

Eyeopener

New president in CNB, old one in NBP?

Today the Sejm is to vote on Adam Glapiński's second term as NBP head
 Media: there is an agreement in the ruling coalition concerning judiciary
 A declared opponent of rate hikes will be the new CNB head
 Government plans to change retail bond offer, today switching auction

Today the Sejm is to vote over Adam Glapiński's second term as NBP head. Earlier the media speculated that the results are not sure despite comments of the ruling party that a majority is secured. Doubts about this nomination were additionally fuelled by yesterday's decision of the Judiciary Committee to dismiss Solidarna Polska's (minor coalition partner blocking the deal with the EU) changes to the judiciary bill. According to Onet.pl, in the evening the coalition parties struck a deal on the judiciary – it assumes preparation of new changes, which will be voted by the Committee next week. The coalition also plans to suspend today's Sejm meeting and to resume it next week.

PM Mateusz Morawiecki announced an issue of **new retail bonds**, with new paper with interest equal to NBP reference rate. This is intended to encourage households to save (which would cool inflation down) and banks to offer higher deposit rates, yet it will not decrease the banking system liquidity.

According to RMF24 the **EC is ready to accept the Polish recovery plan** and is only waiting for a clear signal from the Polish authorities that they are going to respect the conditions expressed by the Commission last year (i.a. the liquidation of the Disciplinary Chamber). The EC does not require Poland to formally pass the rule-of-law bills for this.

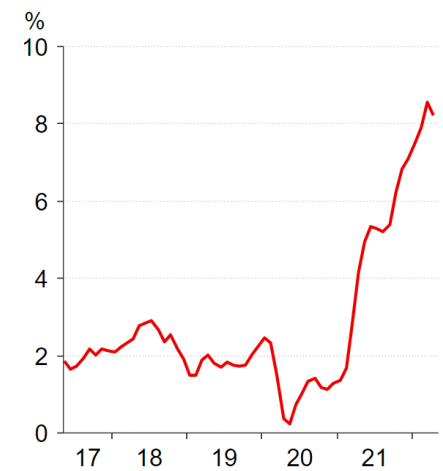
Other CEE FX: the Czech president nominated Aleš Michl as the new central bank governor. The incumbent has only one interest rates decision-bearing meeting to go at 22 June. The first decision on rates under the new governor – a stark opponent of rate hikes - will be taken on 4 August. Michl openly admitted that the level of rates he expects to inherit from Jiří Rusnok will in his view be sufficient for dampening the demand part of inflation and he prefers that rates stay flat for some time. The Czech koruna lost more than 2.5% since the first signals Michl is going to get the post (1% yesterday and the rest on Friday on media reports). The forint was yesterday much more stable than PLN and CZK. EURHUF held close to 380.

EURUSD remains in 1.05 – 1.06 range. C. Lagarde's morning declaration on imminent QE ending in early beginning of the Q3 and switching to rate hikes a "few weeks" later after did not surprise the markets, which had already been pricing-in July rate increases in the Eurozone for some time. The market sentiment was additionally supported by significant decrease of the new COVID-19 cases in Shanghai. In turn, **US CPI** reading for April only temporarily pushed the exchange rate closer to 1.05. Although US inflationary data were higher than expected (8.3% vs. 8.1%) but still lower than in March (8.5% y/y). It failed to convince the markets that this reading can prompt the Fed to raise rates more aggressively. Additionally, the FOMC hawk J. Bullard admitted that already priced-in by the markets 50bp rate hikes is a "good idea" for coming Fed meetings.

EURPLN decreased from 4.68 to 4.66. Although inflationary data from China surprised upward (2.1% vs. 1.5% before), as did the previously published CPI data from the CEE region, it had not influenced the zloty negatively. Domestic market attention was mainly focused on growing expectations for imminent unlock of the Recovery Plan in relation to the scheduled parliament work. This issue has fuelled the deepening downward correction on the exchange rate, which have been ongoing since the beginning of the week.

On the debt market the yield curve and IRS curve remained close to their maxima. The regional inflation data were higher than expected and higher than their previous readings. The decline of US inflation in April to 8.3% y/y from 8.5% did not translate to stronger local bonds despite the fact that core market yields and IRS rates in the USA and the Eurozone attempted to decline after the release.

CPI inflation in the USA, % y/y



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.6822	CZKPLN	0.1837
USDPLN	4.4548	HUFPLN*	1.2282
EURUSD	1.0504	RUBPLN	0.0675
CHFPLN	4.4716	NOKPLN	0.4546
GBPPLN	5.4348	DKKPLN	0.6285
USDCNY	6.7652	SEKPLN	0.4399

*for 100HUF

Last session in the FX market						11/05/2022
	min	max	open	close	fixing	
EURPLN	4.649	4.681	4.674	4.666	4.670	
USDPLN	4.404	4.438	4.434	4.429	4.419	
EURUSD	1.050	1.058	1.054	1.054	-	

Interest rate market 11/05/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.79	2
DS0726 (5Y)	7.31	-1
DS0432 (10Y)	6.95	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.57	-5	2.48	3	0.21	-4
2L	7.36	-9	2.92	5	0.88	-5
3L	7.13	-8	2.97	3	1.16	-5
4L	6.93	-8	2.96	0	1.33	-6
5L	6.80	-8	2.94	-3	1.41	-9
8L	6.54	-8	2.96	-5	1.69	-4
10L	6.46	-8	2.98	-6	1.78	-8

WIBOR rates

Term	%	Change (bps)
O/N	4.96	-5
T/N	5.14	-5
SW	5.34	0
2W	5.38	1
1M	5.45	2
3M	6.39	3
6M	6.64	2
1Y	6.80	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.07	-4
3x6	7.69	-1
6x9	7.74	-4
9x12	7.69	-10
3x9	7.91	-3
6x12	7.92	-9

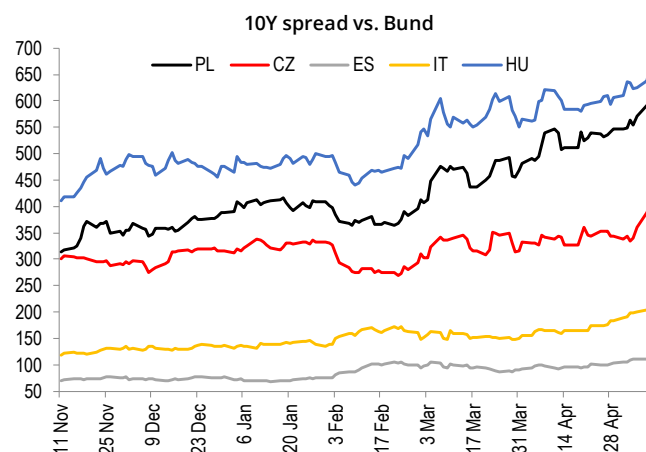
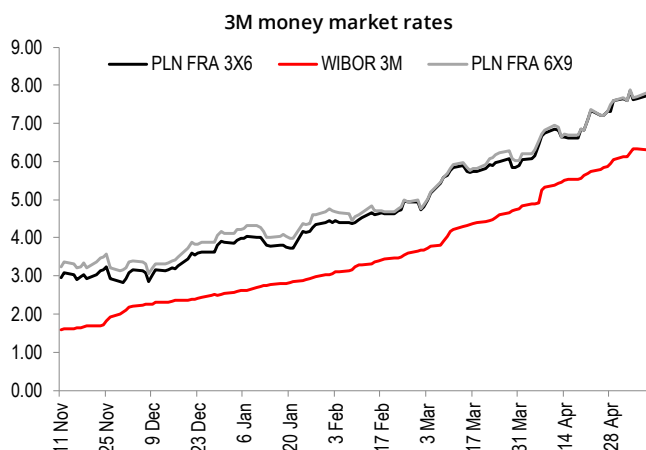
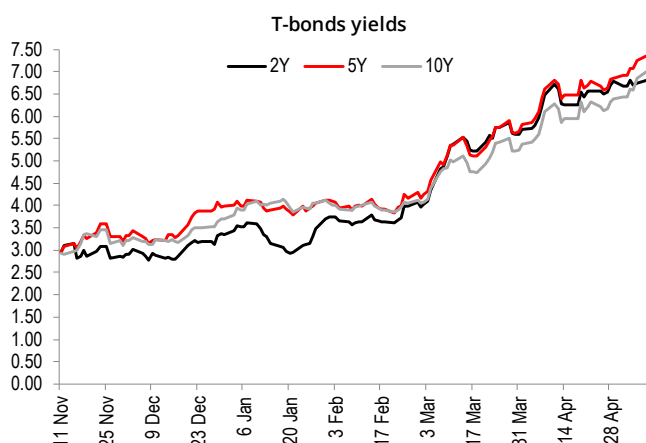
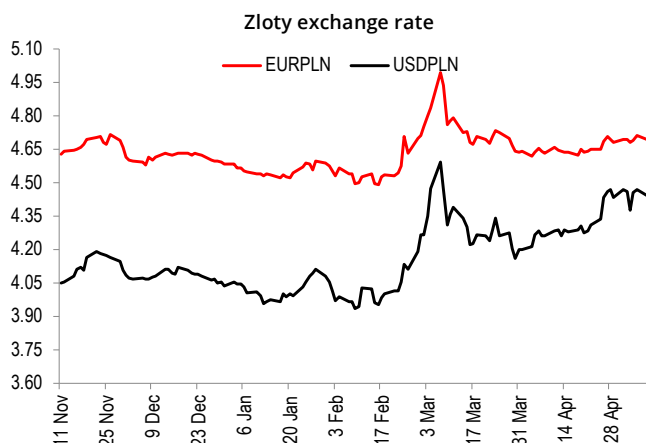
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	95	0	594	-2
France	12	0	54	-8
Hungary	120	-2	663	-3
Spain	53	0	111	0
Italy	63	-2	201	0
Portugal	40	0	111	-6
Ireland	12	0	64	-4
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			
FRIDAY (6 May)								
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
MONDAY (9 May)								
09:00	CZ	Industrial Production	Mar	% y/y	-2.8	-	-	-0.3
TUESDAY (10 May)								
09:00	CZ	CPI	Apr	% y/y	13.2	-	14.2	12.7
09:00	HU	CPI	Apr	% y/y	8.9	-	9.5	8.5
11:00	DE	ZEW Survey Current Situation	May	pts	-35.0	-	-36.5	-30.8
WEDNESDAY (11 May)								
08:00	DE	HICP	Apr	% y/y	7.8	-	7.8	7.6
14:30	US	CPI	Apr	% y/y	8.1	-	8.3	8.5
THURSDAY (12 May)								
14:30	US	Initial Jobless Claims		k	-	-	-	200
FRIDAY (13 May)								
10:00	PL	CPI	Apr	% y/y	12.3	12.3	-	11.0
11:00	EZ	Industrial Production SA	Mar	% m/m	-0.7	-	-	0.7
14:00	PL	Current Account Balance	Mar	€mn	-2935	-2478	-	-2871
14:00	PL	Trade Balance	Mar	€mn	-2194	-1836	-	-1741
14:00	PL	Exports	Mar	€mn	26259	25950	-	25270
14:00	PL	Imports	Mar	€mn	28919	28038	-	27011
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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