

22 December 2021

## Eyeopener

### Strong data for November

Construction output and retail sales well above forecasts in November  
 EURUSD still without a clear trend  
 Zloty supported by strong data and expected rate hikes  
 Polish yields higher again, this time in line with core markets  
 Today money supply in Poland, interest rate decision in Czechia

On Tuesday there was a significant increase in the core market yields: 10Y UST by 10bp to 1.48% while Bund by 6bp to -0.31%. Equity markets have rebounded from Monday losses, similarly oil which price increased by 3% yesterday. EURUSD was stable - still near 1.13 - and it is difficult to find a clear trend in its December moves. European newsflow was dominated by Omicron virus spread, but also by the fact that Russia ceased to supply gas to Germany via the Jamal gas-pipe. The CEE currencies reacted neither to the earlier huge selloff of Turkish lira since mid-December nor to its abrupt strengthening yesterday.

**Retail sales** in constant prices rose in Poland by 12.1% y/y in November against market consensus at 8.2% and our estimate of 9.1%. It seems the high inflation environment is not forcing households to cut volumes of purchased goods but instead makes them spend more on assumption that prices would only rise. The strong income situation allows for such results. **Construction output** surged in November 12.7% y/y (or 10.9% y/y s.a.), twice as much as expected, joining the streak of data beating market expectations. Given the strength of November data on economic activity, the GDP growth in 4Q21 is likely to surprise to the upside (our forecast 6.6% y/y, market consensus 5.8%). **Housing market** was still in high activity mode, albeit our gauge of ongoing projects fell for the first time in more than a year. More in [Economic Comment](#).

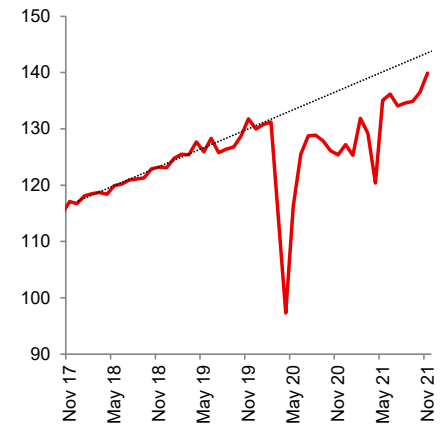
**EURUSD** remained in a narrow range near 1.13 which holds since the start of the month. Today's session starts with a slight downward trend - the exchange rate opened near 1.1270.

**EURPLN** tried to break 4.64 but the move proved to be too weak - similar to the Monday one. EURPLN closed at 4.62, almost 1 figure below the day earlier.

As to the **other regional currencies**: EURCZK was on Tuesday stable near 25.23. Today CNB rate decision, market expects a 75bp interest rate hike. In Hungary, the C/A deficit increased from EUR 600m in 2Q21 to EUR 2263m in 3Q21, wider than expected EUR 1900m deficit. Despite that EURHUF has not changed since the start of the day however it was pretty volatile intraday touching both 368.5 and 367.5 (the latter at close). USDRUB returned to 74.0 (stronger RUB vs USD by 0.4%).

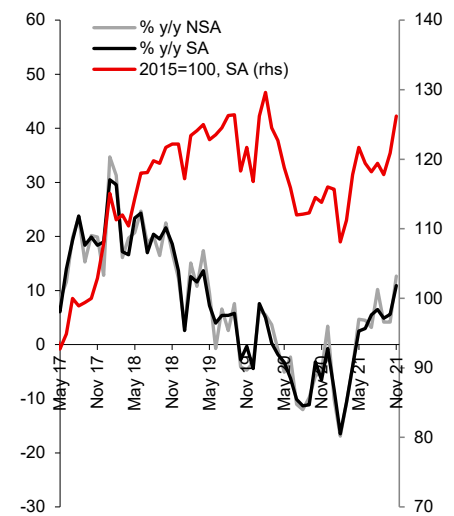
On the **domestic interest rate market**, the bond curve having risen a lot on Monday did not see any correction of the move. It increased even more on Tuesday, but less than on the day before (5-11bp, the least on the short end, the most on the belly). The IRS curve deepened the inversion to more than 30bp: 2Y rate went up by 14bp to 3.72% while 10Y rose by only 3bp to 3.40%. Amid more strong Polish data releases FRA rates also increased, by a dozen or so bp.

Retail sales in Poland (s.a. volume vs trend)



Source: GUS, Santander

Construction output



Source: GUS, Santander

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### FX market

Today's opening			
EURPLN	4.6229	CZKPLN	0.1829
USDPLN	4.1041	HUFPLN*	1.2573
EURUSD	1.1264	RUBPLN	0.0556
CHFPLN	4.4355	NOKPLN	0.4578
GBPPLN	5.4349	DKKPLN	0.6213
USDCNY	6.3713	SEKPLN	0.4479

\*for 100HUF

Last session in the FX market						21/12/2021
	min	max	open	close	fixing	
EURPLN	4.617	4.638	4.623	4.619	4.624	
USDPLN	4.086	4.107	4.097	4.098	4.094	
EURUSD	1.126	1.130	1.128	1.127	-	

### Interest rate market 21/12/2021

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.17	7
DS0726 (5Y)	3.75	19
DS0432 (10Y)	3.46	13

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.48	11	0.51	2	-0.52	1
2L	3.72	14	0.90	3	-0.35	3
3L	3.69	12	1.12	3	-0.23	3
4L	3.64	9	1.25	5	-0.15	3
5L	3.59	7	1.31	5	-0.09	4
8L	3.43	2	1.46	4	0.07	5
10L	3.40	0	1.54	5	0.18	6

### WIBOR rates

Term	%	Change (bps)
O/N	1.47	3
T/N	1.53	-2
SW	1.79	0
2W	1.80	0
1M	1.95	1
3M	2.40	3
6M	2.64	2
1Y	2.89	4

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

Term	%	Change (bps)
1x4	3.05	11
3x6	3.59	15
6x9	3.88	16
9x12	3.84	10
3x9	3.94	24
6x12	4.09	19

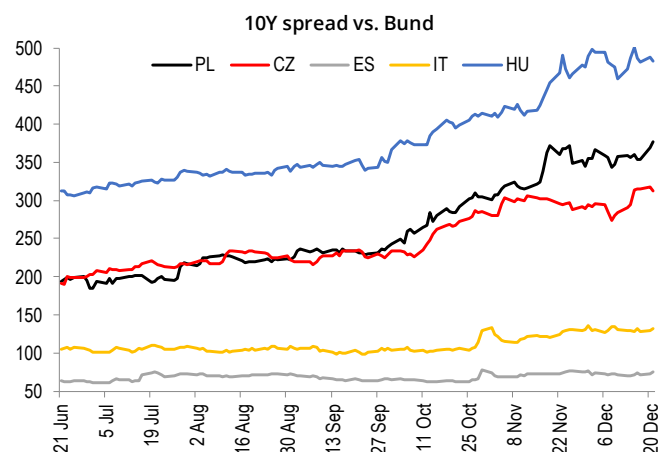
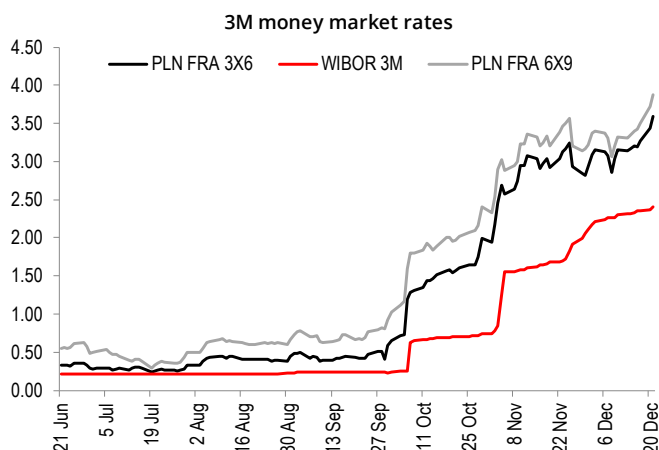
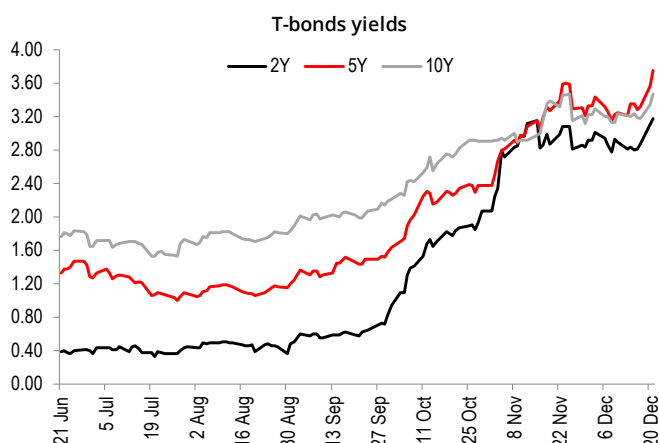
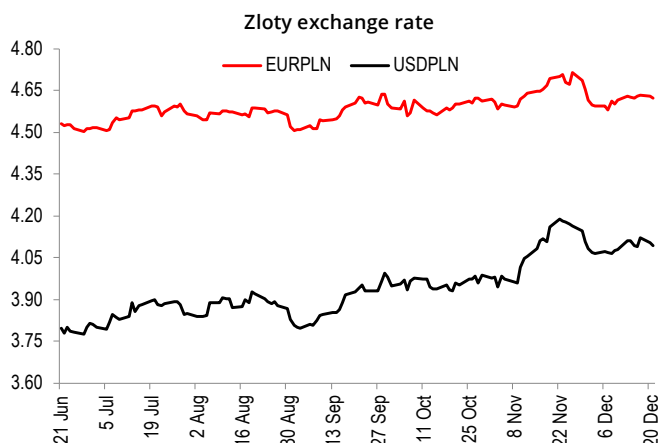
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	377	7
France	9	0	36	1
Hungary	50	0	483	-5
Spain	35	0	75	3
Italy	51	1	132	2
Portugal	23	0	65	2
Ireland	10	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 (17 December)</b>								
10:00	DE	IFO Business Climate	Dec	pts	95.3		94.7	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>0.7</b>	<b>0.7</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>8.9</b>	<b>4.9</b>	<b>9.8</b>	<b>8.4</b>
11:00	EZ	HICP	Nov	% y/y	4.9		4.9	4.1
<b>MONDAY (20 December)</b>								
<b>10:00</b>	<b>PL</b>	<b>Sold Industrial Output</b>	<b>Nov</b>	<b>% y/y</b>	<b>8.8</b>	<b>7.2</b>	<b>15.2</b>	<b>7.8</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>Nov</b>	<b>% y/y</b>	<b>12.9</b>	<b>13.3</b>	<b>13.2</b>	<b>12.0</b>
<b>TUESDAY (21 December)</b>								
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>Nov</b>	<b>% y/y</b>	<b>6.0</b>	<b>5.4</b>	<b>12.7</b>	<b>4.2</b>
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Nov</b>	<b>% y/y</b>	<b>8.2</b>	<b>9.1</b>	<b>12.1</b>	<b>6.9</b>
<b>WEDNESDAY (22 December)</b>								
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Nov</b>	<b>% y/y</b>			-	<b>8.6</b>
14:30	US	GDP Annualized	3Q	% Q/Q	2.1		-	2.1
14:30	CZ	Central Bank Rate Decision	Dec/21		3.5		-	2.75
16:00	US	Consumer Conference Board	Dec	pts	110.6		-	109.5
16:00	US	Existing Home Sales	Nov	% m/m	2.8		-	0.8
<b>THURSDAY (23 December)</b>								
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Nov</b>	<b>%</b>	<b>5.4</b>	<b>5.4</b>	-	<b>5.5</b>
14:30	US	Durable Goods Orders	Nov	% m/m	2.0		-	-0.4
14:30	US	Initial Jobless Claims	Dec/21	k			-	206.0
14:30	US	Personal Spending	Nov	% m/m	0.5		-	1.3
14:30	US	Personal Income	Nov	% m/m	0.5		-	0.5
14:30	US	PCE Deflator SA	Nov	% m/m	0.6		-	0.6
16:00	US	Michigan index	Dec	pts	70.4		-	70.4
16:00	US	New Home Sales	Nov	% m/m	3.2		-	0.4
<b>MONDAY (27 December)</b>								
	DE	Retail Sales	Nov	% m/m			-	-0.3
16:00	US	Pending Home Sales	Nov	% m/m			-	7.5

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

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