

## Eyeopener

### Fed hiked rates by 50bp, MPC will do more

Fed raised interest rates by 50bp, markets reacted positively  
 Today interest rate decisions by NBP, CNB, BoE  
 Zloty back at the starting point after the long weekend, bonds weaker

**Today** the Polish Monetary Policy Council meeting ends. We think that interest rates will go up by 100bp (the main rate to 5.5%), considering the recent data that showed stronger-than-expected economic activity in late 1Q, solid business sentiment indicators for April and another large upside CPI surprise (12.3% y/y in April). The hour of the decision announcement is not known in advance, but the previous one was announced at 14:45 CET, the earliest since the MPC started aggressive rate hikes. NBP president's press conference will take place on Friday at 15:00 CET. Today the Czech central bank also decides on rates and the Bloomberg consensus indicates a 50bp rate hike (the main rate would go to 5.5%) while the market pricing of the expected total of the remaining rate hikes is around 100bp.

**FOMC raised interest rates by 50bp**, in line with expectations. Chairman Jay Powell tried to sound hawkish at the press conference, stressing that inflation is way too high and it is the central bank's priority to contain it, which is now more important than the second goal of supporting the economic growth. He also said that the Fed will continue to normalise monetary policy and will not hesitate to send interest rates above the level considered as neutral (according to Powell it is 2-3%) and that at the couple of next meetings rate hikes by 50bp will be "on the table". However when at some point he said that 75bp rate hike was "not something that the committee is actively considering" markets reacted with optimism – stock indices rose and yields fell. The Fed will start reducing its balance sheet (QT) since June.

According to the **NBP credit survey** in 1Q22 banks have tightened loan criteria and recorded declining demand. Policy tightening was mainly the result of rising interest rates and higher risk and affected all types of financing. In turn, lower demand affected most of lending types, except short-term loans for big companies and long-term for SME. For subsequent quarters banks expect further tightening of lending policies and declining demand. Indicator of demand for investment financing is consistent with real investment growth in 1Q22 at around zero, close to our forecast of -1% y/y (market consensus is near 5-6% y/y).

Pandemic restrictions were imposed in Beijing, while Shanghai remains in a strict lockdown. ISM for US services was rather weak in April, partly due to decline of employment indicator before the neutral level (problems with finding workers on a very tight labour market). ADP report for the US showed a major downward surprise in employment. March retail sales in the euro zone were disappointing and – taken together with earlier readings – suggested a decline of private consumption in 1Q22 in q/q terms. Inflation's burden on households' incomes can bring the consumption growth below zero also in 2Q22. This weakening of European business climate can also undermine the Polish economy. Given these circumstances – and prior to the FOMC decision – US and European stock markets were reporting moderate losses. Core bond yields were still trying to go up (10Y UST tested 3% and 10Y Bund tested 1%, both ended the day lower), helped by signals from the oil market (Brent price up 2.5% to 110\$). In reaction to the Fed president conference the US stock markets rebounded strongly, while yields declined.

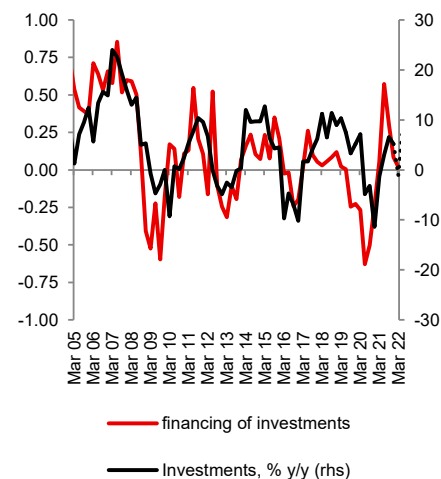
Foreign exchange market also did not work in the risk-off mode yesterday. EURCHF continued its rebound and rose to the highest level since mid-March, **EURUSD** did not even test 1.05, reaching 1.055 instead. After the FOMC the rate extended its rebound to slightly above 1.06.

**EURPLN** in the first normal trading after May Day long weekend decreased from 4.69 to 4.67 where it was closing on Friday. Polish zloty strengthening was supported by the growing expectations for a big rate hike from the Polish MPC. Overnight, amid the post-Fed meeting optimism, EURPLN even reached 4.64. Today however, it rebounding up again since morning.

**Other CEE currencies** also gained yesterday vs. the euro – the forint as much as 1% after the surprisingly strong retail sales numbers for March (16.2% y/y instead of the expected 11.6%) which apart from the effect of pre-election fiscal easing showed the impact of "fuel tourism" (people coming to Hungary from neighbour countries to fill up, taking advantage of Hungarian fuel price cap).

**The interest rate market** saw a shift in domestic yields up by about 14bp on the belly and the longer end of the curve (this was neutral for asset swap spreads in these segments) and by a half of this move on the shorter end. As a result, 5Y paper rose above 7%. After the FOMC decision the US bonds gained, which can supported Polish papers today. Further in the day the MPC decision is likely to be crucial.

Indicator of demand for financing of investments (NBP credit survey) vs. real investment growth in Poland



Source: GUS, NBP, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 691 393 119  
 Jarosław Kosaty 887 842 480  
 Marcin Luzziński +48 510 027 662  
 Grzegorz Ogonek +48 609 224 857

### FX market

Today's opening			
EURPLN	4.6571	CZKPLN	0.1889
USDPLN	4.4435	HUFPLN*	1.2297
EURUSD	1.0614	RUBPLN	0.0697
CHFPLN	4.5011	NOKPLN	0.4743
GBPPLN	5.5042	DKKPLN	0.6253
USDCNY	6.6112	SEKPLN	0.4495

\*for 100HUF

Last session in the FX market						04/05/2022
	min	max	open	close	fixing	
EURPLN	4.667	4.698	4.690	4.675	4.678	
USDPLN	4.423	4.468	4.458	4.433	4.446	
EURUSD	1.050	1.056	1.052	1.054	-	

### Interest rate market 04/05/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.82	15
DS0726 (5Y)	7.07	16
DS0432 (10Y)	6.61	18

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.65	23	2.50	-7	0.23	-5
2L	7.39	19	2.98	-7	0.94	-8
3L	7.10	16	3.04	-8	1.23	-6
4L	6.83	16	3.02	-13	1.35	-4
5L	6.64	19	3.01	-10	1.44	-9
8L	6.25	17	3.00	-6	1.66	0
10L	6.11	16	3.01	-3	1.76	0

#### WIBOR rates

Term	%	Change (bps)
O/N	4.71	2
T/N	4.75	9
SW	5.51	27
2W	5.53	21
1M	5.49	12
3M	6.24	10
6M	6.43	9
1Y	6.62	5

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

Term	%	Change (bps)
1x4	7.17	13
3x6	7.85	26
6x9	7.88	27
9x12	7.84	23
3x9	8.03	17
6x12	8.07	20

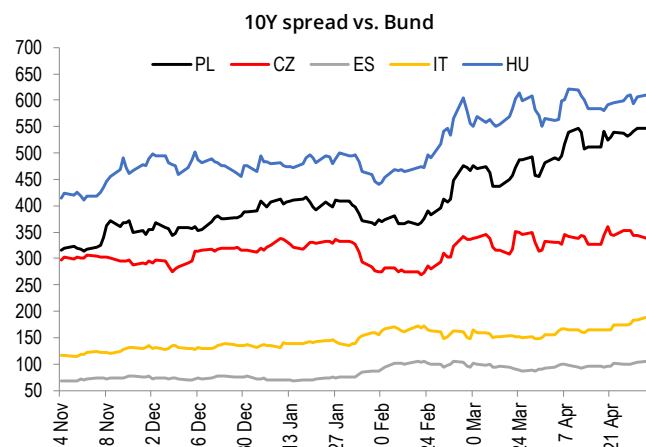
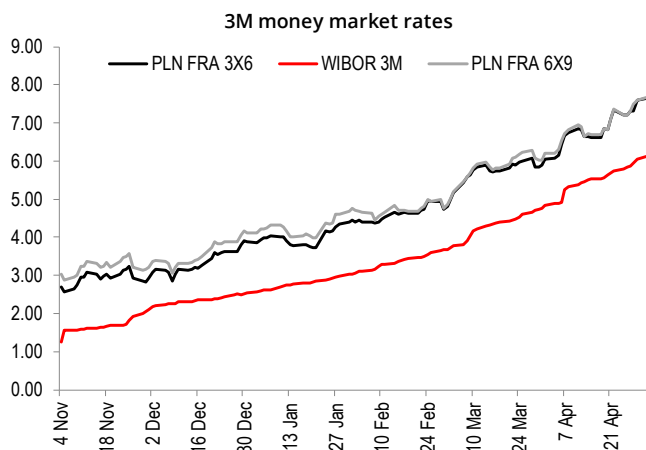
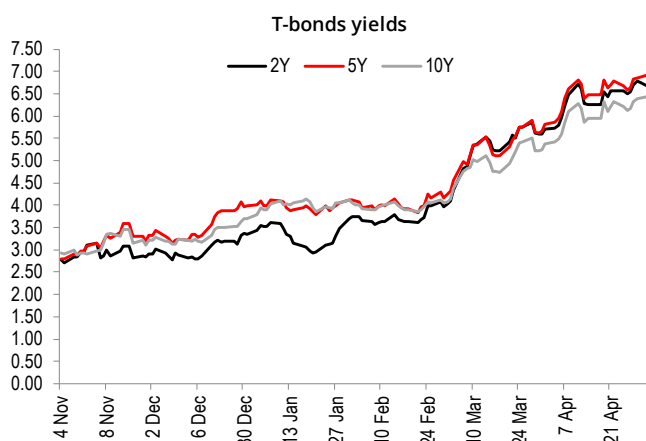
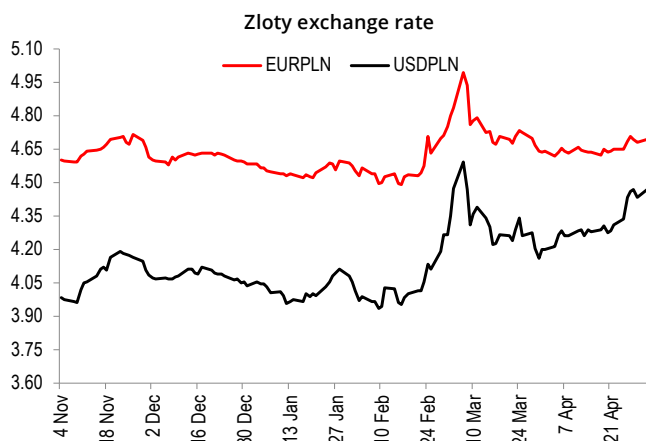
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	0	563	15
France	12	0	53	1
Hungary	112	0	635	-1
Spain	50	0	110	4
Italy	65	3	198	8
Portugal	35	0	115	4
Ireland	12	0	68	-1
Germany	9	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 (29 April)</b>								
09:00	CZ	GDP SA	1Q	% y/y	4.3	-	4.6	3.6
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Apr</b>	<b>% y/y</b>	<b>11.4</b>	<b>11.5</b>	<b>12.3</b>	<b>11.0</b>
10:00	DE	GDP WDA	1Q	% y/y	3.6	-	3.7	1.8
11:00	EZ	Flash HICP	Apr	% y/y	7.5	-	7.5	7.5
11:00	EZ	GDP SA	1Q	% y/y	5.0	-	5.0	4.7
14:30	US	Personal Spending	Mar	% m/m	0.6	-	1.1	0.6
14:30	US	Personal Income	Mar	% m/m	0.4	-	0.5	0.7
14:30	US	PCE Deflator SA	Mar	% m/m	0.9	-	0.9	0.5
16:00	US	Michigan index	Apr	pts	65.7	-	65.2	65.7
<b>MONDAY (2 May)</b>								
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Apr</b>	<b>pts</b>	<b>51.4</b>	<b>51.5</b>	<b>52.4</b>	<b>52.7</b>
09:55	DE	Germany Manufacturing PMI	Apr	pts	54.1	-	54.6	56.9
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	55.3	-	55.5	56.5
11:00	EZ	ESI	Apr	pct.	108.0	-	105.0	108.5
16:00	US	ISM manufacturing	Apr	pts	57.7	-	55.4	57.1
<b>TUESDAY (3 May)</b>								
11:00	EZ	Unemployment Rate	Mar	%	6.8	-	6.8	6.9
16:00	US	Durable Goods Orders	Mar	% m/m	0.8	-	1.1	0.8
16:00	US	Factory Orders	Mar	% m/m	1.2	-	2.2	0.1
<b>WEDNESDAY (4 May)</b>								
08:00	DE	Exports SA	Mar	% m/m	-2.1	-	-3.3	6.2
09:55	DE	Markit Germany Services PMI	Apr	pts	57.9	-	57.6	56.1
10:00	EZ	Eurozone Services PMI	Apr	pts	57.7	-	57.7	55.6
11:00	EZ	Retail Sales	Mar	% m/m	-0.3	-	-0.4	0.4
14:15	US	ADP report	Apr	k	383	-	247	479
16:00	US	ISM services	Apr	pts	58.5	-	57.1	58.3
20:00	US	FOMC decision	May.22	%	1.0	-	-	0.5
<b>THURSDAY (5 May)</b>								
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>5.50</b>	<b>5.50</b>	<b>-</b>	<b>4.50</b>
03:45	CN	Caixin China PMI Services	Apr	pts	41.0	-	-	42.0
08:00	DE	Factory Orders	Mar	% m/m	-0.9	-	-	-2.2
14:30	US	Initial Jobless Claims		k	-	-	-	180.0
14:30	CZ	Central Bank Rate Decision	May.22		5.50	-	-	5.00
<b>FRIDAY (6 May)</b>								
08:00	DE	Industrial Production SA	Mar	% m/m	-1.0	-	-	0.2
09:00	HU	Industrial Production SA	Mar	% y/y	-	-	-	4.5
14:30	US	Change in Nonfarm Payrolls	Apr	k	390	-	-	431
14:30	US	Unemployment Rate	Apr	%	3.6	-	-	3.6

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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.