

19 January 2022

Eyeopener

Stronger US dollar, cheaper US bonds

Stock markets down, slightly worse macro data and company results
 EURUSD down, 2Y UST yield broke above 1%
 EURPLN rebounded to 4.54, domestic bonds weaker
 Today German HICP inflation, US house starts

On Tuesday the main equity indices were declining – in Europe by c.1%, in the US by c.1.5%. Goldman Sachs' financial report for 4Q21 has disappointed slightly. The January reading of the Fed's Empire index for manufacturing also missed expectations, this time significantly: reading -0.7 vs. expected +25.0, previously +31.9. It could be attributed to the Omicron variant consequences and persisting supply chain disruptions. Yield of 2Y UST exceeded 1% level, 10Y UST touched 1.85% and closed at 1.83%. Bund, despite another attempt to break through 0%, closed unchanged at -0.03%. German ZEW index of current situation worsened (-10.2 vs previous -7.4) and expectations index improved (51.7 vs. -29.9 last month). The survey shows that investors expect even higher inflation, higher interest rates, stronger dollar and worsening equity markets outlook; however in general the expectations for the global economic outlook improved.

MPC members Eugeniusz Gatnar and Łukasz Hardt (both ending their term of office soon) suggested in the article in Rzeczpospolita daily that the NBP should review its monetary policy strategy, just like the ECB did. In the review the bank could look at the relations between monetary and fiscal policies, the division of competences in the central bank, and at how the monetary transmission mechanism is affected by the process of population ageing or how inflation is affected by the energy transformation.

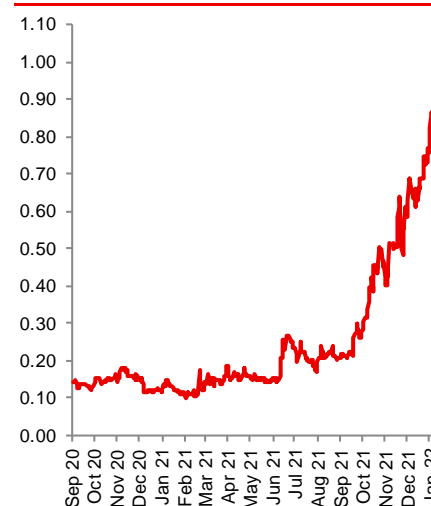
EURUSD declined a bit from 1.14 (the level it was glued to during Monday US holiday) driven by risk-averse mood. On Tuesday the exchange rate declined by 0.4% to 1.1370 and overnight even to 1.1340.

EURPLN remained close to 4.52 and did not attempt to move lower, making the level an important support now. Later on Tuesday the pair rebounded to 4.535 and overnight to 4.54, supported by the stronger dollar.

As for **other CEE currencies**: EURHUF gained 0.3% to 357.5. This level is a 200-day moving average hence if the spot breaks above it for good further moves upside are plausible. Today at the open EURHUF is at 358.0 already. EURCZK remained near 24.43. USDRUB increased to 76.60 which seems like a triple-top (taking under consideration the moves toward 77.0 in recent days). The demand for FX options remains elevated, even slowly increases further. Preliminary 4Q21 export data was published at USD 41.8bn (much below expectations of USD 44.3bn). Yet, the upward trend is still in place and it is the highest print in at least 25 years. Currently it seems that geopolitical risks are more important than fundamentals.

As for the Polish **fixed income**, another day both curves slowly crawled higher - the bond curve by 2-3bp (10Y to 4.15% at some point), maintaining the recently regained positive slope in the 5-10Y segment. The IRS curve moved up by 3-5bp (10Y at 3.92%).

US 2Y yield broke the 1.00% level



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5348	CZKPLN	0.1856
USDPLN	4.0020	HUFPLN*	1.2551
EURUSD	1.1330	RUBPLN	0.0520
CHFPLN	4.3651	NOKPLN	0.4539
GBPPLN	5.4402	DKKPLN	0.6090
USDCNY	6.3497	SEKPLN	0.4374

*for 100HUF

Last session in the FX market						18.01.2022
	min	max	open	close	fixing	
EURPLN	4.520	4.535	4.522	4.532	4.528	
USDPLN	3.963	4.003	3.966	3.998	3.973	
EURUSD	1.133	1.141	1.140	1.133	-	

Interest rate market 18.01.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.07	-1
DS0726 (5Y)	3.99	6
DS0432 (10Y)	4.15	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.76	2	0.74	3	-0.47	0
2L	3.95	4	1.23	4	-0.23	0
3L	3.96	4	1.49	3	-0.06	0
4L	3.93	4	1.64	7	0.04	-1
5L	3.94	4	1.73	9	0.12	0
8L	3.90	4	1.87	11	0.30	0
10L	3.91	3	1.92	9	0.41	1

WIBOR rates

Term	%	Change (bps)
O/N	1.96	-2
T/N	2.15	0
SW	2.28	0
2W	2.30	0
1M	2.41	0
3M	2.80	1
6M	3.19	2
1Y	3.45	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.16	2
3x6	3.82	1
6x9	4.10	5
9x12	4.10	4
3x9	4.12	1
6x12	4.26	0

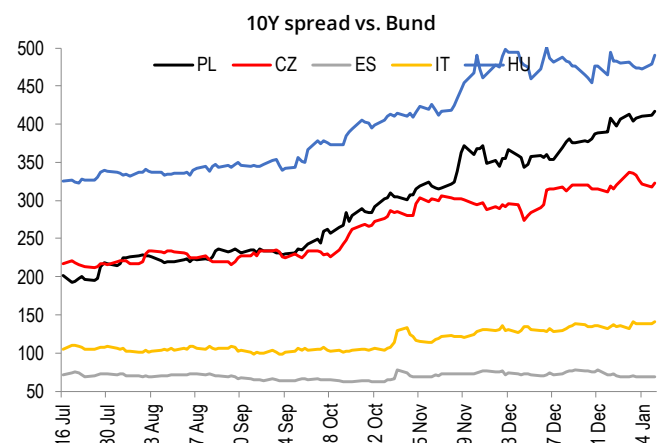
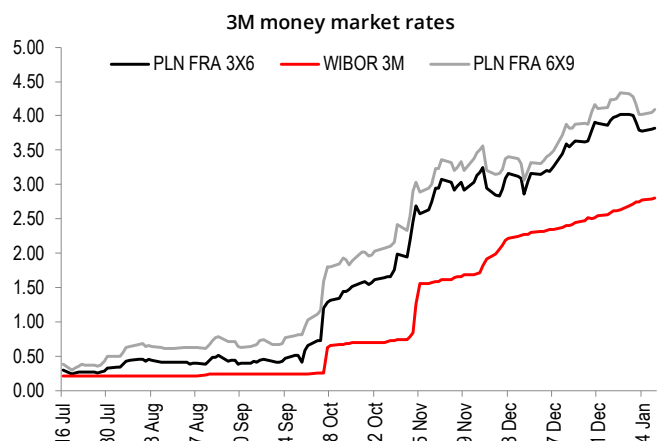
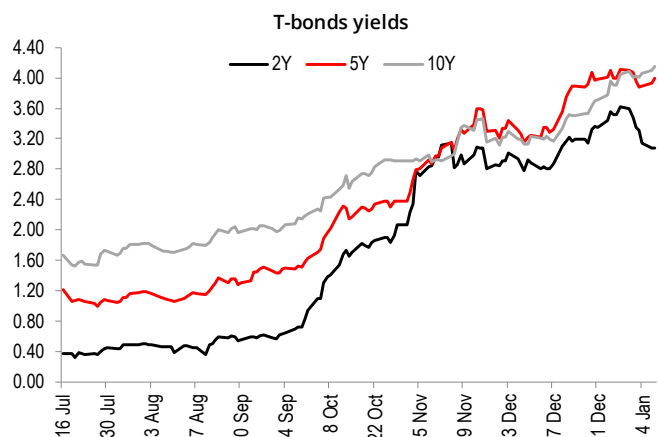
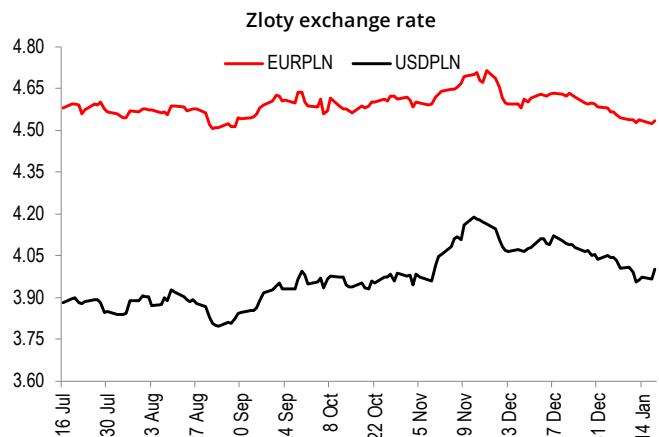
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	42	0	417	5
France	9	0	39	0
Hungary	51	0	491	11
Spain	32	0	69	0
Italy	48	0	141	2
Portugal	21	0	62	1
Ireland	10	0	38	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		
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
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
TUESDAY (18 January)							
11:00	DE	ZEW Survey Current Situation	Jan	pts	-8.8	-10.2	-7.4
WEDNESDAY (19 January)							
08:00	DE	HICP	Dec	% m/m	0.3	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	-
10:00	PL	Sold Industrial Output	Dec	% y/y	14.0	14.9	-
10:00	PL	Construction Output	Dec	% y/y	9.8	9.8	-
10:00	PL	PPI	Dec	% y/y	13.5	13.0	-
10:00	PL	Average Gross Wages	Dec	% y/y	9.1	9.1	-

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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