

Eyeopener

Interest rate hike in Hungary expected today

Calm equity markets, EURUSD slightly lower

EURPLN up to 4.64, bonds gained especially at the short end

Today, interest rate decision in Hungary, balance of payments data in Poland

The week on the equity markets started calmly (daily changes of main indices did not exceed 0.5%), an elevated volatility is expected on Wednesday due to the new US data (retail sales) but mainly the FOMC meeting. Given the relatively stable EURUSD, 10Y UST yield declined by 6bp to 1.44% and Bund yield by 3bp to -0.38%. Brent oil price remained near \$75.0.

On Monday we got to see wholesale prices in Germany in October. The reading at 16.6% y/y (1.3% m/m) was higher than the previous 15.2% y/y (1.6% m/m). The biggest impact stemmed from prices of fuels and metals, but also food products contributed markedly. In Italy the unemployment rate declined to 9.2% from 9.8% previously (expectations at 9.4%). Positive labour market data are a good harbinger from household incomes, consumption and economic growth in Italy.

MPC member Eryk Łon wrote in the article for wGospodarce website that the interest rate cycle in Poland should end at the beginning of 2022, if any rate hike will be still needed at all. Łon is one of the most dovish MPC members and his views do not represent the consensus, in our opinion. NBP president Głapiński said at the press conference last week that if economic outlook does not deteriorate, the current pace of monetary tightening will be maintained.

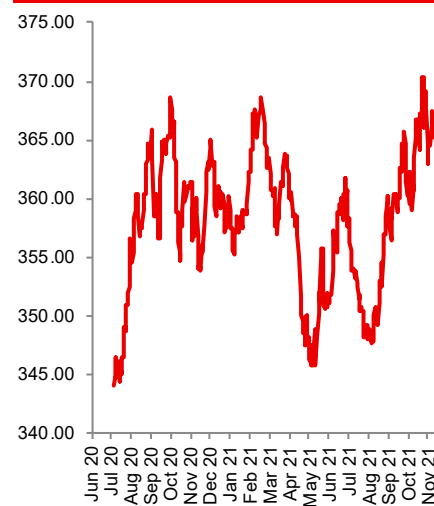
EURUSD continued on Monday its slow descent to around 1.1270. At the end of the day the FX rate rebounded to 1.1285, but returned overnight to 1.1270.

EURPLN started the Monday session by dropping towards 4.61 (from 4.62, equal to the Friday close). In the afternoon the direction changed and the exchange rate reached 4.64 at the end of the day (+0.3%). This session starts at a slightly lower level of c.4.633. The stronger dollar ahead of FOMC is putting negative pressure on the zloty. Another PLN-negative factor is more and more signals from Brussels confirming that it is no longer possible to approve Poland and Hungary's recovery and resilience plans before the end of this year and to make the upfront payment from the recovery fund. EC vice-president Valdis Dombrovskis said yesterday in the European Parliament that the Commission will demand introduction of the indicated judiciary system changes before it approves the first motion for payments of funds to finance the Polish National Recovery Plan.

Other CEE FX: EURHUF rose by 0.4% to 367.4, similar to EURPLN. Today at 1400CET the Hungarian central bank (MNB) decides on rates – a 40bp hike to 2.50% is expected. EURCZK rose temporarily above 25.40 but closed unchanged at 26.35. USDRUB only marginally to 73.55.

On the **interest rate market in Poland** the IRS curve was quite stable, remaining de facto idle at the short end and decreasing only 2bp at the long end (10Y to 3.03%, -2bp). The bond curve also moved slightly lower at the long end (10Y to 3.17%, -3bp) but the short end declined even more (2Y to 2.82%, -9bp). The BGK has cancelled its bond auction planned for December 15.

EURHUF



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.6339	CZKPLN	0.1816
USDPLN	4.1104	HUFPLN*	1.2481
EURUSD	1.1276	RUBPLN	0.0559
CHFPLN	4.4469	NOKPLN	0.4526
GBPPLN	5.4273	DKKPLN	0.6207
USDCNY	6.3630	SEKPLN	0.4508

*for 100HUF

Last session in the FX market						13/12/2021
	min	max	open	close	fixing	
EURPLN	4.601	4.641	4.618	4.637	4.620	
USDPLN	4.081	4.109	4.089	4.105	4.100	
EURUSD	1.126	1.130	1.130	1.130	-	

Interest rate market 13/12/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.81	-8
DS0726 (5Y)	3.21	-3
DS0432 (10Y)	3.21	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.05	0	0.42	-1	-0.52	-1
2L	3.17	-1	0.83	-3	-0.37	-1
3L	3.16	-2	1.09	-4	-0.26	-1
4L	3.13	-2	1.22	-5	-0.19	-1
5L	3.10	-2	1.29	-6	-0.14	-2
8L	3.04	-2	1.43	-7	-0.01	-3
10L	3.03	-3	1.48	-7	0.08	-3

WIBOR rates

Term	%	Change (bps)
O/N	1.48	3
T/N	1.55	-10
SW	1.78	0
2W	1.80	0
1M	1.94	-4
3M	2.31	1
6M	2.60	2
1Y	2.77	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2.80	20
3x6	3.14	-2
6x9	3.31	-1
9x12	3.26	0
3x9	3.35	-1
6x12	3.42	-2

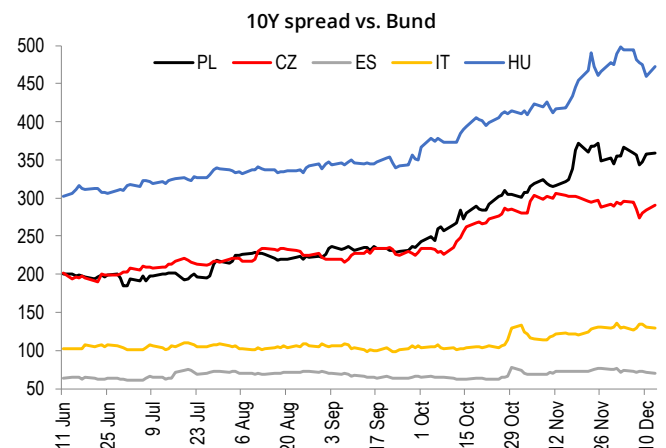
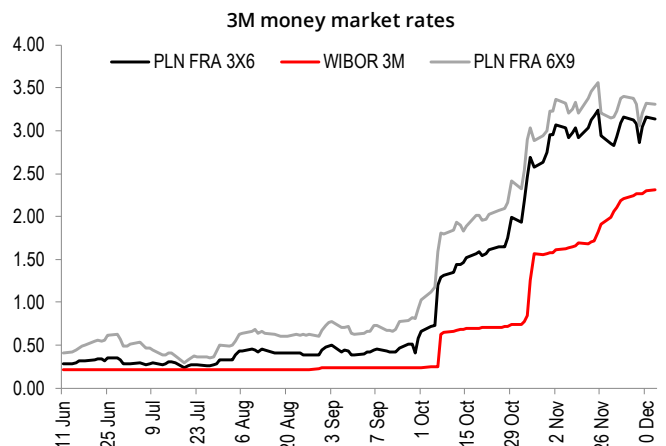
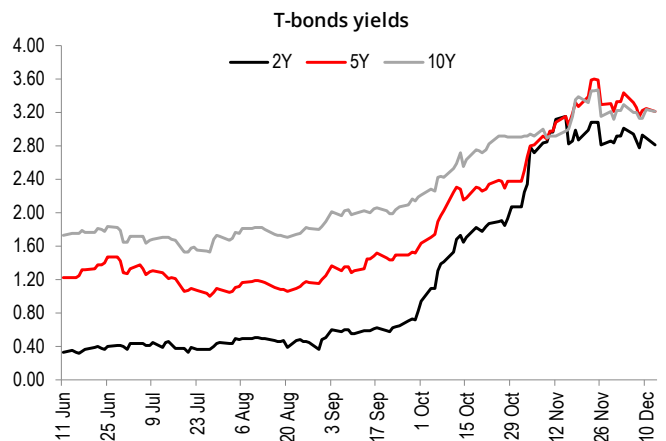
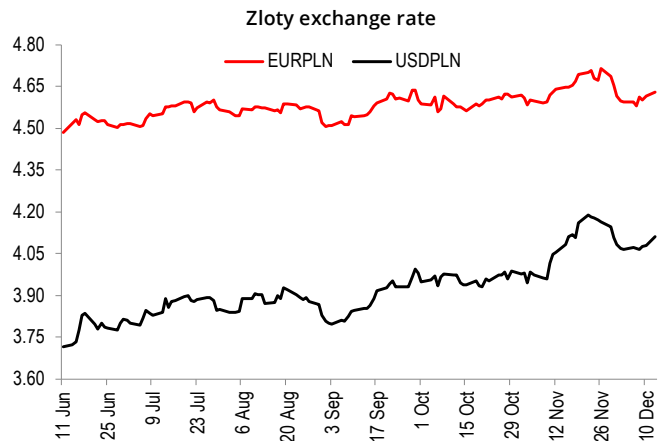
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	-4	359	1
France	9	0	35	0
Hungary	54	-2	472	13
Spain	35	0	70	-1
Italy	51	-1	130	-1
Portugal	23	0	65	-1
Ireland	11	0	41	-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 (10 December)							
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
TUESDAY (14 December)							
11:00	EZ	Industrial Production SA	Oct	% m/m	1.5	-	-0.2
14:00	HU	Central Bank Rate Decision		%	2.4	-	2.1
14:00	PL	Current Account Balance	Oct	€mn	-1204.0	-1274.0	-1339.0
14:00	PL	Trade Balance	Oct	€mn	112.0	-471.0	-111.0
14:00	PL	Exports	Oct	€mn	25526.0	25632.0	24537.0
14:00	PL	Imports	Oct	€mn	25351.0	26103.0	24648.0
WEDNESDAY (15 December)							
10:00	PL	CPI	Nov	% y/y	7.7	7.7	- 6.8
14:30	US	Retail Sales Advance	Nov	% m/m	0.8	-	1.7
20:00	US	FOMC decision			0.25	-	0.25
THURSDAY (16 December)							
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
14:00	PL	CPI Core	Nov	% y/y	4.7	4.7	- 4.5
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
FRIDAY (17 December)							
10:00	DE	Ifo Business Climate	Dec	pts	95.0	-	96.5
10:00	PL	Employment in corporate sector	Nov	% y/y	0.5	0.5	- 0.5
10:00	PL	Average Gross Wages	Nov	% y/y	9.0	8.8	- 8.4
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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