

18 January 2022

Eyeopener

All core inflation measures went up

Equity markets stable due to US holiday

EURUSD at 1.14

EURPLN down to 4.525, longer bond tenors got weaker (10Y at 4.08%)

Today German ZEW

Main equity indices increased slightly on Monday, but the optimism was rather limited due to the US market holiday (Martin Luther King Day). EURUSD was slowly fading towards 1.14. 10Y UST yield waited at 1.79% (there was no trading on Monday) and Bund yield remained stable at -0.03%. Gold price was also stable at \$1820 per ounce and Brent oil price at \$86.2 per barrel (however today in the morning the latter is already \$1 higher). The Bank of Japan did not change the monetary policy parameters (short term rate at -0.1%, target 10Y government bond yield 0%). The central bank's quarterly inflation forecast was revised up, but was still below the 2% inflation target (average for 2022 and 2023 up to 1.1% from 0.9% and 1.0%, correspondingly and the balance of risks for inflation was judged as balanced). BOJ governor said that interest rate hikes are not under consideration.

All the Polish **core inflation** measures increased in December, with the main gauge (ex food, fuel and energy prices) up to 5.3% y/y from 4.7% y/y in November, hitting the highest level since August 2001. CPI ex administered prices was at 8.5% y/y, all-time high (comparable data since Jan 2001), CPI ex most volatile prices at 6.7% y/y (highest since Apr 2001), 15% trimmed mean at 6.4% y/y (highest since May 2001). We are expecting core inflation measures to go further up and we think it is likely all four will reach all-time highs soon. According to our forecasts, CPI ex food, fuel and energy is likely to surpass 6% still in 1Q22.

MPC's Eryk Łon, whose term ends on 9 February, allowing him to cast his final vote at the 8 February meeting, said that rates should remain unchanged in February. Such a decision could trigger in his view some optimism among economic agents. He warned that the hiking cycle should not be too long. According to Łon, inflation will decline in 2023. We think that most members will support rate hike by 50bp in February.

GUS data on foreign goods trade for November showed a trade balance at -EUR0.7bn, by EUR2.3bn lower than one year before. This development resulted from an annual improvement in trade balance with developed countries by EUR1bn, deterioration with developing countries by EUR2.3bn and by EUR1.0bn with non-EU central-eastern European countries (especially Russia). The Netherlands and the USA are standing out on the export side (rise by more than 30% y/y), while Russia and the USA are standing out on the import side (rise by 136% y/y and 72% y/y, respectively).

EURUSD amid low volatility resulting from the US bank holiday just slightly declined towards 1.1400.

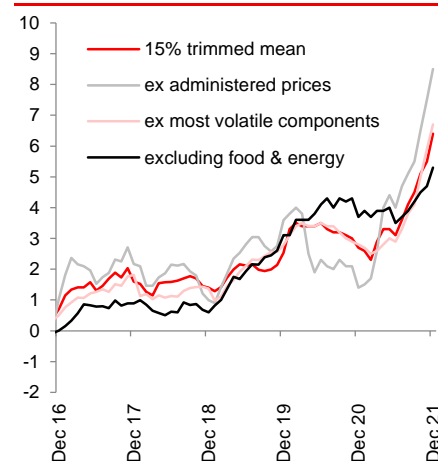
EURPLN as the interest from investors from abroad was muted, declined to 4.5250 from 4.5400, by 0.3% to which the elevated core CPI reading might have contributed.

As for the **other CEE regional currencies**: on Monday EURHUF was stable and spent most of the day near 356.20 (started to move higher only today in the morning). EURCZK declined but only a little (closed the day near 24.45). The December PPI inflation in Czech Republic missed - the 13.2% y/y reading was lower both vs the expectations of 13.9% y/y as well as previous month's reading of 13.5% y/y. USDRUB hovered near 76.0 (opens 76.3) hence was not too volatile. However the costs of hedging against big price changes (the implied volatilities of FX Options) continued to march higher and is currently the highest since the Autumn of 2020. The November trade balance in Russia improved and beat expectations, to which an increase in exports contributed the most: USD 49.0bn in November vs USD 46.6bn in October.

On the Polish **fixed income market**, the IRS curve moved somewhat higher, and more towards the long end (2Y +1bp to 3.90%, 10Y +4bp to 3.85%). Similar behaviour could be seen on the bond curve: 2Y was unchanged while the yield of 10Y tenor moved up to 4.09% (+5bp). 10Y ASW stands at +20bp, while the spread vs Bund at +410bp.

The **Ministry of Finance** announced that after the recent switch auction the current outstanding PLN debt stands at PLN 761.6bn.

Polish core inflation measures, %y/y



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.5229	CZKPLN	0.1847
USDPLN	3.9692	HUFPLN*	1.2581
EURUSD	1.1392	RUBPLN	0.0520
CHFPLN	4.3350	NOKPLN	0.4531
GBPPLN	5.4113	DKKPLN	0.6075
USDCNY	6.3488	SEKPLN	0.4384

*for 100HUF

Last session in the FX market						17.01.2022
	min	max	open	close	fixing	
EURPLN	4.515	4.539	4.537	4.521	4.520	
USDPLN	3.952	3.977	3.974	3.962	3.957	
EURUSD	1.139	1.143	1.142	1.141	-	

Interest rate market 17.01.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.08	-6
DS0726 (5Y)	3.94	4
DS0432 (10Y)	4.09	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.73	4	0.71	4	-0.47	0
2L	3.91	1	1.19	4	-0.22	1
3L	3.92	2	1.46	4	-0.06	2
4L	3.90	2	1.57	2	0.05	2
5L	3.90	4	1.63	0	0.12	2
8L	3.86	8	1.76	-2	0.29	2
10L	3.88	10	1.83	0	0.40	1

WIBOR rates

Term	%	Change (bps)
O/N	1.98	4
T/N	2.15	-3
SW	2.28	-1
2W	2.30	0
1M	2.41	3
3M	2.79	2
6M	3.17	2
1Y	3.44	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.14	-1
3x6	3.81	3
6x9	4.05	4
9x12	4.06	4
3x9	4.11	-1
6x12	4.26	-2

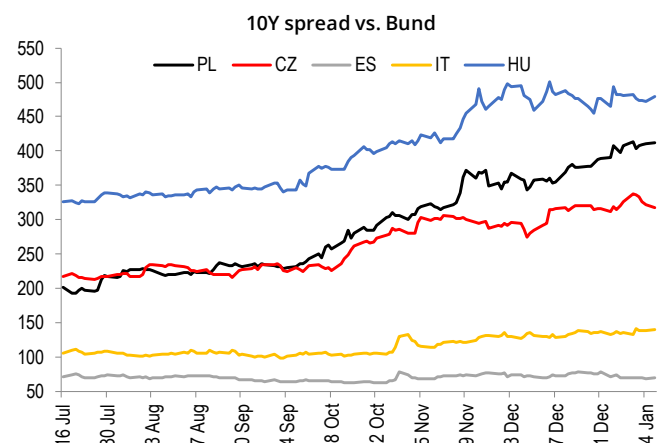
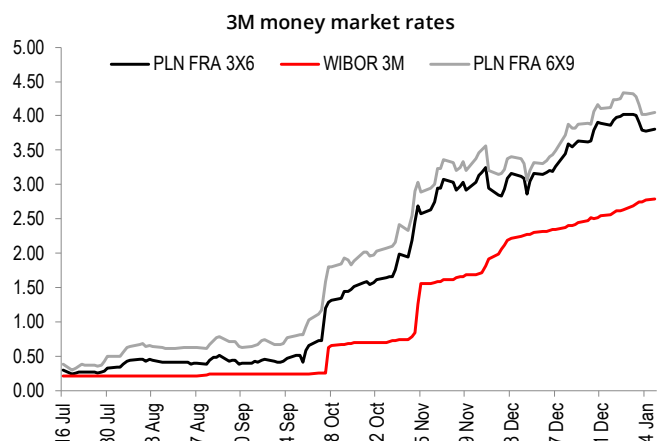
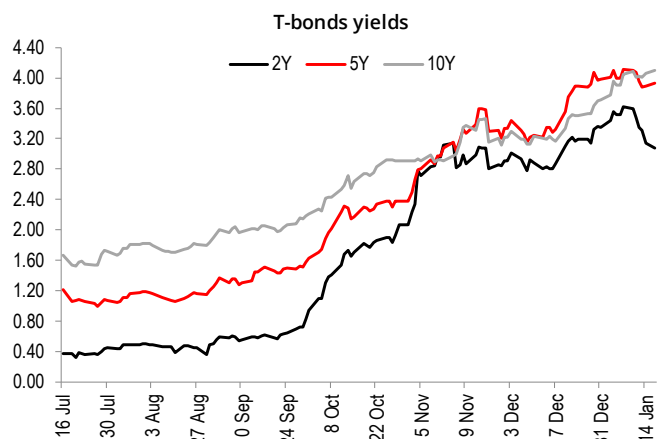
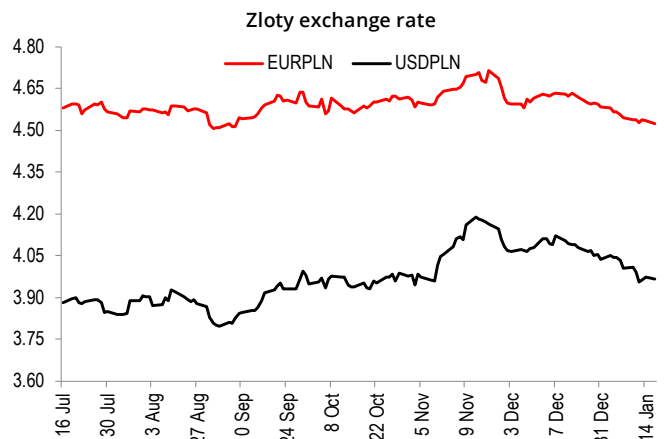
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	42	0	412	1
France	9	0	38	1
Hungary	51	0	479	7
Spain	32	0	69	1
Italy	47	0	139	1
Portugal	21	0	61	0
Ireland	10	0	38	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		
FRIDAY (14 January)								
09:00	HU	CPI	Dec	% y/y	7.2		7.2	7.4
10:00	PL	CPI	Dec	% y/y	8.6	8.5	8.6	7.8
14:30	US	Retail Sales Advance	Dec	% m/m	-0.1		-1.9	0.2
15:15	US	Industrial Production	Dec	% m/m	0.2		-0.1	0.7
16:00	US	Michigan index	Jan	pts	70.0		68.8	70.6
MONDAY (17 January)								
14:00	PL	CPI Core	Dec	% y/y	5.2	5.3	5.3	4.7
TUESDAY (18 January)								
11:00	DE	ZEW Survey Current Situation	Jan	pts	-7.5		-	-7.4
WEDNESDAY (19 January)								
08:00	DE	HICP	Dec	% m/m	0.3		-	0.3
14:30	US	Housing Starts	Dec	% m/m	-1.7		-	11.8
THURSDAY (20 January)								
11:00	EZ	HICP	Dec	% y/y	5.0		-	4.9
14:30	US	Initial Jobless Claims		k	220		-	230
14:30	US	Index Philly Fed	Jan		20.0		-	15.4
16:00	US	Existing Home Sales	Dec	% m/m	-0.5		-	1.9
FRIDAY (21 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	0.7	0.7	-	0.7
10:00	PL	Sold Industrial Output	Dec	% y/y	14.0	14.9	-	15.2
10:00	PL	Construction Output	Dec	% y/y	9.8	9.8	-	12.7
10:00	PL	PPI	Dec	% y/y	13.5	13.0	-	13.2
10:00	PL	Average Gross Wages	Dec	% y/y	9.1	9.1	-	9.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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