

13 January 2022

# Eyeopener

## US inflation jumps again

Some rebound on equity markets after US inflation  
 EU preparing to deduct penalties from payments for Poland  
 EURUSD higher, 10Y UST yield lower  
 EURPLN fell to 4.53, T-bonds gain, IRS down  
 Today balance of payments data in Poland

On Wednesday equity markets continued the recovery for the second day in a row, albeit only modestly. December US inflation data did not spoil the positive market mood. CPI inflation was 7.0% y/y in line with expectations and core inflation was 5.5% y/y, 0.1pp above expectations. The markets clearly were prepared for a higher print as the 10Y UST dropped by 2bp to 1.72% (Bund yield down by 4bp to -0.08%) and the dollar weakened by 0.4% (EURUSD rose to 1.1415). A barrel of Brent oil was worth US\$84.30 (+0.6%) and the price of an ounce of gold was stable at US\$1820. Industrial output in the Eurozone surprised to the upside with the previous reading revised much lower.

**ECB's Olli Rehn** said that the heightened inflation in the euro zone will be transitory and energy prices will only be high during winter. He suggested that attention should be on core inflation as a better measure of the dynamics of the inflation processes. He also said that inflation will depend on wage-price spiral and if there is a rise of wage inflation.

According to Bloomberg, **the European Union is preparing to start deducting the overdue penalties from the structural funds for Poland**. It is due to the fact that the Polish government has refused to pay the penalties imposed by the ECJ in the case against the Turów coalmine (€500m daily, cumulatively already above €50mn) and has already ignored three calls for payment. The EU will also charge penalty interest.

**The Senate approved yesterday two new MPC members:** Przemysław Litwiniuk and Ludwik Kotecki. They will replace E.Gatnar and J.Kropiwnicki who end their term of office on January 25, so the new members will participate in the next MPC meeting on February 8. In turn, **the Sejm has proposed two candidates for the MPC:** Elżbieta Ostrowska, who is the professor of economics at the Gdańsk University and is specializing in capital markets and Wiesław Janczyk, PiS deputy, secretary of state in the Ministry of Finance in 2016-18, Polish philologist by education. These two are supposed to replace G.Ancyparowicz and E.Łon who end their term of office on February 9.

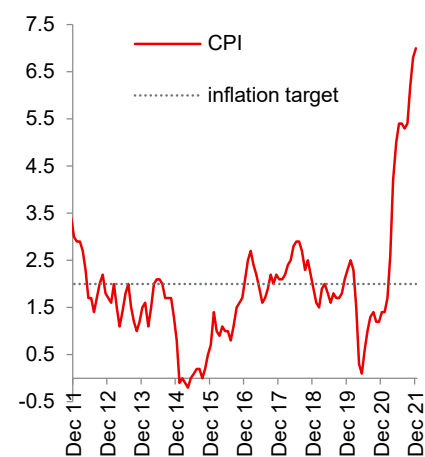
According to deputy finance minister Stanisław Skuza **the 2021 budget deficit was at PLN25-26bn**, a few days after the finance minister signalled it may be PLN10bn higher.

**EURUSD** hovered near 1.1320 on Tuesday, and increased to 1.1360 on Wednesday. After yesterday publication of US inflation data (which slightly surprised to the upside) the exchange rate shot up to 1.1415 where it ended the day. Today in the morning opens even higher at 1.1460.

**EURPLN** fell on Wednesday by 1 figure to 4.53 as the dollar was weakening. Today's data about current account deficit (expectations of deficit around EUR1.5bn) might slow the zloty appreciation. **As for the other CEE currencies**, EURHUF fell to 355.8 (-0.4%). EURCZK was stable near 24.42 and Czech December CPI was in line with expectations at 6.6% y/y vs 6.0% y/y in November. The USDRUB was stable near 74.50.

**On the fixed income market** significant declines of IRS took place by 12bp at the front end (2Y to 3.98%) to 14bp at the long end of the curve (10Y to 3.80%). The bond yield curve moved lower as well by similar amount (2Y to 3.38%, while 10Y to 4.00%).

US CPI inflation, % y/y



Source: Bloomberg, Santander

10Y US bond yields, %



Source: Bloomberg, Santander

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### FX market

Today's opening			
EURPLN	4.5282	CZKPLN	0.1858
USDPLN	3.9504	HUFPLN*	1.2615
EURUSD	1.1460	RUBPLN	0.0530
CHFPLN	4.3253	NOKPLN	0.4562
GBPPLN	5.4216	DKKPLN	0.6083
USDCNY	6.3596	SEKPLN	0.4422

\*for 100HUF

Last session in the FX market					11/01/2022
	min	max	open	close	fixing
EURPLN	4.536	4.546	4.544	4.539	4.533
USDPLN	3.992	4.015	4.007	3.994	3.988
EURUSD	1.131	1.137	1.134	1.136	-

### Interest rate market 11/01/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.35	-13
DS0726 (5Y)	3.96	-12
DS0432 (10Y)	4.02	2

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.80	-5	0.64	1	-0.48	1
2L	3.97	-10	1.10	1	-0.26	-1
3L	3.96	-13	1.36	0	-0.10	-2
4L	3.93	-14	1.48	-2	0.01	-2
5L	3.89	-14	1.56	-2	0.08	-2
8L	3.79	-14	1.72	-2	0.26	-3
10L	3.81	-14	1.78	-2	0.37	-3

#### WIBOR rates

Term	%	Change (bps)
O/N	1.97	3
T/N	2.20	0
SW	2.28	0
2W	2.30	0
1M	2.36	0
3M	2.74	2
6M	3.10	3
1Y	3.40	3

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

Term	%	Change (bps)
1x4	3.17	-2
3x6	3.91	-10
6x9	4.17	-11
9x12	4.14	-11
3x9	4.21	-10
6x12	4.35	-15

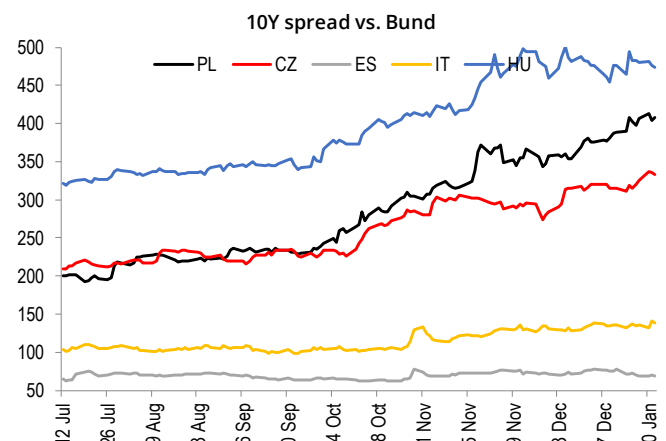
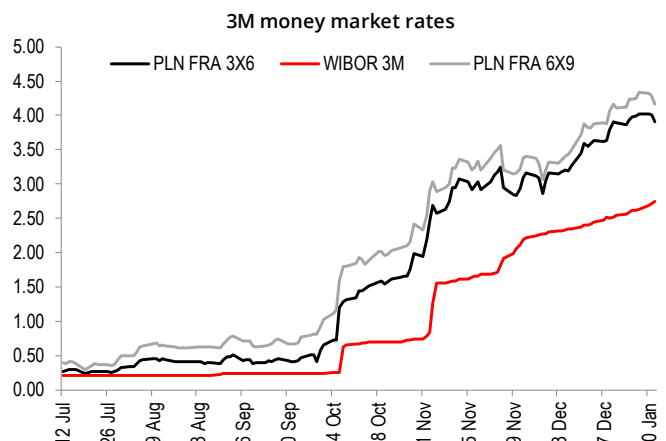
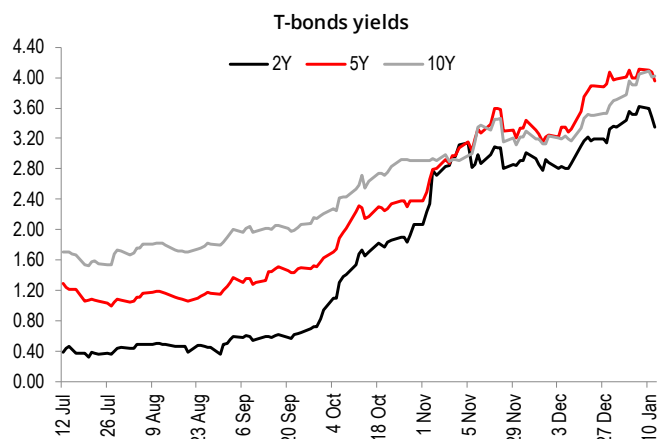
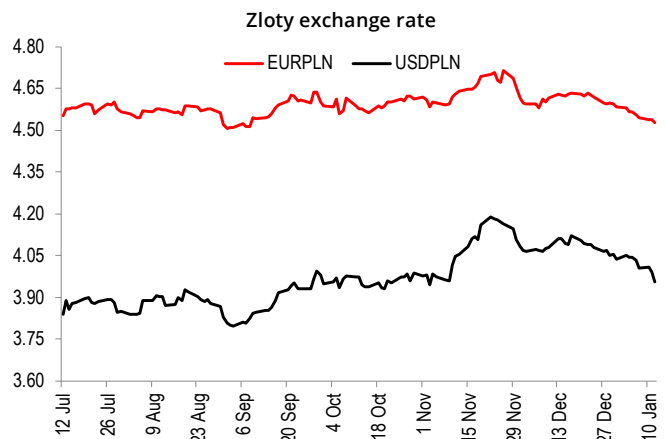
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	41	0	408	4
France	9	0	33	0
Hungary	48	0	474	-3
Spain	32	-1	69	-1
Italy	48	-1	138	-2
Portugal	22	0	63	-1
Ireland	10	0	40	-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>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	6.6	6.6	6.0
11:00	EZ	Industrial Production SA	Nov	% m/m	0.3	2.3	-1.3
14:30	US	CPI	Dec	% m/m	0.4	0.5	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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