



Poland Daily

HEADLINES:

POL: PM Mateusz Morawiecki announced „anti-inflation” shield comprising of a cut in excise tax on fuels from December 20 for 5 months, reduction in VAT rate on natural gas to 8% from 23% from January for 3 months, zero excise tax and VAT rate on electricity reduced to 5% from 23% from January for 3 months and subsidy for low-income households paid in two instalments in 2022, to compensate for rising food prices. Government also plans savings in budget expenditures (including, among others a freeze on new jobs in central government). The whole programme is worth PLN10bn while cuts in taxes on energy and fuels are expected to reduce household’s bills by PLN150 on average. The programme will temporarily reduce inflation in 1Q 2022 but will not curb inflationary impulse from higher energy prices to non-energy consumer goods and services. From the point of view of the MPC “anti-inflation shield” gives more room for manoeuvre in monetary policy and may reduce size of rate hikes in coming months.

POL: Registered unemployment rate, as expected, fell to 5.5% in October, from 5.6% in September.

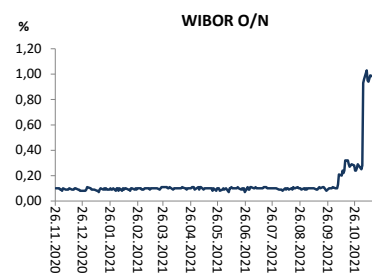
THE DAY AHEAD...

EMU: Money supply M3 (Oct)

TODAY'S FOCUS:

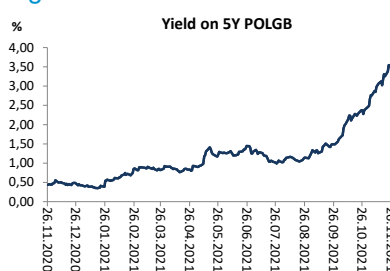
Today economic calendar contains money supply (M3) from euro-zone for October. Financial markets were significantly impacted by wave of risk aversion stemming from news of new variant of corona-virus that was found in South Africa.

Figure 1: WIBOR O/N



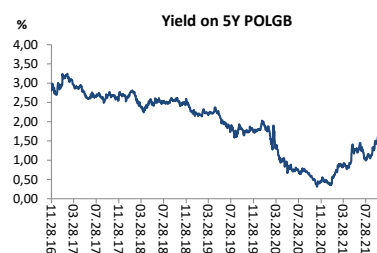
Source: Bloomberg

Figure 2: Yield on 5Y POLGB



Source: Bloomberg

Figure 3: Yield on 5Y POLGB – long term trend



Source: Bloomberg

DIARY (Today)

Country	GMT	Release	DB Expected	Actual	Consensus
EMU	9:00	Money supply M3 (Oct)	(7.4%)	(7.7%)	(7.4%)



Foreign Exchange

Today in the morning the zloty was 0.3% weaker versus the USD and was 0.7% weaker versus the EUR compared to previous NBP fixing. Yesterday, after announcement of details of "anti-inflation shield" by PM Morawiecki the zloty started to weaken. Weakening of the zloty was amplified by hawkish tone of minutes from ECB meeting. Today in the morning the zloty weakened on news that new Covid-19 variant was found in South Africa. The zloty should be moving within a range of 4.6850-4.7150 PLN per EUR today.

The USD weakened by 0.4% versus the EUR after release of hawkish minutes from FOMC meeting.

Fixed Income

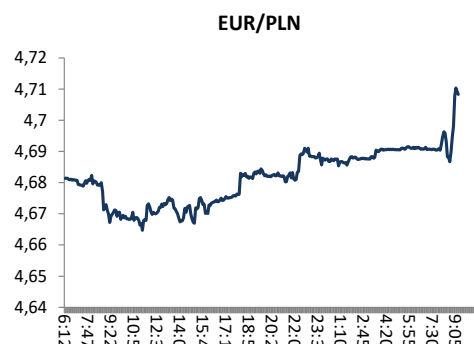
Today in the morning the yields on Poland's government bonds fell by 11bps in 2-year sector, fell by 17bps in 5-year one and were 17bps down in 10-year one as covid-related risk aversion increased. Yesterday at switching auction the Finance Ministry sold POLGBs worth total PLN2.1bn.

Interest Rates

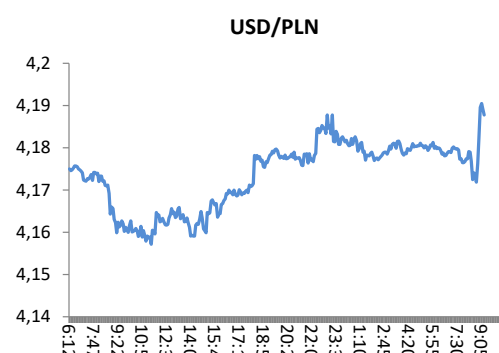
Today the O/N bid rate should be within a range of 0.75% - 1.05%. Swap rates were 15-17bps down in all tenors.

Equities

Today in the morning the FTSE 100 index was 3.25% down, the CAC 40 index was 4.21% up and the DAX index was 4.18% down. The Nikkei index closed 2.53% down. Today in the morning the WIG index was 3.38% down and the WIG20 index was 3.67% down. Sharp sell-off in stock markets was triggered by news of a new variant of Covid-19 virus.



Source: Bloomberg

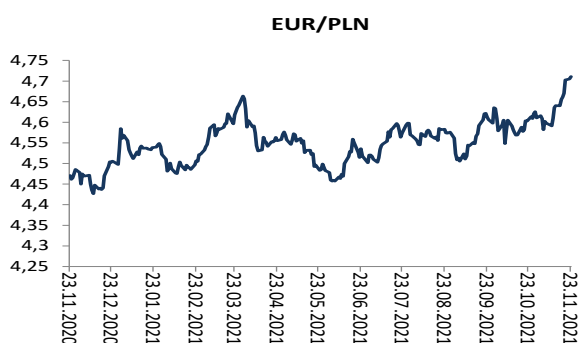


Source: Bloomberg

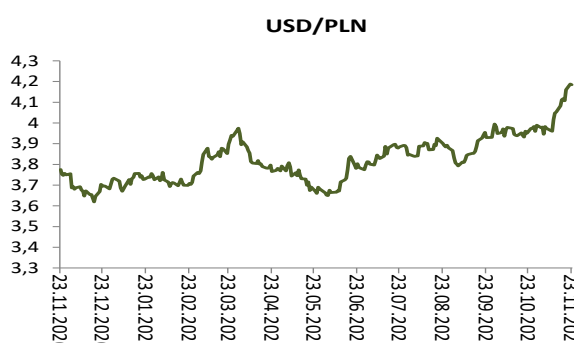


Source: Bloomberg

Medium term FX trends:



Source: Bloomberg



Source: Bloomberg



Appendix 1

Important Disclosures

Additional information available upon request

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