

11 January 2022

## Eyeopener

### Higher yields undermine the stock market

Weaker equity market moods given higher bond yields  
 EURUSD lower ahead of Wednesday inflation in the USA  
 EURPLN at 4.54 on Monday  
 Domestic bonds lose at the longer end  
 No important data today, Jerome Powell's testimony

On Monday, after the week-long declines in the stock markets (S&P down -2.2%), the drop even accelerated yesterday and the main US index was already 4.2% below the level at which it ended 2021, currently near 4600. One more time among the main reasons for selloff was a rise in core market bond yields – 10Y UST reached 1.80% and Bund -0.03%. Dollar gained slightly (EURUSD lower by 0.3%) and Brent crude oil was stable near \$81 p/b.

Unemployment rate in the euro zone fell in November to 7.2% from 7.3%, in line with expectations. In Italy jobless rate fell to 9.2% from 9.4%. The Sentix index of consumer confidence improved (to 14.9 from 13.5). In the US, inventories increased more than expected in November, which raises probability of this component's higher contribution to GDP growth in 4Q21. NY Fed's inflation expectations gauge did not change and reached almost 6%. Today Fed president Jerome Powell will speak in the US Senate, which potentially may bring some more comments about monetary policy outlook.

On Monday there were **1.13mn new Covid cases registered in the USA**, the highest number since the beginning of the pandemic. Hospitalisations were also record high. In China, the third city has already been closed due to spotting of the omicron variant. Global growth of infections will have negative, but possibly short-term consequences for the economic outlook.

**EURUSD** ended 2021 and the first week of 2022 at the same level of 1.1360. On Monday the dollar was temporarily stronger, reaching 1.1290 at some point (-0.7%), but eventually gained only 0.4% (1.1320). The key release for the dollar this week is the US inflation print for December due on Wednesday.

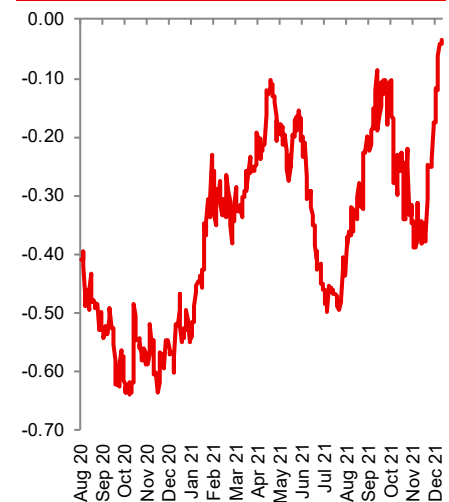
**EURPLN** started the second week of the year from a decline to 4.53, but in the second part of the day the exchange rate moved up on worse global market sentiment and closed at 4.54, 1.1% below the closing level of 2021.

**Other CEE FX:** EURHUF did not change much and spent the day between 357.5 and 359.5 with closing level at 358.5. Preliminary November trade balance reading showed a EUR81mn surplus (vs. -EUR302mn previously), the first one after four months of deficits. EURCZK moved a tad lower to 24.36 (down 2.1% year-to-date). USDRUB stayed around 75.3.

**On the Polish fixed income markets** the bond yield curve slightly bear steepened: 2Y was unchanged at 3.63% while 10Y moved higher to 4.05%. As for the IRS curve 2Y was stable near 4.13%, the 10Y moved 5bp higher to 3.98%. 10Y asset swap stands at 7bp, the 10Y spread vs Bund remains at an elevated level of 408bp.

Ministry of Finance announced that as of the end of 2021 **the borrowing needs for 2022 have been covered already in 46%**. Moreover, in 2022 MF will send to the market PLN119bn (in January just PLN 0.9bn in form of bond coupons). The 2022 redemptions stand at PLN142.5bn. The average duration of PLN-denominated debt stood at 4.16 years, while the total debt at 4.75 years.

Bund yield almost at 0%



Source: GUS, Santander

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### FX market

Today's opening			
EURPLN	4.5412	CZKPLN	0.1861
USDPLN	4.0036	HUFPLN*	1.2653
EURUSD	1.1342	RUBPLN	0.0535
CHFPLN	4.3233	NOKPLN	0.4524
GBPPLN	5.4392	DKKPLN	0.6104
USDCNY	6.3719	SEKPLN	0.4405

\*for 100HUF

Last session in the FX market					10/01/2022
	min	max	open	close	fixing
EURPLN	4.527	4.548	4.544	4.541	4.538
USDPLN	3.995	4.022	4.009	4.008	4.006
EURUSD	1.128	1.134	1.133	1.133	-

### Interest rate market 10/01/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.60	-2
DS0726 (5Y)	4.10	-1
DS0432 (10Y)	4.09	5

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.89	2	0.64	3	-0.49	0
2L	4.13	0	1.10	4	-0.26	1
3L	4.14	0	1.37	3	-0.10	0
4L	4.10	0	1.52	3	0.01	1
5L	4.06	0	1.61	2	0.09	1
8L	3.96	2	1.75	-1	0.27	1
10L	3.98	4	1.82	0	0.39	1

### WIBOR rates

Term	%	Change (bps)
O/N	1.95	-5
T/N	2.21	-2
SW	2.29	1
2W	2.29	0
1M	2.35	1
3M	2.69	6
6M	3.04	6
1Y	3.33	6

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

Term	%	Change (bps)
1x4	3.15	2
3x6	4.02	-1
6x9	4.32	-1
9x12	4.30	0
3x9	4.34	3
6x12	4.52	-6

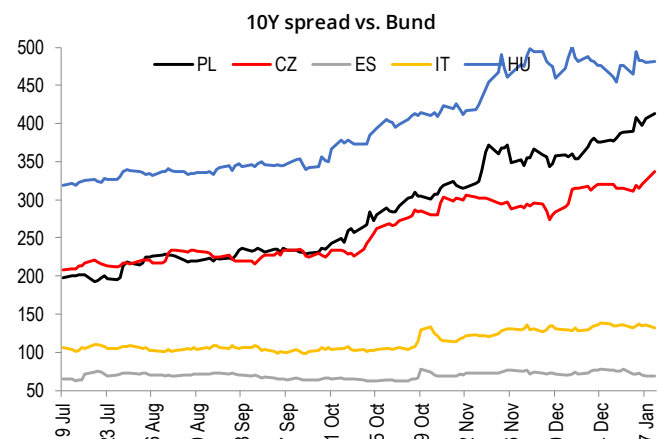
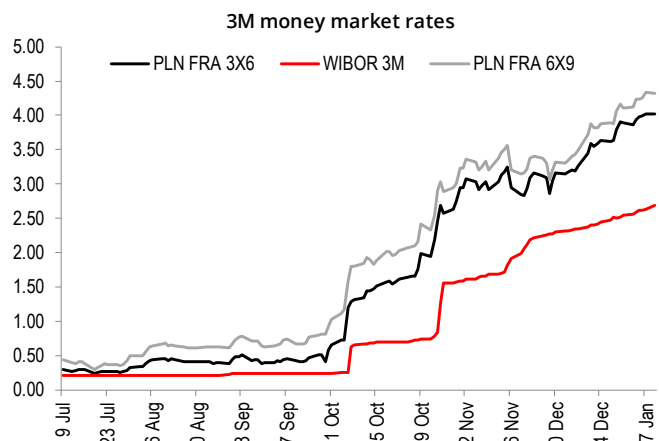
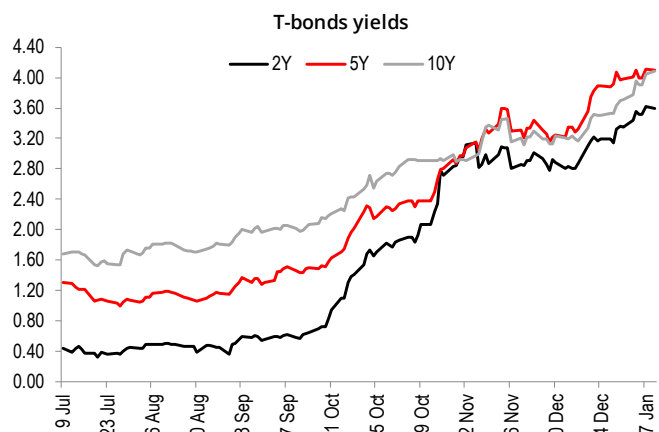
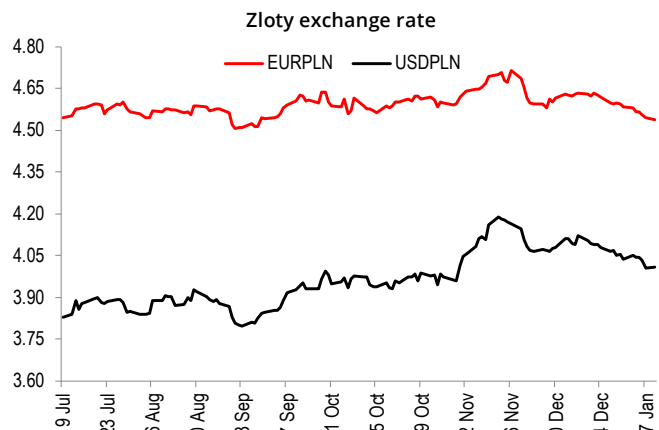
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	41	0	413	6
France	9	0	32	0
Hungary	48	0	482	2
Spain	32	0	69	0
Italy	49	-1	132	-3
Portugal	22	0	62	-1
Ireland	10	0	40	0
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>THURSDAY (6 January)</b>							
02:45	CN	Caixin China PMI Services	Dec	pts	51.7	53.1	52.1
08:00	DE	Factory Orders	Nov	% m/m	2.3	3.7	-6.9
14:00	DE	HICP	Dec	% m/m	0.2	0.3	0.3
14:30	US	Initial Jobless Claims	Jan.22	k	195	207	200
16:00	US	Durable Goods Orders	Nov	% m/m	2.5	2.6	2.5
16:00	US	ISM services	Dec	pts	67.0	62.0	69.1
16:00	US	Factory Orders	Nov	% m/m	1.5	1.6	1.2
<b>FRIDAY (7 January)</b>							
08:00	DE	Exports SA	Nov	% m/m	-0.2	1.7	4.2
08:00	DE	Industrial Production SA	Nov	% m/m	1.0	-0.2	2.8
09:00	CZ	GDP SA	3Q	% y/y	3.1	3.3	3.1
09:00	CZ	Industrial Production	Nov	% y/y	-0.6	1.6	-4.9
09:00	HU	Industrial Production SA	Nov	% y/y	-1.7	2.6	-3.4
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Dec</b>	<b>% y/y</b>	<b>8.3</b>	<b>8.3</b>	<b>8.6</b>
11:00	EZ	Flash HICP	Dec	% y/y	4.8	5.0	4.9
11:00	EZ	Retail Sales	Nov	% m/m	-0.5	1.0	0.3
11:00	EZ	ESI	Dec	pct.	116.1	115.3	117.6
14:30	US	Change in Nonfarm Payrolls	Dec	k	424	199	249
14:30	US	Unemployment Rate	Dec	%	4.1	3.9	4.2
<b>MONDAY (10 January)</b>							
11:00	EZ	Unemployment Rate	Nov	%	7.2	7.2	7.3
<b>WEDNESDAY (12 January)</b>							
09:00	CZ	CPI	Dec	% y/y	0.0	-	6.0
11:00	EZ	Industrial Production SA	Nov	% m/m	-	-	1.1
14:30	US	CPI	Dec	% m/m	0.4	-	0.8
<b>THURSDAY (13 January)</b>							
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Nov</b>	<b>€mn</b>	<b>-1995.0</b>	<b>-</b>	<b>-1791.0</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Nov</b>	<b>€mn</b>	<b>-589.0</b>	<b>-</b>	<b>-822.0</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Nov</b>	<b>€mn</b>	<b>26843.5</b>	<b>-</b>	<b>24982.0</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Nov</b>	<b>€mn</b>	<b>27607.0</b>	<b>-</b>	<b>25804.0</b>
<b>FRIDAY (14 January)</b>							
09:00	HU	CPI	Dec	% y/y	-	-	7.4
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Dec</b>	<b>% y/y</b>	<b>-</b>	<b>8.5</b>	<b>7.8</b>
14:30	US	Retail Sales Advance	Dec	% m/m	0.0	-	0.3
15:15	US	Industrial Production	Dec	% m/m	0.3	-	0.52
16:00	US	Michigan index	Jan	pts	70.3	-	70.6

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

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