

## Eyeopener

### US inflation higher, as expected

#### Financial markets stable on Friday

EURUSD below 1.13, core markets bond yields quite stable

Zloty weaker and 10Y bond yield higher at the end of the week

Today no major data releases, markets awaiting central bank meetings this week

On Friday the financial markets' attention was on the US November inflation. It was 6.8% y/y (core inflation at 4.9% y/y), in line with market expectations (a month earlier it was 6.2% y/y, with core at 4.6% y/y). The US debt market seemed a bit disappointed with the result – 10Y UST yield went down by 3bp to 1.47%, the dollar remained stable. Brent oil price stayed near US\$75 per barrel. Preliminary December reading of Michigan index of consumer confidence was a positive surprise: the sentiment index went up to 70.4 pts (68 expected), current situation index was 74.6 pts (73.5 expected), expectations index was 67.8 pts (62.5 expected). One year-ahead inflation expectations decreased by 0.1pp to 4.9% y/y. In Europe, the UK and Italian industrial output data were a bit of a disappointment (slowing to 1.4% y/y from 2.2% and to 2.0% from 3.0% respectively).

According to RMF radio **Ludwik Kotecki is the most likely Senate candidate to the MPC**. Head of the Senate budget and public finance committee Kazimierz Kleina confirmed on Friday that Kotecki is a potentially very good candidate. RMF also named Jakub Karnowski and Hanna Gronkiewicz-Waltz as possible picks. The term of two MPC members chosen by the Senate, E. Gatnar and J. Kropiwnicki ends on 25 January 2022. Rafał Sura, the third of the current members designated by the Senate, ends his term in November 2022, or sooner if he gets the president's nomination to the National Administrative Court.

**MPC's Cezary Kochalski** said that in late 2023 inflation should be within the band of tolerable deviations from the target and the Council will try in its decisions to balance the official mandate of price stability with a support for balanced growth. **Lukasz Hardt** said in a radio interview that more rate hikes will be needed, with a 50bp hike being the most likely outcome of the January meeting.

**Minutes of the November MPC meeting** confirmed that rate hikes in October and November were aimed at curbing inflation expectations and lowering risk of inflation persistence, while the following decisions will depend on assessment of new information on inflation and business cycle.

**Ministry of Justice Zbigniew Ziobro** in the [interview for Financial Times](#) said that the EU has no right to withhold money for Poland over the rule of law dispute. He announced that he would suggest suspending Poland's payments to the EU budget and blocking EU decisions using veto, if the conflict over the rule of law escalates.

**EURUSD** on Friday was stable near 1.1300 despite important data publications from the US (inflation, Michigan index). In early trading in Asia the exchange rate declined a bit and today opens 1.1285.

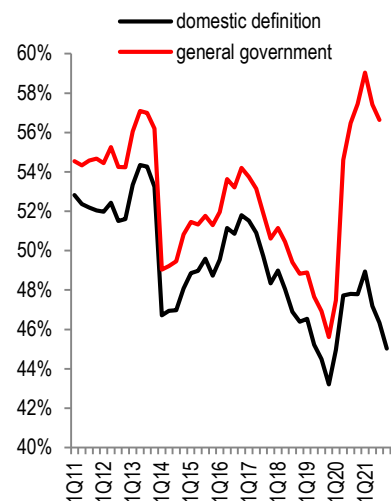
**EURPLN** closed the week increasing to 4.62 to the vicinity of the 50-day moving average. Today in the morning the exchange rate is close to 4.6150. Further EURPLN moves will depend mostly on the global factors and the behaviour of the USD near FOMC meeting.

As for the **other CEE regional currencies**: EURHUF was stable on Friday near 365.5, EURCZK fell 0.3% to 25.32. The November CPI inflation in Czech Republic met expectations at 6.0% y/y after printing 5.8% y/y in the previous month. USDRUB fell 0.9% to 73.4. October trade balance in Russia improved - the surplus stood at \$19.8bn (expected \$18.0bn, previously \$20.0bn).

On the **interest rate market in Poland** the 2Y bond yields did not change much (2.93%), but 10Y bonds lost (yields up to 3.21%). IRS rate also went up, with 2Y rate reaching 3.17% after rising by 18bps in 2 days, 10Y rose to 3.05% after advancing from 2.80% on Wednesday (+25bp in 2 days).

**The Finance Ministry** informed that at the end of 3Q21 the public debt according to the local definition was equal to PLN1160.7bn, i.e. 46.3% of GDP (the ratio fell to the lowest level since the start of the pandemic).

Public debt in relation to GDP, %



Source: Ministry of Finance, Santander

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### FX market

Today's opening			
EURPLN	4.6152	CZKPLN	0.1816
USDPLN	4.0878	HUFPLN*	1.2511
EURUSD	1.1287	RUBPLN	0.0557
CHFPLN	4.4299	NOKPLN	0.4555
GBPPLN	5.4089	DKKPLN	0.6207
USDCNY	6.3625	SEKPLN	0.4503

\*for 100HUF

Last session in the FX market						10/12/2021
	min	max	open	close	fixing	
EURPLN	4.596	4.624	4.601	4.617	4.613	
USDPLN	4.069	4.101	4.073	4.081	4.089	
EURUSD	1.126	1.132	1.129	1.131	-	

### Interest rate market 10/12/2021

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.89	-4
DS0726 (5Y)	3.25	2
DS0432 (10Y)	3.23	10

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.04	10	0.43	-2	-0.51	0
2L	3.18	10	0.86	-3	-0.36	0
3L	3.18	10	1.14	-3	-0.25	0
4L	3.15	8	1.27	-2	-0.18	0
5L	3.12	7	1.35	-1	-0.12	1
8L	3.06	8	1.49	-1	0.02	0
10L	3.06	6	1.56	1	0.12	0

### WIBOR rates

Term	%	Change (bps)
O/N	1.45	3
T/N	1.65	-10
SW	1.78	-1
2W	1.80	-2
1M	1.98	5
3M	2.30	3
6M	2.58	1
1Y	2.78	1

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

Term	%	Change (bps)
1x4	2.60	7
3x6	3.16	12
6x9	3.32	11
9x12	3.26	10
3x9	3.36	10
6x12	3.45	15

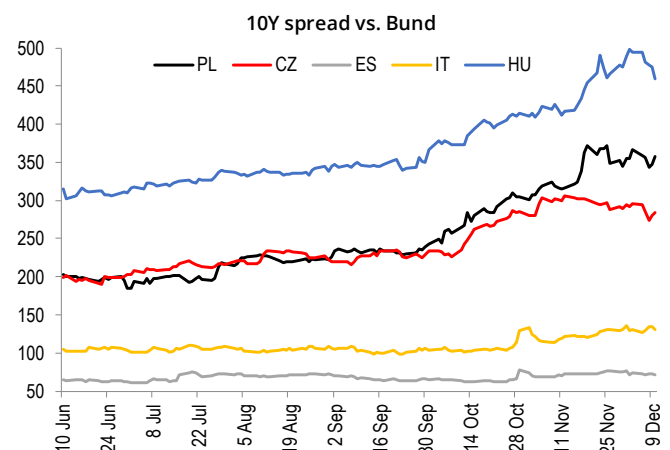
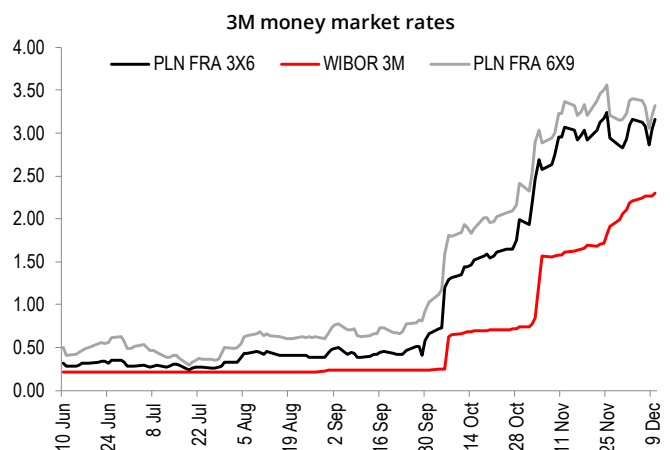
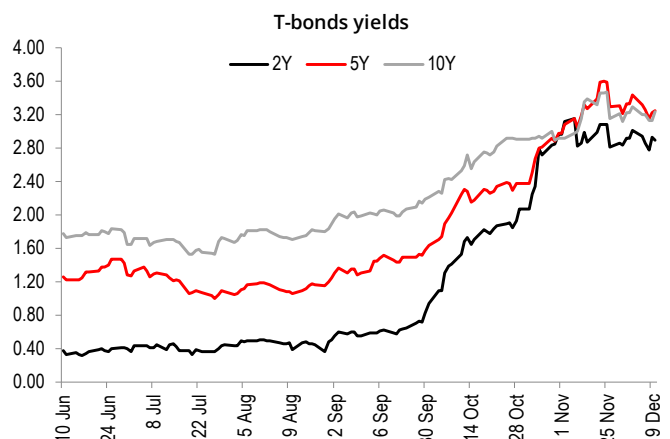
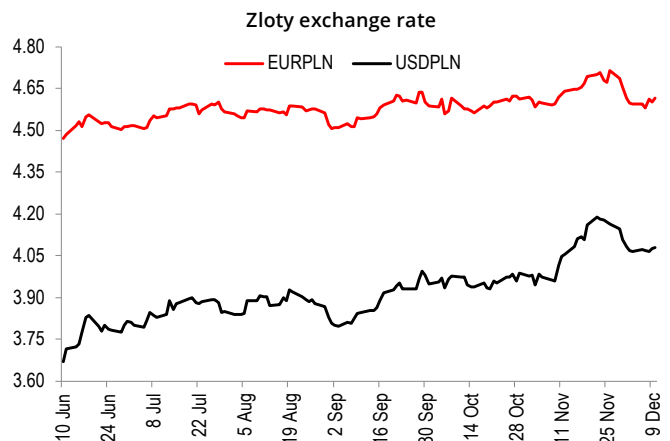
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	55	0	358	10
France	9	0	35	-1
Hungary	56	0	459	-17
Spain	35	0	71	-2
Italy	52	-1	131	-4
Portugal	23	0	66	-1
Ireland	11	0	43	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		
<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	6.0	6.0	5.8
14:30	US	CPI	Nov	% m/m	0.7	0.8	0.9
16:00	US	Michigan index	Dec	pts	68.0	70.4	67.4
<b>TUESDAY (14 December)</b>							
11:00	EZ	Industrial Production SA	Oct	% m/m	1.5	-	-0.2
14:00	HU	Central Bank Rate Decision		%	2.4	-	2.1
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Oct</b>	<b>€mn</b>	<b>-1204.0</b>	<b>-1274.0</b>	<b>-1339.0</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Oct</b>	<b>€mn</b>	<b>112.0</b>	<b>-471.0</b>	<b>-111.0</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Oct</b>	<b>€mn</b>	<b>25526.0</b>	<b>25632.0</b>	<b>24537.0</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Oct</b>	<b>€mn</b>	<b>25351.0</b>	<b>26103.0</b>	<b>24648.0</b>
<b>WEDNESDAY (15 December)</b>							
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Nov</b>	<b>% y/y</b>	<b>7.7</b>	<b>7.7</b>	<b>- 6.8</b>
14:30	US	Retail Sales Advance	Nov	% m/m	0.8	-	1.7
20:00	US	FOMC decision			0.25	-	0.25
<b>THURSDAY (16 December)</b>							
09:30	DE	Germany Manufacturing PMI	Dec	pts	57.3	-	57.4
09:30	DE	Markit Germany Services PMI	Dec	pts	51.8	-	52.7
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	58.1	-	58.4
10:00	EZ	Eurozone Services PMI	Dec	pts	54.9	-	55.9
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>Nov</b>	<b>% y/y</b>	<b>4.7</b>	<b>4.7</b>	<b>- 4.5</b>
14:30	US	Initial Jobless Claims		k		-	184.0
14:30	US	Housing Starts	Nov	% m/m	3.3	-	-0.7
14:30	US	Index Philly Fed	Dec		27.0	-	39.0
15:15	US	Industrial Production	Nov	% m/m	0.7	-	1.6
<b>FRIDAY (17 December)</b>							
10:00	DE	Ifo Business Climate	Dec	pts	95.0	-	96.5
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>Nov</b>	<b>% y/y</b>	<b>0.5</b>	<b>0.5</b>	<b>- 0.5</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>Nov</b>	<b>% y/y</b>	<b>9.0</b>	<b>8.8</b>	<b>- 8.4</b>
11:00	EZ	HICP	Nov	% y/y	4.9	-	4.9

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

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