bp while the longer end was stable. The IRS curve shifted horizontally by 10-15bp. The Finance Ministry sold bonds worth PLN4.0bn and bought papers worth PLN3.7bn raising the pre-financing of 2022 borrowing needs to 11% of the sum assumed in the budget act. Chief economist of the Finance Ministry Łukasz Czernicki assessed that this year’s general government deficit is likely to be below 4% of GDP versus 5.3% estimated earlier. This seems to be a rather conservative estimate – in our view even a deficit below 2% of GDP is possible this year – so we think that it may be suggesting that the Ministry is planning to increase the deficit in December by switching spending between two budgets, to the cost of 2021. On the other hand, the 2022 budget will be additionally burdened by the “anti-inflation shield” and possibly financing of some investment projects should the RRF payments be delayed.

US CPI inflation, %/y with consensus forecast for Nov'21



Source: Refinitiv Datastream, Refinitiv Eikon, Santander

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### FX market

#### Today's opening

EURPLN	4.6096	CZKPLN	0.1810
USDPLN	4.0827	HUFPLN*	1.2609
EURUSD	1.1287	RUBPLN	0.0554
CHFPLN	4.4128	NOKPLN	0.4534
GBPPLN	5.3944	DKKPLN	0.6196
USDCNY	6.3658	SEKPLN	0.4497

\*for 100HUF

#### Last session in the FX market 09/12/2021

	min	max	open	close	fixing
EURPLN	4.595	4.624	4.613	4.607	4.623
USDPLN	4.060	4.087	4.071	4.081	4.084
EURUSD	1.128	1.133	1.133	1.129	-

### Interest rate market 09/12/2021

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.93	15
DS0726 (5Y)	3.22	7
DS0432 (10Y)	3.13	0

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.95	9	0.45	2	-0.51	-1
2L	3.08	9	0.89	1	-0.36	-2
3L	3.08	11	1.17	1	-0.25	-3
4L	3.07	9	1.29	0	-0.18	-4
5L	3.05	10	1.36	-1	-0.13	-4
8L	2.98	13	1.50	-2	0.01	-4
10L	3.00	15	1.55	-3	0.11	-4

### WIBOR rates

Term	%	Change (bps)
O/N	1.42	45
T/N	1.75	10
SW	1.79	1
2W	1.82	-4
1M	1.93	-4
3M	2.27	0
6M	2.57	2
1Y	2.77	1

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

Term	%	Change (bps)
1x4	2.53	4
3x6	3.04	18
6x9	3.21	15
9x12	3.16	10
3x9	3.26	21
6x12	3.30	8

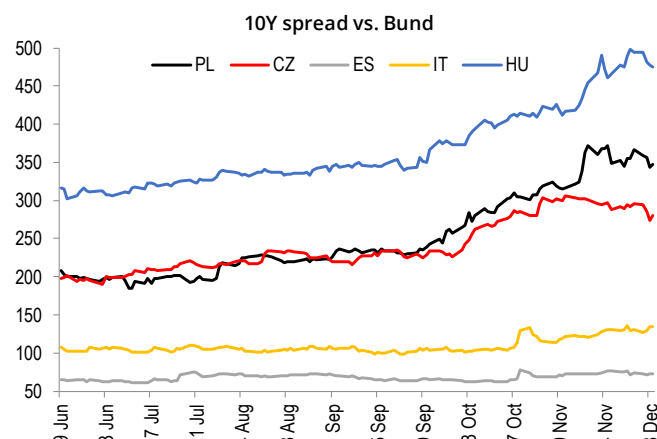
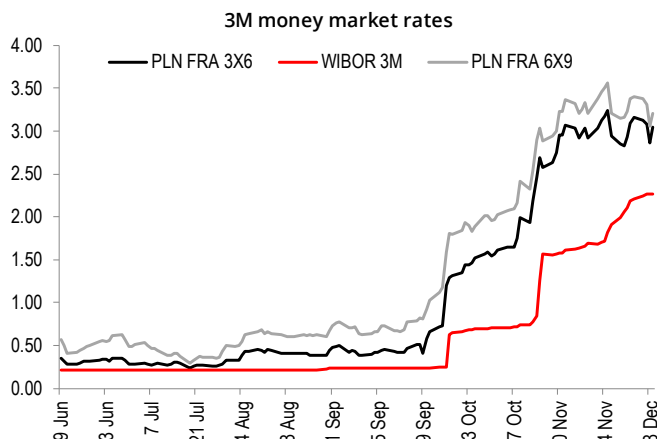
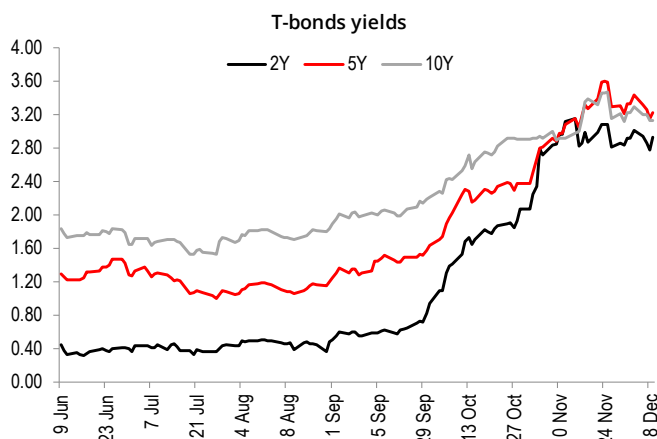
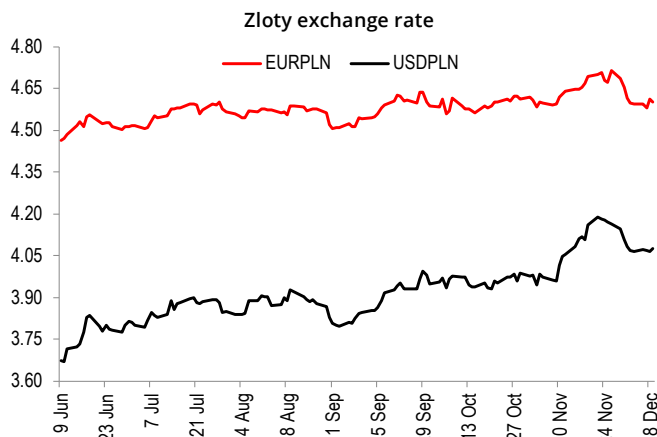
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	55	0	348	4
France	9	0	35	-1
Hungary	56	0	476	-2
Spain	35	0	73	0
Italy	53	1	135	1
Portugal	23	0	67	1
Ireland	11	0	43	-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		
<b>FRIDAY (3 December)</b>							
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
<b>MONDAY (6 December)</b>							
08:00	DE	Factory Orders	Oct	% m/m	-0.3	-6.9	1.3
<b>TUESDAY (7 December)</b>							
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
<b>WEDNESDAY (8 December)</b>							
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>1.75</b>	<b>2.00</b>	<b>1.75</b>
09:00	HU	CPI	Nov	% y/y	7.3	7.4	6.5
<b>THURSDAY (9 December)</b>							
08:00	DE	Exports SA	Oct	% m/m	0.8	4.1	-0.7
14:30	US	Initial Jobless Claims		k	215	184	227
<b>FRIDAY (10 December)</b>							
08:00	DE	HICP	Nov	% m/m	0.3	0.3	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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