

# Eyeopener

## FOMC decision day

EURUSD slightly lower, 10Y UST yield higher after PPI data  
 EURPLN slightly lower, bond yields increased  
 Polish current account deficit higher than expected again  
 Today, CPI inflation in Poland, FOMC meeting and retail sales in the US

On Tuesday financial markets were awaiting the main event of the week – today's FOMC meeting. 10Y UST yield rose by 4bp to 1.46% and 10Y Bund by 2bp to -0.36%. Such behaviour was caused, among other, by November US PPI surprising to the upside once again (9.6% y/y after 8.6% in October and 9.2% market expectations). On Tuesday higher-than-expected inflation prints were also seen in India (November WPI at 14.2% y/y) and in Sweden (November CPI at 3.6% y/y) and today in the UK (CPI 5.1% y/y). Eurozone industrial output slowed down in October to 3.0% y/y from 5.2%.

**International Monetary Fund** sees Polish GDP growth at 5.2% in 2021 and 4.5% in 2022. According to the Fund monetary policy tightening should continue and fiscal policy should become less expansive after the pandemic due to the risk of overheating of the economy. IMF thinks also that there should be a plan how the NBP wants to manage the purchased bonds.

**Current account deficit** reached EUR1.8bn in October, somewhat more than we expected (EUR1.3bn). Both export and import were below our forecasts, with the former advancing by 6.6% y/y and the latter by 20.4% y/y. Especially export proved disappointing, as it was dragged lower by disruptions in the car industry, while imports were propped up by high prices of imported commodities, especially oil, gas, metals and chemicals. 12M current account turned negative to -0.2% of GDP after a rapid deterioration from +2.9% of GDP in December 2020. We are expecting this ratio to go further down, but at a moderate pace.

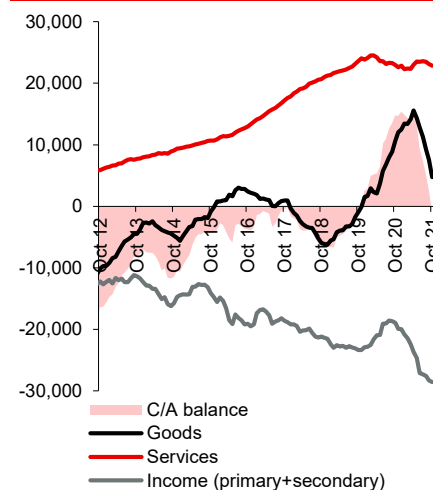
**EURUSD** on Tuesday was quite volatile intraday, hitting 1.1265 and then moving to 1.1320 (the daily range was 0.5%), which had to do with the higher-than-expected reading of US PPI. At the end of the day the FX rate was at 1.1280, marginally below the opening level and this morning it is still in the same place.

**EURPLN** dropped on Tuesday by 0.3% to 4.6330. Month-to-date the exchange rate is already down 0.6% - so far its behaviour fits the historical pattern (in most of years the zloty gained in December). Today detailed Polish CPI data may cast some light on the potential actions by the MPC in the coming months, but the evening Fed decision and its impact on global market sentiment will be more important.

As for the **other regional currencies**, the Hungarian central bank (MNB) has increased interest rates by 30bp to 2.40% (slightly less than market expected at 2.50%). EURHUF anticipating the move had risen on Monday by 0.5% to 368.0 however on Tuesday post the decision declined by the same amount and closed at 366.0. Hungary is one of the first countries globally to issue green "panda bond" with a notional of CNY 1-3bn, tenor 3Y and 3.0-3.5% coupon. EURCZK on Tuesday fell by 0.3%, MTD the fall stands at 0.8% already. Two factors might have contributed to the move. October current account data showed a noticeable improvement (to CZK -3.7bn from CZK -12.0bn a month before). Also CNB's Governor Jiri Rusnok said that in 2022 he expects rates "closer to 4% than 3%" and that one more 50bp interest rate hike might be needed in December (the CNB decides on rates at 22th of December). Current CNB rate stands at 2.75%. USDRUB was stable near 73.50.

On the **Polish fixed income market** the bond yield curve moved higher, by most in the belly (5Y up 10bp to 3.29%), less so on the wings - 2Y and 10Y up by 3bp and 5bp, respectively. IRS curve moved higher 5bp in a parallel fashion.

Current account balance and its components, 12M moving sum, EURm



Source: NBP, Santander

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### FX market

Today's opening			
EURPLN	4.6209	CZKPLN	0.1816
USDPLN	4.1000	HUFPLN*	1.2507
EURUSD	1.1268	RUBPLN	0.0555
CHFPLN	4.4399	NOKPLN	0.4504
GBPPLN	5.4299	DKKPLN	0.6207
USDCNY	6.3637	SEKPLN	0.4490

\*for 100HUF

Last session in the FX market						14/12/2021
	min	max	open	close	fixing	
EURPLN	4.622	4.645	4.640	4.623	4.644	
USDPLN	4.087	4.119	4.114	4.103	4.109	
EURUSD	1.126	1.133	1.128	1.127	-	

### Interest rate market 14/12/2021

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.83	2
DS0726 (5Y)	3.35	14
DS0432 (10Y)	3.20	-1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.07	2	0.44	2	-0.51	1
2L	3.23	6	0.85	2	-0.36	1
3L	3.22	6	1.11	1	-0.25	1
4L	3.19	6	1.24	2	-0.18	1
5L	3.17	7	1.31	3	-0.13	1
8L	3.10	6	1.45	3	0.00	2
10L	3.09	6	1.51	2	0.09	1

### WIBOR rates

Term	%	Change (bps)
O/N	1.41	-7
T/N	1.54	-1
SW	1.78	0
2W	1.80	0
1M	1.93	-1
3M	2.32	1
6M	2.60	0
1Y	2.79	2

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

Term	%	Change (bps)
1x4	2.80	0
3x6	3.17	3
6x9	3.34	4
9x12	3.31	5
3x9	3.37	2
6x12	3.47	5

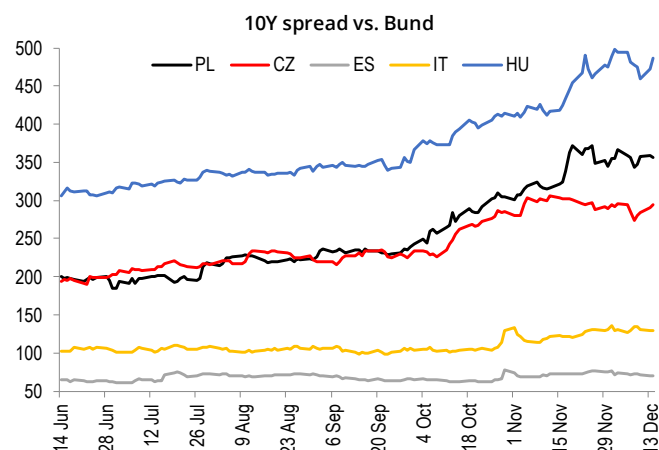
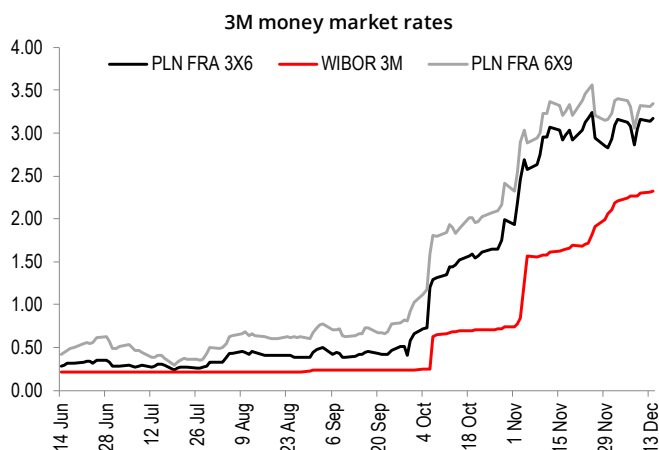
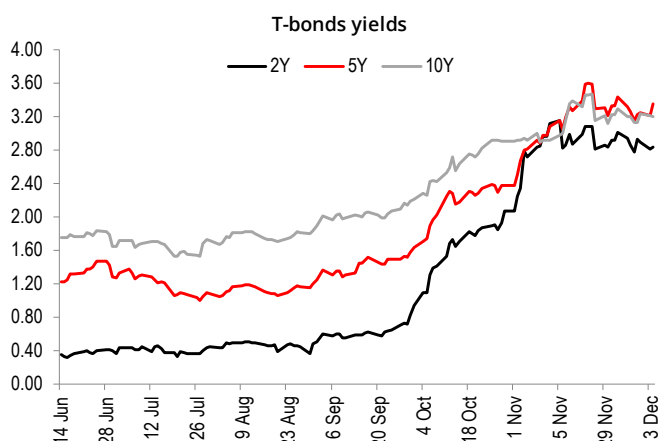
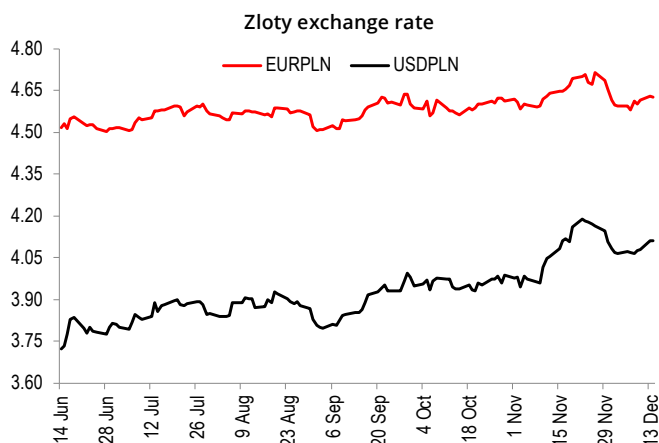
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	51	0	356	-3
France	9	0	35	0
Hungary	53	0	487	15
Spain	35	0	70	0
Italy	51	1	129	-1
Portugal	23	0	63	-2
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 (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	1.2	1.1	-0.2
14:00	HU	Central Bank Rate Decision		%	2.5	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>-1791.0</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>-822.0</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>24982.0</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>25804.0</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>-</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>-</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>-</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>-</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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