

20 January 2022

Eyeopener

Bund at zero percent

Some stock markets slightly higher, more upside surprises in global inflation
 EURUSD up to 1.1350, EURPLN's third test of 4.52
 Bonds in Poland and the USA gained, 10Y German bond yield rose to zero
 Today Eurozone HICP inflation, US house sales

On Wednesday European equity markets slightly rebounded, while the US ones dropped some more despite better corporate earnings than a day before, for example Bank of America beat expectations. The dollar lost a bit (EURUSD 1.1350) while 10Y US yield declined 5bp to 1.85%, Bund yield after briefly touching +0.02% fell back to around zero at the close. Price of a barrel of Brent oil stood at \$88.3 (unchanged d/d). On Wednesday December CPI readings were published in the UK, South Africa and Canada - in each case the reading beat expectations of economists. In the UK the CPI inflation stands already at 5.4% y/y - the 30 year high, in Canada at 4.8% y/y. German December PPI inflation published today in the morning printed 24.2% y/y (19.2% y/y previously), the monthly increase of 5.0% m/m was the highest in the history of the publication of the data which stretches many tens of years. The data coming from US real estate are strong: in December building permits increased by 9.9% m/m, while housing starts by 3.1% m/m. The PBoC (People Bank of China) cut further 2 rates: the 1Y credit LPR rate by 10bp to 3.70% (which is a second cut after a 5bp cut in December), 5Y LPR was cut just 5bp to 4.60% (which was a first cut since April 2020).

The Sejm's Public Finance Committee was hearing the candidates for the MPC yesterday. Wiesław Janczyk said that the cost of capital for business should not be too high. He thinks the current level of interest rates is "adequate" and the zloty rate vs. euro and dollar "looks pretty well". As regards the monetary policy, he said the MPC should take into account unemployment, not only inflation. In turn Elżbieta Ostrowska said that the economy's reaction to monetary policy decisions "is hard to predict ex ante" but the MPC must remember about the economy when deciding about interest rates. She emphasised that the care about value of money and price stability is important. Ostrowska believes that Poland's entry to the euro zone would have positive results.

The **European Commission** announced that in 10 days it will start deducting the unpaid Poland's penalties for not stopping the Turów coalmine from the payments to the country from the EU budget.

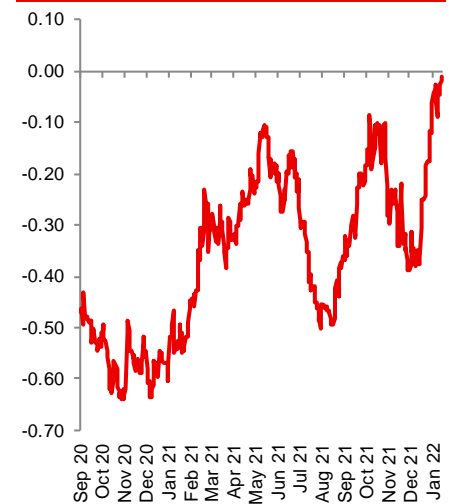
EURUSD rebounded somewhat after marked declines on the previous day, to 1.1350

EURPLN declined on Wednesday to 4.52 from 4.54 and was testing this level for the third time over the last days. No breakthrough will suggest a rebound in the upcoming days, in our view towards 4.56.

Other CEE currencies: EURHUF gave away all of its Tuesday gains and ended the day at the opening level, i.e. 356.0. EURCZK declined to 24.31. USDRUB is still elevated, on Wednesday the advancing oil price allowed for some downward correction to 76.30 (-0.8%).

On the Polish **interest rate market** the FRA contracts declined by 10bp with the highest FRA 6x9 at 4.05%. On the shorter end of the curve more declines were recorded - 2Y rate is oscillating around 3.0% (after decline by 10bp). On the longer end yields also declined following core markets - 10Y rate ended the day at 4.03%.

The yield of German Bund reached 0.0%



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5185	CZKPLN	0.1858
USDPLN	3.9810	HUFPLN*	1.2614
EURUSD	1.1349	RUBPLN	0.0522
CHFPLN	4.3477	NOKPLN	0.4544
GBPPLN	5.4230	DKKPLN	0.6071
USDCNY	6.3423	SEKPLN	0.4371

*for 100HUF

Last session in the FX market						19.01.2022
	min	max	open	close	fixing	
EURPLN	4.517	4.542	4.536	4.522	4.528	
USDPLN	3.981	4.009	4.003	3.985	3.993	
EURUSD	1.133	1.136	1.133	1.135	-	

Interest rate market 19.01.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.98	-9
DS0726 (5Y)	3.92	-7
DS0432 (10Y)	4.07	-8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.72	-4	0.73	-1	-0.47	0
2L	3.88	-8	1.22	0	-0.23	0
3L	3.88	-8	1.48	-1	-0.06	0
4L	3.86	-7	1.63	-1	0.05	0
5L	3.86	-7	1.71	-2	0.12	0
8L	3.83	-6	1.85	-2	0.30	1
10L	3.84	-6	1.88	-3	0.41	1

WIBOR rates

Term	%	Change (bps)
O/N	1.99	3
T/N	2.13	-2
SW	2.28	0
2W	2.30	0
1M	2.43	2
3M	2.81	1
6M	3.21	2
1Y	3.46	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.16	0
3x6	3.77	-5
6x9	4.03	-7
9x12	4.03	-7
3x9	4.07	-5
6x12	4.20	-6

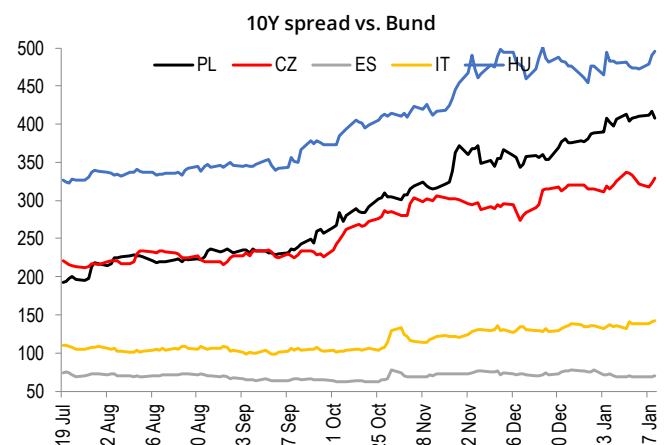
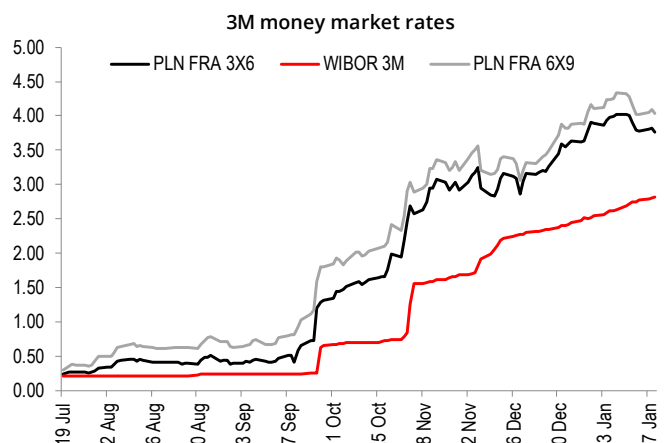
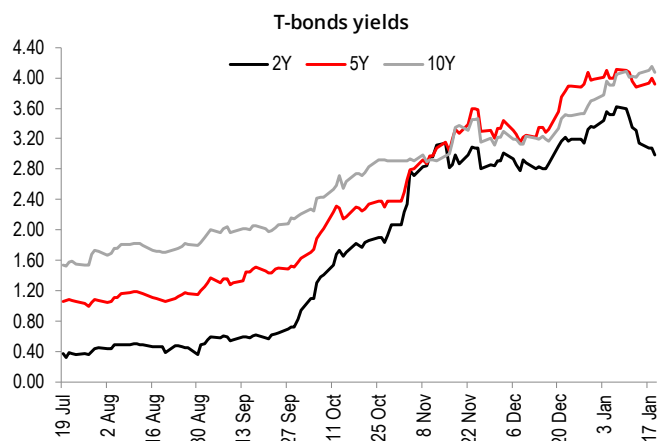
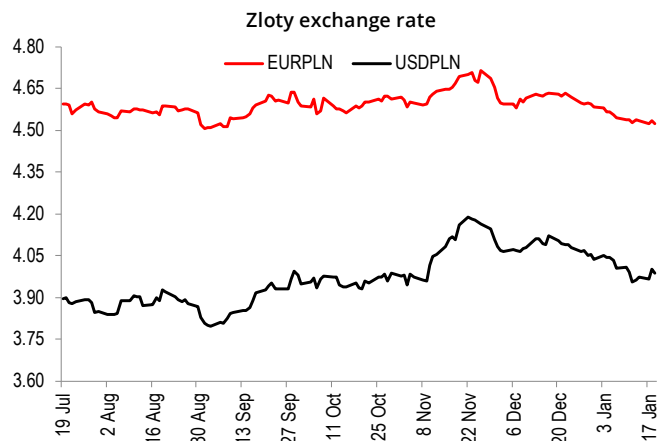
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	43	0	408	-9
France	9	0	38	-1
Hungary	52	0	496	5
Spain	33	1	70	1
Italy	49	1	142	1
Portugal	22	0	63	1
Ireland	11	1	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		
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	1.4	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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