

28 January 2022

Eyeopener

Stronger dollar and CEE currencies

Stock markets and core bond markets reversing the post-Fed move
 EURUSD further down, the lowest in many months, CEE FX appreciation
 US 10Y yield down back to 1.80%, domestic yields, IRS and FRA rates higher
 Today ESI indicators, German GDP, Michigan index and PCE inflation in the USA

On Thursday financial markets were busy with reversing the strong and rapid reaction to the Fed's communication and surprisingly hawkish Jerome Powell's speech on Wednesday evening. Equity markets, after initial declines, finally ended the day in black, continuing a rebound for the second straight session. Bond yields in the core markets declined, 10Y UST by 6bp to 1.80%, Bund by 3bp to -0.06%. Gold price fell for the second day in a row and is already lower by \$50 since Tuesday, at \$1800. EURUSD did not try to return to its previous levels and kept falling, reaching 1.1150 (vs 1.1300 before the FOMC meeting). Brent oil price went up for the fourth time in a row, to \$90.3 (temporarily even \$91). Despite dollar's appreciation, CEE currencies have appreciated notably. US flash GDP for 4Q21 was higher than forecast: +6.9% q/q (annualised) despite expected 5.7%; upward surprise came from private consumption (+3.3% despite 2.0%), among others.

MPC's **Grażyna Ancyparowicz** (February MPC meeting is her last one) said that rates are likely to go up by 50bp in February (in line with our expectations) and the entire 2022 will be marked by monetary tightening. According to Ancyparowicz, the CPI inflation may remain close to 10% for the entire year.

Moody's rating agency released a note saying that it sees solid GDP growth in Poland in the coming years, moderate debt burden and easy debt servicing. The agency also noticed the European Commission's warning that it may withhold a part of EU budget payments for Poland, which is said to increase the risk that also bigger EU funds may be frozen. It was described as "negative for Poland's credit profile". Moody's plans to review Poland's rating on April 29. Before that, there may be reviews by Fitch (February 18) and S&P (April 1).

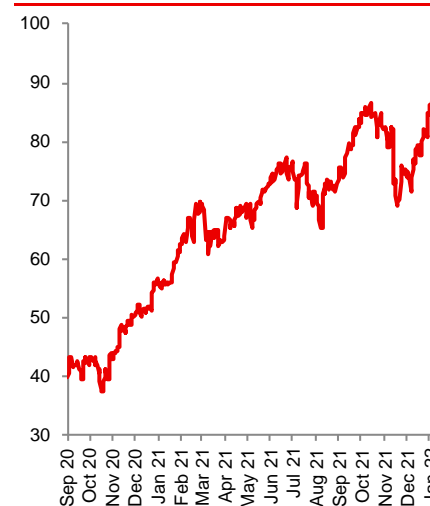
EURUSD declined to 1.1140 at the end of the day and is currently 2% lower than at the end of 2021. We are expecting EURUSD to go down to 1.10 at the end of 1Q22.

EURPLN gave away some of its increases yesterday after a dynamic weakening of the zloty between Monday (4.52) and yesterday morning (4.59). On Thursday the pair fell back to 4.56, testing the 200-moving average. After this classic move (we think the resistance will not succumb), EURPLN may return to the upward trend.

Other **CEE currencies**. The MNB (Hungarian Central Bank) has moved higher the 1-week deposit rate by 30bp to 4.30%. According to the earlier comments from MNB officials the main rate, currently at 2.90%, will move higher to match the level of 1-week deposit rate over the 1H22. EURHUF fell to 357.0 from 361.0 as early as yesterday in the morning. EURCZK fell to 24.40 from 24.55. Also USDRUB corrected lower to 77.5 vs 79.5 a day before.

On the Polish **fixed income markets** yields moved in the opposite direction to core market yields which were falling. The 10Y POLGB yield moved up by around 8bp to c 4.0%. Also IRS curve moved higher, where the most action took place at the front end, as well as FRA (adjustment of rates to higher probability of longer hiking cycle). **Ministry of Finance** on the 27 January auction sold 5 series of bonds (OK0724, PS0527, DS0432 as well as floaters WZ1126 and WZ1131) for a total of PLN 6.0bn while the demand stood at PLN 7.3bn. The large part of the bonds sold were floaters.

Brent oil, USD per barrel



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.5668	CZKPLN	0.1865
USDPLN	4.0996	HUFPLN*	1.2789
EURUSD	1.1138	RUBPLN	0.0527
CHFPLN	4.4020	NOKPLN	0.4576
GBPPLN	5.4899	DKKPLN	0.6134
USDCNY	6.3654	SEKPLN	0.4363

*for 100HUF

Last session in the FX market 27.01.2022

	min	max	open	close	fixing
EURPLN	4.545	4.594	4.589	4.555	4.571
USDPLN	4.075	4.104	4.089	4.089	4.083
EURUSD	1.113	1.122	1.122	1.114	-

Interest rate market 27.01.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.30	15
DS0726 (5Y)	3.98	4
DS0432 (10Y)	4.05	13

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.20	16	0.85	5	-0.46	0
2L	4.36	15	1.31	2	-0.20	3
3L	4.28	14	1.55	2	-0.02	5
4L	4.17	12	1.65	-4	0.08	0
5L	4.10	10	1.71	-3	0.14	-1
8L	3.97	9	1.82	-5	0.30	2
10L	3.97	7	1.86	-6	0.40	-3

WIBOR rates

Term	%	Change (bps)
O/N	2.08	-5
T/N	2.21	4
SW	2.30	1
2W	2.37	5
1M	2.57	2
3M	2.96	2
6M	3.41	1
1Y	3.63	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.59	13
3x6	4.28	11
6x9	4.60	22
9x12	4.63	24
3x9	4.60	19
6x12	4.83	24

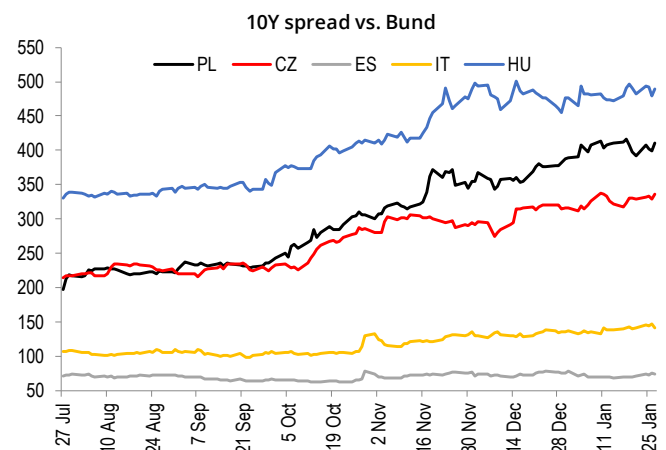
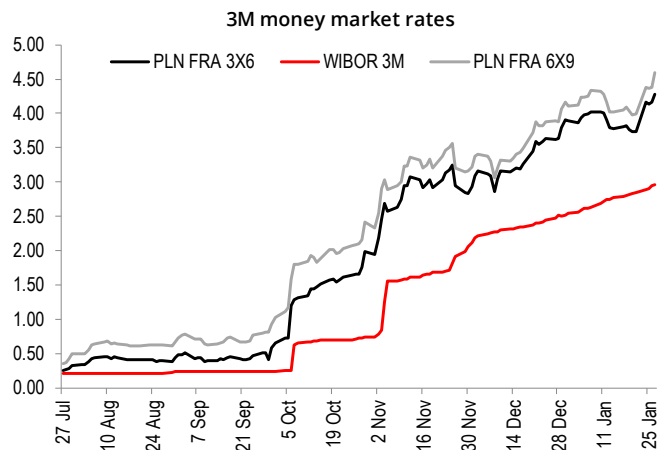
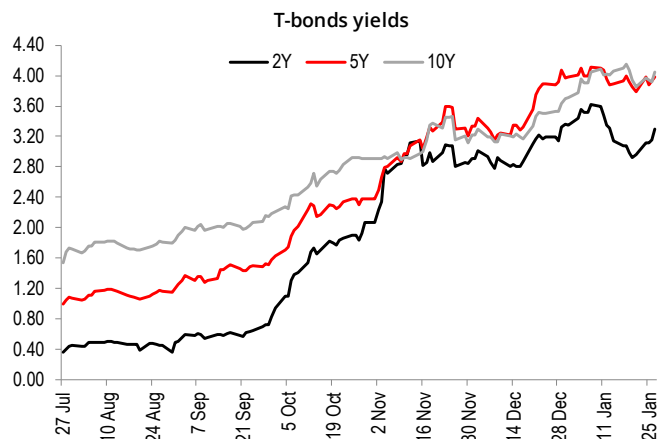
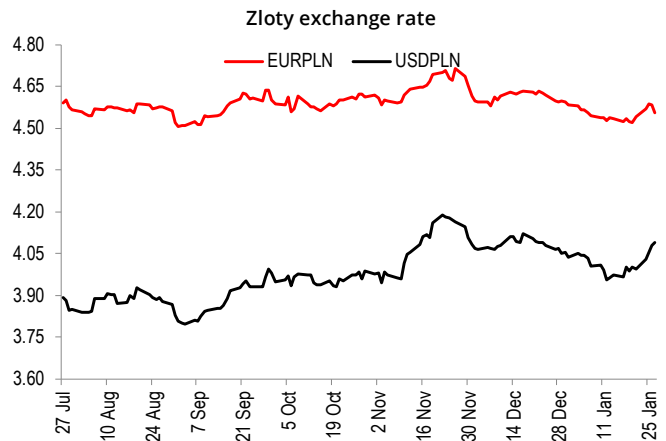
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	43	0	411	12
France	9	0	40	-1
Hungary	52	0	489	10
Spain	33	0	74	-1
Italy	49	-3	142	-5
Portugal	23	0	66	-2
Ireland	10	0	51	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 (21 January)								
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
MONDAY (24 January)								
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
TUESDAY (25 January)								
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
WEDNESDAY (26 January)								
10:00	PL	Unemployment Rate	Dec	%	5.4	5.4	5.4	5.4
14:00	PL	Money Supply M3	Dec	% y/y	9.3	10.1	8.9	10.1
16:00	US	New Home Sales	Dec	% m/m	3.5		11.9	12.4
20:00	US	FOMC decision	Jan/22		0.25		0.25	0.25
THURSDAY (27 January)								
14:30	US	Durable Goods Orders	Dec	% m/m	-0.4		-0.9	2.6
14:30	US	GDP Annualized	4Q	% Q/Q	5.7		6.9	2.3
14:30	US	Initial Jobless Claims		k	260		260	286
16:00	US	Pending Home Sales	Dec	% m/m	-0.3		-3.8	-2.3
FRIDAY (28 January)								
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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