

4 January 2022

Eyeopener

Strong PMIs in Poland and CEE region

Clear improvement in December PMIs in CEE region
 EURUSD returned to 1.13, zloty gained more than in previous days
 Core markets increased significantly
 Today, MPC decision, US manufacturing ISM

The first session of 2022 was marked by solid rise of stock indexes (in Europe by around 1%), the return of EURUSD to 1.13 and significantly higher core bond market yields (10Y UST up by more than 10bp, Bund by more than 5bp). Albeit the German manufacturing PMI for December was corrected lower in the final reading, to 57.4 pts from 57.9 pts, the report signalled a further increase of uncovered demand, the quick building of safety stocks and growing optimism of companies about activity in the next 12 months. French manufacturing PMI was upgraded significantly vs. the flash reading and the Eurozone one remained at 58.0 pts indicated in the flash release. The Chinese manufacturing PMI released this night beat expectations and rose to 50.9 pts, the highest since June. German retail sales for November were also above expectations. Today OPEC+ meets and is likely to announce an increase of daily output by 400k barrels, in line with the plan, which should be neutral for the market.

PMI in Polish manufacturing climbed to 56.1pts from 54.4pts beating expectations (54.0pts) and climbing to the highest level since July. The gauge was lifted by stronger new orders and output subindices. New export orders subindex rose above 50.0pts for the first time in four months. However, supply-side challenges translated into safety stock-building, longer delivery times and output prices. Still, companies remained sanguine and expect output and new orders to remain elevated in the months to come.

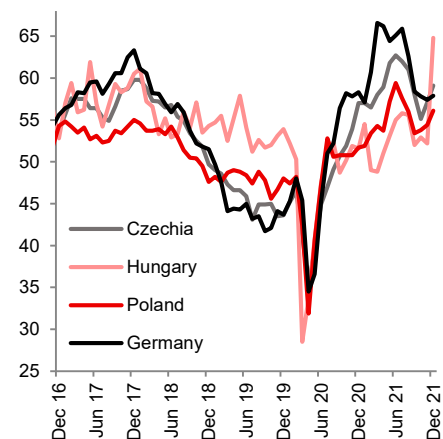
EURUSD went down by 0.7% in a quick move to 1.13, more or less middle of the December trading range. Today the pair starts close to 1.1291.

EURPLN recorded another downward session in a row with yesterday's daily move (to 4.575 from 4.59) stronger than previous slow drift. The strong PMI in Poland fit the market's expectations for a major rate hike in Poland today. In our view the market is pricing-in more than +50bp expected by analysts, so a result in line with the consensus can prove disappointing and trigger a EURPLN correction.

As for the **CEE regional currencies**, EURCZK remained in a downtrend and reached lowest levels since 2012 - close 24.83. Czech PMI manufacturing increased by a solid 2pp to 59.1 (above the 3 previous readings). EURHUF moved lower by 0.7% (to 366.8 from 369.5) and by this tried to stop the uptrend which has been in place since September and which brought the EURHUF to highest historical level at the end of 2021. Hungarian PMI manufacturing has increased by most in history (in m/m terms, by 12.6pp) and printed a record high at 64.8, mostly thanks to new order stream. The rouble strengthening which took place yesterday was stronger in the morning 1% than in the afternoon 0.3% (USDRUB fell to 74.8 from 75.0 at the end of 2021).

The **Polish interest rate market** has seen a major yield rise and yesterday 3-8bp were added - a relatively small move compared to the rebound on the core markets. The IRS curve shifted up by 3bp. The significant upward push to the inflation outlook due to the energy market regulator decisions on electricity and gas prices for households as well as the surprisingly strong batch of macroeconomic data for November and the unexpected strong rise of manufacturing PMI in December all fuelled market expectations for further decisive monetary policy tightening. The **MPC holds a meeting today** - we and the market consensus expect a 50bp rate hike. This meeting was originally scheduled for 12 January 2022, i.e. after the December flash CPI release coming this Friday, but has been moved to 4 January. NBP announced that the press conference of the central bank governor Adam Glapiński following the MPC meeting will be held on Wednesday at 15:00CET.

Manufacturing PMIs: CEE and Germany, pts



Source: Markit, Santander

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FX market

Today's opening

EURPLN	4.5768	CZKPLN	0.1840
USDPLN	4.0542	HUFPLN*	1.2362
EURUSD	1.1288	RUBPLN	0.0543
CHFPLN	4.4097	NOKPLN	0.4563
GBPPLN	5.4551	DKKPLN	0.6148
USDCNY	6.3753	SEKPLN	0.4444

*for 100HUF

Last session in the FX market

03/01/2022

	min	max	open	close	fixing
EURPLN	4.572	4.592	4.588	4.574	4.589
USDPLN	4.034	4.058	4.047	4.051	4.042
EURUSD	1.128	1.137	1.134	1.129	-

Interest rate market 03/01/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.44	9
DS0726 (5Y)	4.01	2
DS0432 (10Y)	3.78	8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.73	4	0.55	2	-0.50	1
2L	3.96	3	0.98	3	-0.28	2
3L	3.93	3	1.21	3	-0.12	3
4L	3.85	3	1.34	7	-0.02	3
5L	3.78	2	1.44	9	0.05	3
8L	3.62	3	1.61	11	0.22	4
10L	3.58	3	1.67	12	0.34	4

WIBOR rates

Term	%	Change (bps)
O/N	1.56	-7
T/N	1.73	-1
SW	2.22	13
2W	2.25	7
1M	2.27	4
3M	2.56	2
6M	2.87	3
1Y	3.16	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.22	0
3x6	3.87	-2
6x9	4.12	0
9x12	4.11	5
3x9	4.21	6
6x12	4.41	9

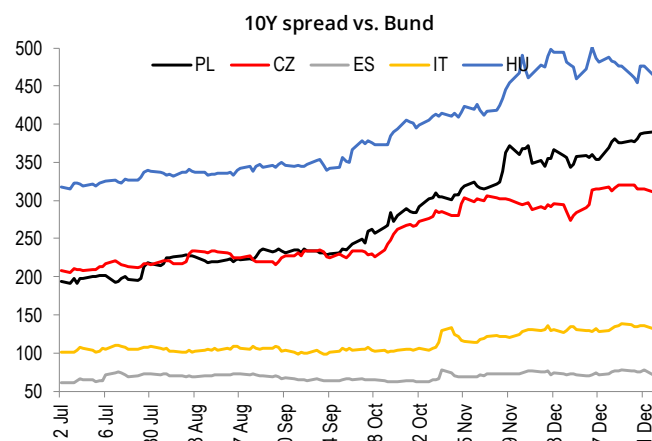
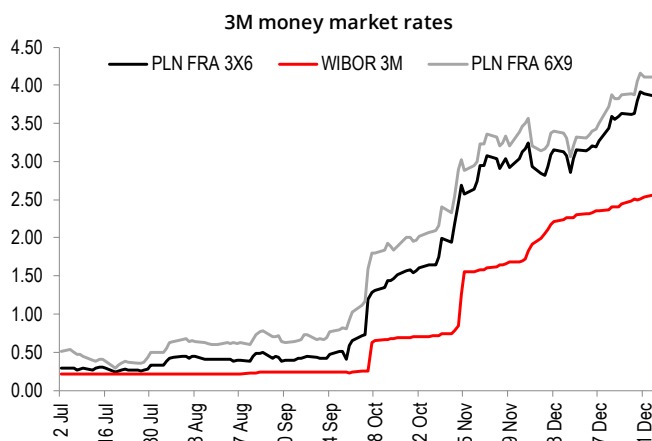
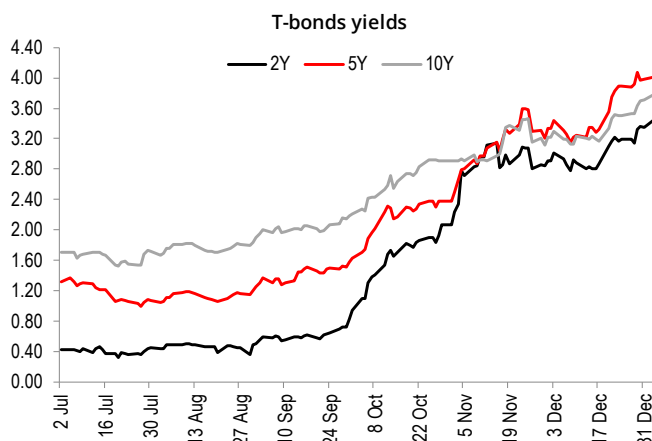
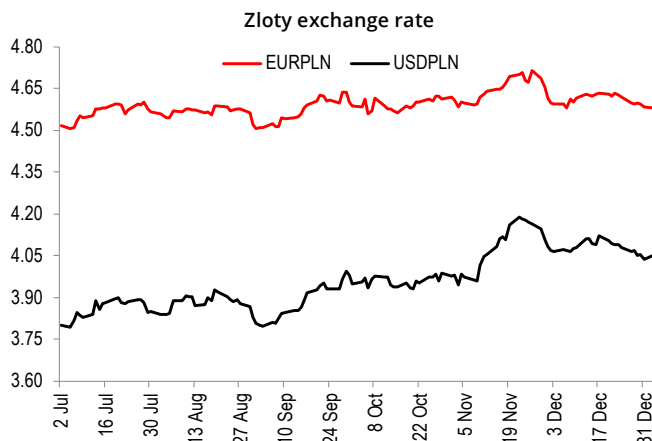
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	41	0	391	2
France	9	0	36	-1
Hungary	48	0	465	-11
Spain	35	0	72	-6
Italy	52	0	132	-4
Portugal	22	0	64	-3
Ireland	10	0	40	-3
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				
MONDAY (3 January)									
09:00	PL	Poland Manufacturing PMI	Dec	pts	54.0	54.0	56.1	54.4	
09:55	DE	Germany Manufacturing PMI	Dec	pts	57.9		57.4	57.4	
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	58.0		58.0	58.4	
TUESDAY (4 January)									
	PL	MPC decision		%	2.25	2.25	-	1.75	
08:00	DE	Retail Sales	Nov	% m/m	-0.5		0.6	0.1	
16:00	US	ISM manufacturing	Dec	pts	60.25		-	61.1	
WEDNESDAY (5 January)									
09:55	DE	Markit Germany Services PMI	Dec	pts	48.4		-	48.4	
10:00	EZ	Eurozone Services PMI	Dec	pts	53.3		-	53.3	
14:15	US	ADP report	Dec	k	385.0		-	534.1	
15:00	PL	NBP governor press conference							
20:00	US	FOMC Meeting Minutes	Dec/21						
THURSDAY (6 January)									
	PL	Public holiday							
02:45	CN	Caixin China PMI Services	Dec	pts	51.85		-	52.1	
08:00	DE	Factory Orders	Nov	% m/m	2.4		-	-6.9	
14:00	DE	HICP	Dec	% m/m	0.2		-	0.3	
14:30	US	Initial Jobless Claims		k	206.0		-	205.0	
16:00	US	Durable Goods Orders	Nov	% m/m	0.0		-	2.5	
16:00	US	ISM services	Dec	pts	07/03/1900.0		-	69.1	
16:00	US	Factory Orders	Nov	% m/m	1.5		-	1.0	
FRIDAY (7 January)									
08:00	DE	Exports SA	Nov	% m/m	0.4		-	4.2	
08:00	DE	Industrial Production SA	Nov	% m/m	1.0		-	2.8	
09:00	CZ	GDP SA	3Q	% y/y	3.1		-	3.1	
09:00	CZ	Industrial Production	Nov	% y/y	-0.5		-	-7.4	
09:00	HU	Industrial Production SA	Nov	% y/y	-1.4		-	-2.7	
10:00	PL	CPI flash	Dec	% y/y	8.1	8.3	-	7.8	
11:00	EZ	Flash HICP	Dec	% y/y	4.7		-	4.9	
11:00	EZ	Retail Sales	Nov	% m/m	-0.5		-	0.2	
11:00	EZ	ESI	Dec	pct.	116.2		-	117.5	
14:30	US	Change in Nonfarm Payrolls	Dec	k	400.0		-	210.0	
14:30	US	Unemployment Rate	Dec	%	4.1		-	4.2	

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

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