

27 January 2022

# Eyeopener

## Fed to raise rates soon

QE purchases only until March, Fed ready to hike rates at the next meeting  
 EURUSD down to almost 1.12, EURPLN slightly higher  
 Quick rise of UST yields after Fed  
 Today in the USA durable goods orders and 4Q GDP

Ahead of the FOMC meeting the European stock markets were gaining over 2%, many US companies reported above-expectations results for 4Q21. The dollar gained during the day (EURUSD down to 1.1280), while 10Y UST yield (1.78%) and Bund (-0.08%) were stable. Gold price went down to \$1835/oz, while oil price went further up (Brent up to \$89.4). In reaction to the Fed message the US stock markets retreated from Wednesday gains, but did not go below Monday through, 10Y UST yield jumped by 9bp and the dollar gained to 1.12 per euro.

The **FOMC** decided to stop asset purchases in March. Jerome Powell said that the Committee is ready to hike rates in March, should economic situation allow this. Fed chairman's words on FOMC's ability to act sooner and perhaps faster than last time and on much room to hike rates before causing some damage to employment suggested the market that the pricing of US rates hikes is not enough and a move by 50bp cannot be excluded in March. Additionally, in May the Fed balance is to begin shrinking. Powell also stressed upward risks to inflation and that the omicron's impact on the economy is temporary.

**M3 money supply** rose in December by 8.9% y/y, while we expected the growth to stay at November's 10.1% y/y. Both cash in circulation (10.9% y/y, down from 11.8% in November) and deposits (8.4% y/y, down from 9.7%) slowed. Loans for households soared 5.3% y/y, at the same pace as in November (FX adjusted). Corporate credit accelerated to 4.1% y/y (highest pace since late 2019), vs. 0.1% y/y in November. Revolving loans accelerated most (14.3% y/y vs. 5.1% in November).

**Consumer inflation expectations** in January moved higher to the highest level since May 2020, however this is still low comparing to how fast the inflation has been growing at the end of 2021. In the past, the levels at which inflation expectations are currently coincided with the CPI inflation of 4-5% y/y. Despite that, the remaining part of the consumer confidence survey points to a significant negative impact of the quickly growing prices on sentiment.

The **value of new orders in manufacturing** in December was by 51.6% higher than a year before, of which the orders from abroad grew by 47.6%. Relating the level vs the same month of 2019 (so before the pandemic) the dynamics of both the total orders and foreign orders grew by 62%, comparing to, respectively, 53% and 47% in November. The business sentiment survey in manufacturing pointed however to weakening demand at the start of 2022.

**International Monetary Fund** reviewed the economic forecast for Poland. In 2022 it is now supposed to be 4.6% (earlier estimates at 4.5%), while in 2023 3.7% (earlier 3.9%).

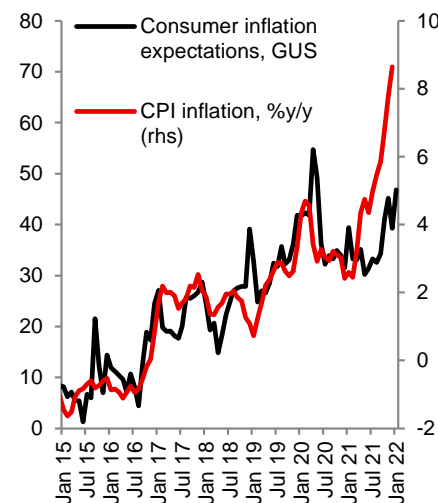
Lower house of parliament (Sejm) **MPC candidates** Elżbieta Ostrowska and Wiesław Janczyk will not be voted on today. Ostrowska resigned from applying while the voting on Janczyk was taken off the Sejm voting schedule.

The **Fitch** rating agency's head analyst covering Poland Arvind Ramakrishnan said that he is not assuming Poland to leave the EU, yet relations with the block are one of main factors for assessing Poland's credit rating.

**EURUSD** was hovering in 1.1275-1.1305 band before the FOMC meeting, but after the Fed decision it has declined and today in the morning is already near 1.12. **EURPLN** has stabilised near 4.5850 and so far has not reacted visibly to the FOMC meeting. **Other CEE currencies:** EURHUF rose slightly to 359.50 and stabilised; Fed decision pushed it above 360. EURCZK did not change at 24.50, while USDRUB was also surprisingly stable during the day, staying just above 79.0, but today in the morning was already at 79.9 amid stronger dollar.

On the Polish **interest rate market** the bond curve rose slightly by 2-3bp (10Y to 3.90%) and IRS curve by 3-4bp, but only at the short end. Strong reaction of UST yields to the FOMC meeting outcomes and the Jerome Powell's remarks signals a similar move today on domestic bonds.

Consumer inflation expectations vs CPI



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.5879	CZKPLN	0.1864
USDPLN	4.0905	HUFPLN*	1.2625
EURUSD	1.1216	RUBPLN	0.0515
CHFPLN	4.4214	NOKPLN	0.4540
GBPPLN	5.4918	DKKPLN	0.6163
USDCNY	6.3485	SEKPLN	0.4371

\*for 100HUF

Last session in the FX market						26.01.2022
	min	max	open	close	fixing	
EURPLN	4.580	4.596	4.581	4.581	4.592	
USDPLN	4.049	4.073	4.051	4.062	4.068	
EURUSD	1.127	1.131	1.130	1.128	-	

**Interest rate market** 26.01.2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.15	3
DS0726 (5Y)	3.94	6
DS0432 (10Y)	3.92	-2

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.05	5	0.80	9	-0.45	2
2L	4.21	10	1.29	13	-0.23	1
3L	4.14	7	1.53	14	-0.07	1
4L	4.05	4	1.69	15	0.08	5
5L	4.00	4	1.74	12	0.15	4
8L	3.88	1	1.87	11	0.28	0
10L	3.89	3	1.92	10	0.43	4

**WIBOR rates**

Term	%	Change (bps)
O/N	2.13	10
T/N	2.17	3
SW	2.29	0
2W	2.32	1
1M	2.55	2
3M	2.94	3
6M	3.40	11
1Y	3.62	10

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

Term	%	Change (bps)
1x4	3.46	7
3x6	4.17	4
6x9	4.38	2
9x12	4.39	4
3x9	4.41	5
6x12	4.59	5

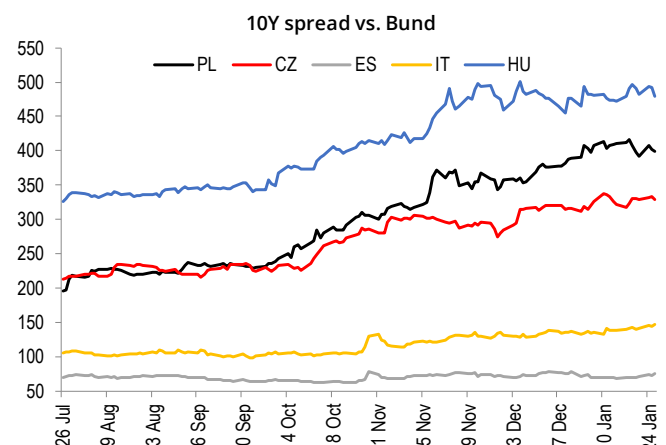
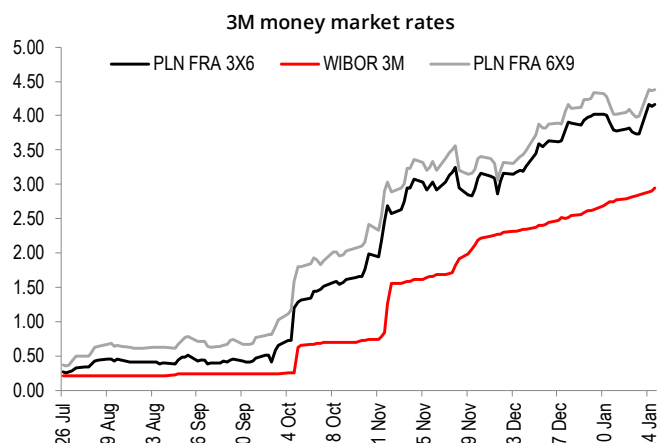
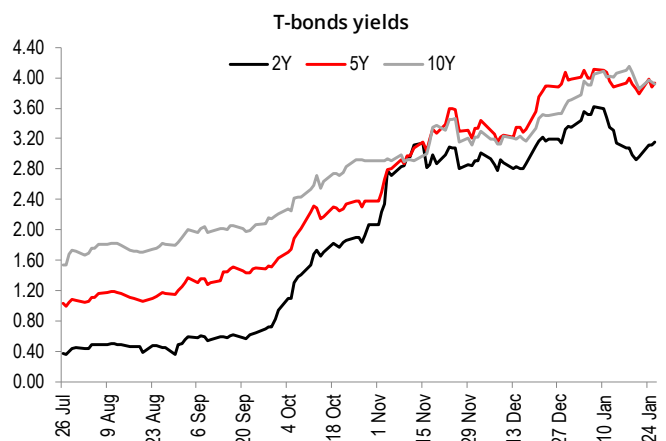
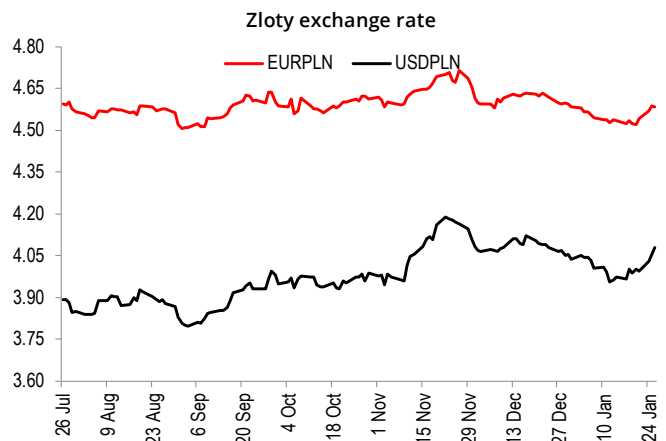
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	42	0	399	-4
France	9	0	41	0
Hungary	51	0	479	-13
Spain	33	0	75	2
Italy	52	1	147	3
Portugal	23	0	68	2
Ireland	10	0	51	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>FRIDAY (21 January)</b>								
10:00	PL	Employment in corporate sector	Dec	% y/y	0.7	0.7	0.5	0.7
10:00	PL	Sold Industrial Output	Dec	% y/y	13.1	14.9	16.7	15.2
10:00	PL	Construction Output	Dec	% y/y	9.8	9.8	3.1	12.7
10:00	PL	PPI	Dec	% y/y	13.5	13.0	14.2	13.6
10:00	PL	Average Gross Wages	Dec	% y/y	9.1	9.1	11.2	9.8
<b>MONDAY (24 January)</b>								
09:30	DE	Germany Manufacturing PMI	Jan	pts	57.0		60.5	57.4
09:30	DE	Markit Germany Services PMI	Jan	pts	48.0		52.2	48.7
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	57.5		59.0	58.0
10:00	EZ	Eurozone Services PMI	Jan	pts	52.0		51.2	53.1
10:00	PL	Retail Sales Real	Dec	% y/y	9.6	8.9	8.0	12.1
<b>TUESDAY (25 January)</b>								
10:00	DE	IFO Business Climate	Jan	pts	94.5		95.7	94.7
14:00	HU	Central Bank Rate Decision	Jan/22	%	2.7		2.9	2.4
16:00	US	Consumer Conference Board	Jan	pts	112.0		113.8	115.8
<b>WEDNESDAY (26 January)</b>								
10:00	PL	Unemployment Rate	Dec	%	5.4	5.4	-	5.4
14:00	PL	Money Supply M3	Dec	% y/y	9.3	10.1	-	10.1
16:00	US	New Home Sales	Dec	% m/m	3.5		-	12.4
20:00	US	FOMC decision	Jan/22		0.25		0.25	0.25
<b>THURSDAY (27 January)</b>								
14:30	US	Durable Goods Orders	Dec	% m/m	-0.4		-	2.6
14:30	US	GDP Annualized	4Q	% Q/Q	5.7		-	2.3
14:30	US	Initial Jobless Claims		k			-	286.0
16:00	US	Pending Home Sales	Dec	% m/m	-0.3		-	-2.2
<b>FRIDAY (28 January)</b>								
10:00	DE	GDP WDA	4Q	% y/y	1.8		-	2.5
11:00	EZ	ESI	Jan	pct.			-	115.3
14:30	US	Personal Spending	Dec	% m/m	-0.5		-	0.6
14:30	US	Personal Income	Dec	% m/m	0.5		-	0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.5		-	0.6
16:00	US	Michigan index	Jan	pts	68.8		-	68.8

Source: Santander Bank Polska, Bloomberg, Parkiet  
\* in the case of a revision the data is updated

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