

## Eyeopener

### Glapiński showed his recipe for rate hikes

Friday's speech of Adam Glapiński stressed a strong connection of further MPC actions with inflation path

US labour market data did not support expectations for rate hikes in the USA  
Zloty lost less than other CEE currencies

The week is starting calmly, at least as regards macro releases. **Today** in the morning we got to see Chinese foreign trade data showing a major deceleration of exports (to 3.9% y/y from 14.7% y/y in March) and weakness of imports (0% y/y vs -0.1% y/y) in reaction to lockdowns in numerous cities, including Shanghai. Today we will get to see output in the Czech Republic, strongly connected to the German industry, which disappointed in March. On 9th May Russia is celebrating the end of World War 2 and it is widely expected that some form of escalation of conflict in Ukraine is possible around that date.

**NBP president Adam Glapiński** started the press conference on a hawkish note, saying that the MPC will keep hiking interest rates until they are convinced that inflation will decline persistently. Yet, he immediately added that in a not-so-distant future (he hopes it will be late 2023) the time for rate cuts will come. Interestingly, he did not stress the need to see the return of the predicted inflation to the target before the cycle stops, but only the necessity to see lower inflation. If we are right that CPI will peak in June near 14%, then we could be also right about next interest rate decisions: +75bp in June, +50bp in July and the reference rate will peak at 6.5%. There is no decision-making meeting in August, and after summer holidays the deterioration of economic environment will be already clearly visible in the data, while inflation will be descending. Read more in our [Economic comment](#).

**MPC voting results** from February have shown that all Council members except Eryk Łon (for whom it was the very last meeting), including the newcomers Ludwik Kotecki and Przemysław Litwiniuk, supported the rate hike by 50bp and raising the reserve requirement from 2% to 3.5%.

Government spokesman Piotr Müller said that the **approval of Polish recovery and resilience plan is possible in May**. Please note that there is no progress yet with the legislation liquidating the Supreme Court's Disciplinary Chamber. Moreover, the delay is already so big that we see growing risk that Poland will not be able to use all of the allocated money in time.

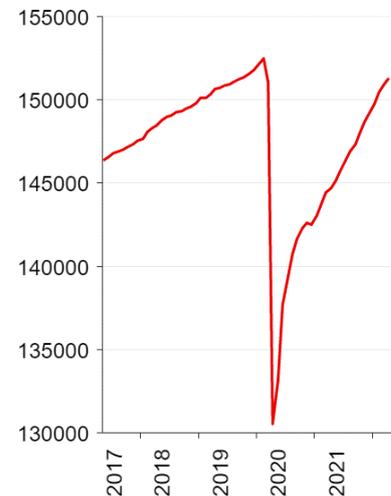
On Friday main European and US stock indices fell by 1-2%. Some hawkish ECB members made fresh remarks concerning faster rate hikes. **EURUSD** tried to slide below 1.05, however lost the momentum amid US labour data release: despite underlined difficulties in recruiting new employees, April's NFP proved better than expected, unemployment rate did not fall (its broader measure even increased), and wages did not surprise on the upside. At the end of a day the exchange rate ended pretty close to 1.06.

**EURPLN** rose above 4.70 even before NBP chair press conference, which overall did not influence the exchange rate much. The zloty depreciated in reaction to lower than expected MPC rate hike and NBP chair comments failed to neutralise this effect - in our opinion it suggests that in the coming week PLN will remain under pressure. External environment (stronger dollar, possible escalation of geopolitical tensions) is not supportive for the zloty either. Potential problems with re-electing Glapiński for the second term (parliament voting is scheduled on May 11-12) may additionally fuel higher volatility of domestic currency by boosting uncertainty who will finally will run NBP.

**Other CEE currencies:** in June the term of the CNB governor ends. On Friday there were news in the Czech media that the next one is likely going to be another current board member, Aleš Michl, who is a staunch dove when it comes to monetary policy, so far voting against all of the delivered rate hikes, basing his view on the belief that the high inflation comes from external shocks and cannot be fought with central bank tools. The Czech koruna lost 1.5% on Friday vs. the euro (EURCZK almost reached 25.0). The forint loss was much smaller, 0.5%, but the currency was supported by March industrial output coming 1pp above expectations.

**On the interest rate market,** in Poland and in core markets the yield curve steepened on Friday. The 10Y part rose some 25bp in Poland, 11bp in Germany and 7bp in the USA. Polish IRS rates moved in line with the domestic bond yields. The NBP head's speech did not cause the market pricing of future rate path in the 1Y horizon but the FRA rates reaching beyond 1Y rose by c.15bp. Debt markets in Poland and abroad are predominantly remaining under the influence of an upward trend. Question if this trend will be continued in the coming days may be answered by the foreign inflation data releases fuelling expectations for further central banks actions.

US non-farm employment, thousands



Source: Refinitiv, Santander

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**FX market**

**Today's opening**

EURPLN	4.7101	CZKPLN	0.1875
USDPLN	4.4840	HUFPLN*	1.2164
EURUSD	1.0510	RUBPLN	0.0682
CHFPLN	4.5085	NOKPLN	0.4693
GBPPLN	5.4937	DKKPLN	0.6317
USDCNY	6.7188	SEKPLN	0.4476

\*for 100HUF

**Last session in the FX market** 06/05/2022

	min	max	open	close	fixing
EURPLN	4.681	4.713	4.694	4.700	4.698
USDPLN	4.431	4.477	4.458	4.445	4.450
EURUSD	1.048	1.060	1.053	1.057	-

**Interest rate market** 06/05/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.76	5
DS0726 (5Y)	7.25	17
DS0432 (10Y)	6.84	26

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.56	2	2.53	1	0.30	5
2L	7.36	7	3.05	5	1.07	7
3L	7.09	11	3.12	1	1.36	9
4L	6.90	17	3.15	3	1.52	10
5L	6.74	17	3.14	5	1.62	10
8L	6.43	23	3.17	7	1.82	11
10L	6.32	24	3.18	8	1.94	12

**WIBOR rates**

Term	%	Change (bps)
O/N	5.02	32
T/N	5.24	-28
SW	5.33	-23
2W	5.33	-22
1M	5.34	-16
3M	6.33	-1
6M	6.55	0
1Y	6.73	-3

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

Term	%	Change (bps)
1x4	7.08	-1
3x6	7.65	3
6x9	7.71	3
9x12	7.67	4
3x9	7.85	0
6x12	7.87	4

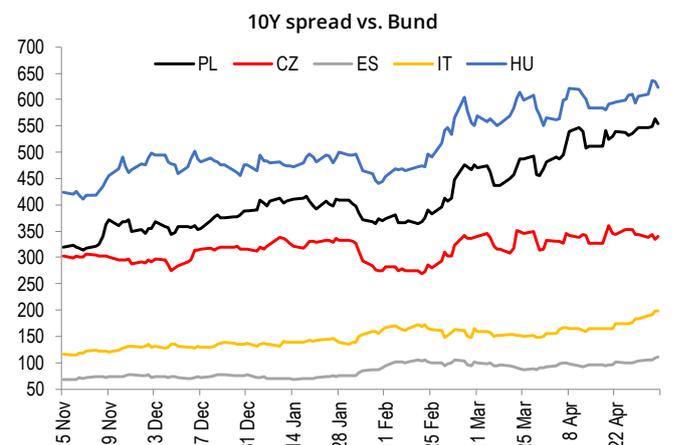
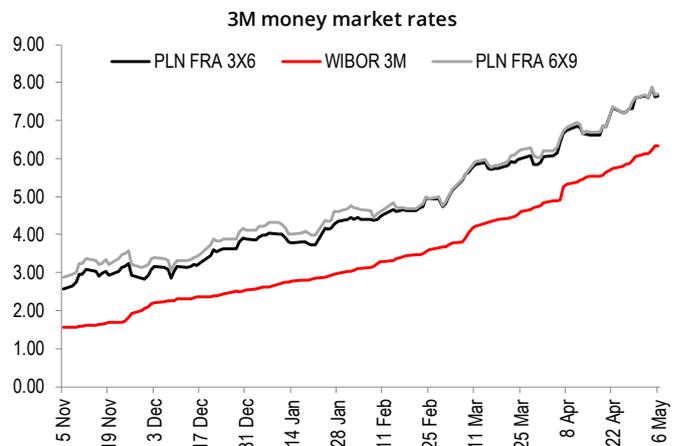
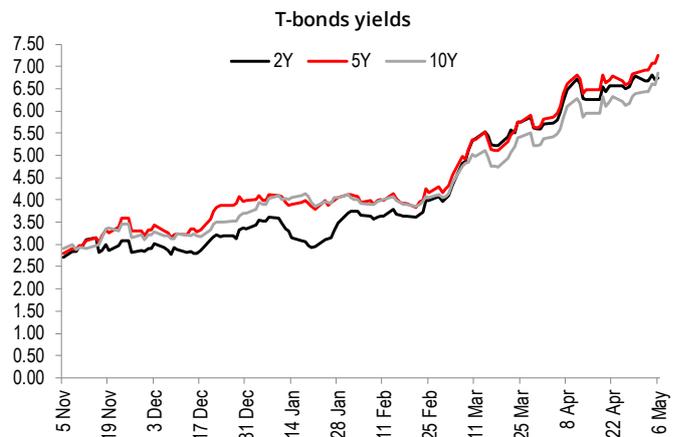
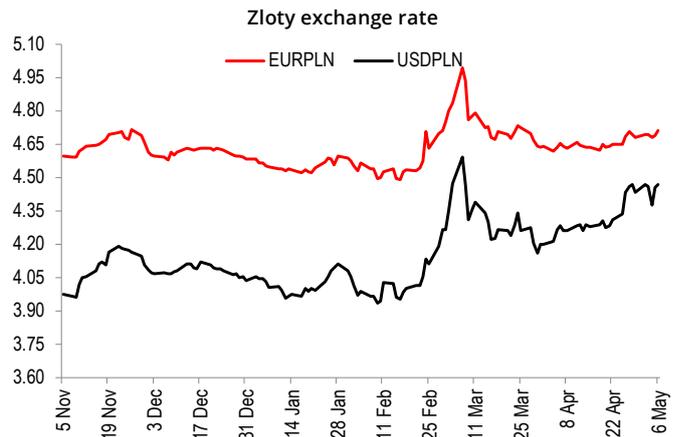
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	95	0	554	-9
France	12	0	52	-1
Hungary	122	10	624	-11
Spain	53	0	110	0
Italy	65	0	198	0
Portugal	38	0	114	-1
Ireland	12	1	68	0
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 (6 May)</b>								
08:00	DE	Industrial Production SA	Mar	% m/m	-1.3	-	-3.9	0.1
09:00	HU	Industrial Production SA	Mar	% y/y	3.1	-	4.2	4.8
14:30	US	Change in Nonfarm Payrolls	Apr	k	380	-	428	431
14:30	US	Unemployment Rate	Apr	%	3.5	-	3.6	3.6
<b>MONDAY (9 May)</b>								
09:00	CZ	Industrial Production	Mar	% y/y	-2.8	-	-	-0.3
<b>TUESDAY (10 May)</b>								
09:00	CZ	CPI	Apr	% y/y	13.2	-	-	12.7
09:00	HU	CPI	Apr	% y/y	8.9	-	-	8.5
11:00	DE	ZEW Survey Current Situation	May	pts	-	-	-	-30.8
<b>WEDNESDAY (11 May)</b>								
08:00	DE	HICP	Apr	% y/y	7.8	-	-	7.6
14:30	US	CPI	Apr	% y/y	8.1	-	-	8.5
<b>THURSDAY (12 May)</b>								
14:30	US	Initial Jobless Claims		k	-	-	-	200
<b>FRIDAY (13 May)</b>								
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Apr</b>	<b>% y/y</b>	<b>12.3</b>	<b>12.3</b>	<b>-</b>	<b>11.0</b>
11:00	EZ	Industrial Production SA	Mar	% m/m	-0.7	-	-	0.7
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Mar</b>	<b>€mn</b>	<b>-2935</b>	<b>-2478</b>	<b>-</b>	<b>-2871</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Mar</b>	<b>€mn</b>	<b>-2194</b>	<b>-1836</b>	<b>-</b>	<b>-1741</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Mar</b>	<b>€mn</b>	<b>26259</b>	<b>25950</b>	<b>-</b>	<b>25270</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Mar</b>	<b>€mn</b>	<b>28919</b>	<b>28038</b>	<b>-</b>	<b>27011</b>
16:00	US	Michigan index	May	pts	63.7	-	-	65.2

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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