

Eyeopener

The growing decline on US stock exchanges

Accelerated fall of US stock indexes

Stronger dollar and clear drop of UST yields in the evening

EURPLN still testing 4.52, domestic government bonds stronger

Today Polish employment, wages, PPI, industrial and construction output

On Thursday the better part of the session was calm: European equities were slightly gaining. But at the end of the day and after the European close there was a big equity selloff in the US markets: from +2% to -1.4% vs. previous close. Yield of 10Y UST is at 1.78% today in the morning (two days earlier it was approaching 1.9%). Bund yield returned below zero. These moves did not affect the FX market too much: EURUSD was stable near 1.1350 (although it got close to 1.1300 during the day). Gold price went up for the second straight day and its two-day change was already +1.9% (close at \$1850). Brent oil was stable during the day but declined overnight. US data showed a rise in new jobless claims to 286k from 230k in the previous week. Philly Fed manufacturing index improved to 23.2 from previous 15.4 and above expectations at 19.0. US home sales fell to 6.18m after 6.46m last month (-4.6% m/m). The decline was triggered by low supply of homes and rising prices.

December **ECB meeting minutes** showed that inside the bank there was no great inflation scare, despite the fact the upward revision to inflation forecasts was one of the biggest in history as well as the fact that inflation was becoming more broad-based. Minutes state that when deciding on interest rates the financial stability considerations will be taken into account (the impact of ECB decision on financial markets). Dovish ECB members, including Governor Christine Lagarde, still claim there will not be any interest rate hikes in 2022. However, in our opinion, the balance of risks is moving towards higher rates.

In January Polish the main **consumer confidence** indicators dropped. The current situation index at -29.2 pts is now the lowest since May 2020, and the expectations index at -23.6 pts is the lowest in a year. The largest decline was seen in the index of future financial situation of households, most likely due to the broadly observed high inflation. Consumers were even less convinced than previously that they will be able to save any money within the next 12M. The index of appetite for major purchases improved in January, but was still worse than any other 2021 print except December. The gauge of unemployment worries got somewhat worse (the weakest since May). So far the deteriorating consumer confidence did not affect real data on retail sales – the November reading was a big positive surprise, the December one is coming on 24 January with a growth of over 9% y/y expected.

MPC's Cezary Kochalski said that “many factors indicate that interest rate hike will be discussed at the February meeting” and is the Council agrees that Omicron does not threaten the economic outlook, then a rate hike by 50bp would be justified in his view (which is in line with our assumption).

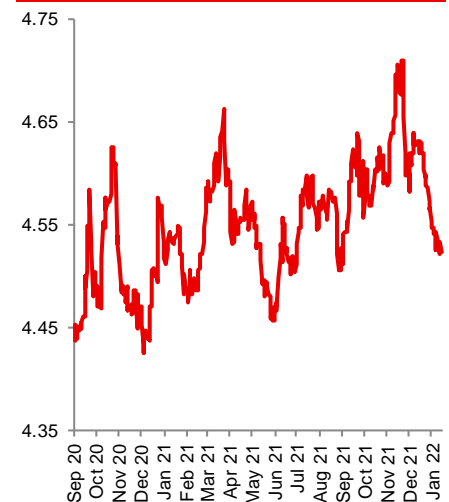
EURUSD did not depart too much from 1.1350 during the European session, but in the evening declined to 1.1300 amid risk-off sentiment that supported the dollar. Today it starts the day near 1.1330.

EURPLN on Thursday was testing 4.52 but still unsuccessfully. The zloty strength is not striking as compared to other CEE currencies, which gained even more vs. dollar since the start of the year. However, in the context of risk of EU funding freeze and the potential conflict in Ukraine it seems that the risk premium may be surprisingly low. Today's economic data from Poland should be positive, we expect higher industrial output than market consensus, which could help EURPLN to temporarily touch the very strong support line at 4.50.

Other CEE currencies: EURHUF climbed somewhat over the day, while evening events pushed it further upwards, above 357. EURCZK was also almost flat (24.27), but during trading hours in Europe the koruna was under visible appreciation pressure. Given stable dollar and oil price, USDRUB went up by 76.60, but today morning it is below trading range from Thursday. A break through 77.0 would open the way to further increases. The risk premium (price of currency options) is climbing higher slowly.

On the domestic **interest rate market** in Poland both curves: bond and IRS declined by 3-6bp, possibly due to lower Bund yield, which turned slightly negative again. While we are expecting the shorter end of the curve to remain stable, the longer end is strongly dependent upon core market situation, where yields are likely to go further up. The **Finance Ministry** informed that Treasury debt was equal to PLN1138bn at the end of 2021 (c.44% of GDP, +3.7% y/y). PLN-denominated debt was at PLN872.7 (76.7% of the total) and FX-denominated at PLN265.3bn (23.3%).

EURPLN Spot



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.5257	CZKPLN	0.1858
USDPLN	3.9932	HUFPLN*	1.2590
EURUSD	1.1330	RUBPLN	0.0521
CHFPLN	4.3651	NOKPLN	0.4524
GBPPLN	5.4252	DKKPLN	0.6079
USDCNY	6.3401	SEKPLN	0.4339

*for 100HUF

Last session in the FX market 20.01.2022

	min	max	open	close	fixing
EURPLN	4.501	4.526	4.521	4.518	4.520
USDPLN	3.970	3.994	3.982	3.985	3.983
EURUSD	1.133	1.137	1.135	1.133	-

Interest rate market 20.01.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.92	-6
DS0726 (5Y)	3.86	-7
DS0432 (10Y)	3.95	-12

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.68	-3	0.73	0	-0.47	-1
2L	3.83	-4	1.20	-2	-0.23	0
3L	3.83	-5	1.47	-1	-0.06	0
4L	3.81	-6	1.60	-3	0.05	0
5L	3.80	-7	1.67	-4	0.12	0
8L	3.76	-7	1.80	-5	0.30	-1
10L	3.78	-7	1.85	-4	0.40	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.97	-2
T/N	2.16	3
SW	2.28	0
2W	2.30	0
1M	2.44	1
3M	2.83	2
6M	3.22	1
1Y	3.47	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.16	0
3x6	3.73	-4
6x9	3.98	-5
9x12	3.98	-6
3x9	4.03	-4
6x12	4.15	-5

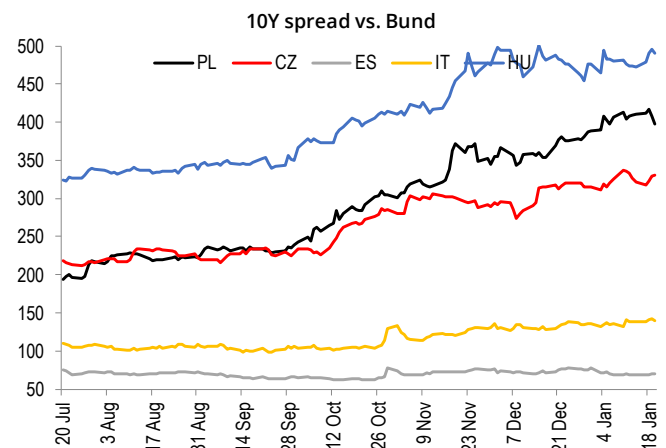
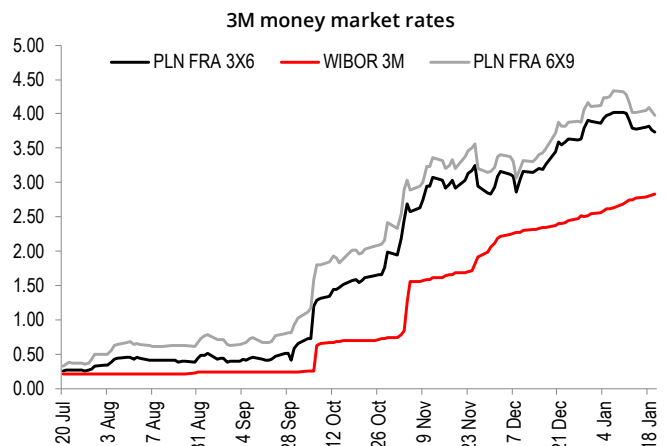
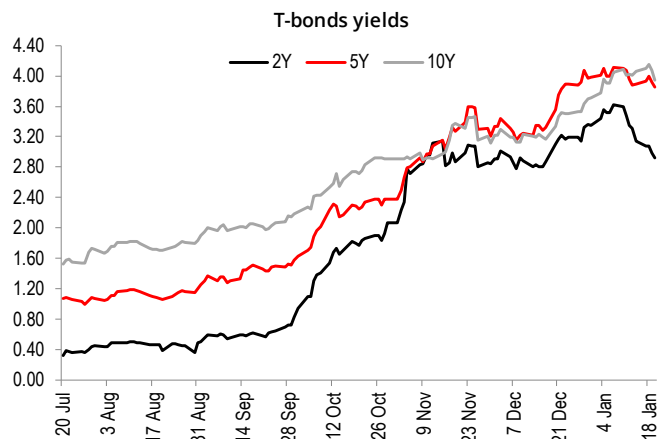
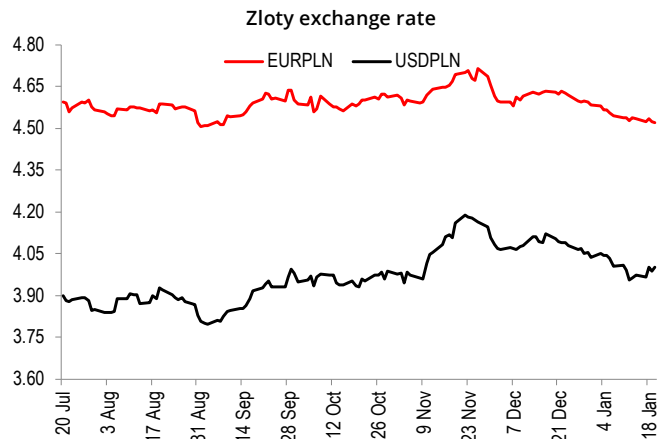
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	43	0	397	-11
France	9	0	39	0
Hungary	52	0	491	-5
Spain	33	0	70	0
Italy	49	0	140	-3
Portugal	22	0	62	-1
Ireland	10	-1	49	9
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	5.0	4.9
14:30	US	Initial Jobless Claims		k	225	286	230
14:30	US	Index Philly Fed	Jan		20.0	23.2	15.4
16:00	US	Existing Home Sales	Dec	% m/m	-0.5	-4.6	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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