

Eyeopener

HICP inflation chases CPI inflation

Today a set of US data, ECB minutes, works on Supreme Court bill
 HICP inflation unchanged in March y/y, Polish HICP much higher
 EC showed a plan to reduce dependence on Russian energy worth EUR300bn

Today US data releases: Philly Fed index and home sales. In Poland the parliament's justice committee will resume work on the draft legislation liquidating the Supreme Court's disciplinary chamber, which is key for unlocking money from the recovery fund. Also, the ECB will release minutes from the last meeting – recently the bank officials spoke in more hawkish tone, one of them suggested that such opinions are shared by many bank's policymakers. So, the tone of the document could be relatively hawkish.

HICP inflation in the euro zone remained in April at March level 7.4% y/y (vs. flash reading 7.5%), while core inflation rose from 3.0% to 3.5% y/y. In fact, all main sub-categories accelerated and the headline inflation remained unchanged mainly due to lower energy price growth (37.5% y/y vs 44.3% in March). In turn, data for Poland showed a rise in HICP to 11.4% from 10.2% in March and core inflation rise to 8.6% y/y from 7.8%. **US housing market** data showed slightly smaller than expected decline of new house starts in April, but data for March were revised down, so the total number was lower than expected. The data are still relatively strong, although the sector is struggling with labour force shortage and materials shortage.

The **European Commission presented a new financial framework** named REPowerEU, aimed at decreasing energy dependency on Russia. The framework is intended to be worth €300bn, including €72bn in subsidies and €225b in loans. Funds are to be dedicated to increase energy efficiency, share of renewables in energy mix and diversification of energy imports.

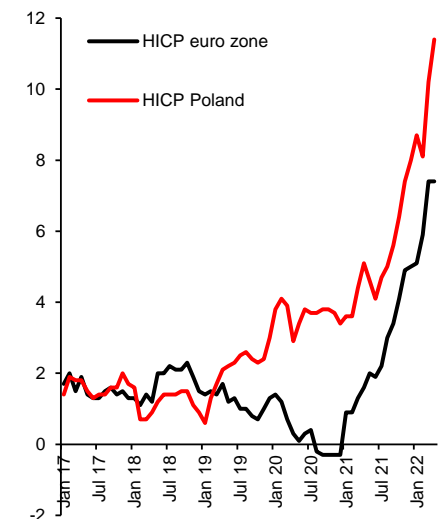
EURUSD moved around 1.05. Attempts to get lower were halted at least temporarily by the more hawkish rhetoric of ECB members.

EURPLN declined to around 4.64 from 4.65. Despite more news from the Polish government that the recovery plan is about to be accepted, the upside potential for the zloty based on this issue is in our view limited. The exchange rate is not likely waiting for an improvement of economic sentiment in Europe.

Other CEE currencies: EURCZK moved slightly downward to about 24.66 from about 24.7. Czech koruna benefited from the better sentiment on CEE stock markets. Downward move of the exchange rate got additional support from the CNB board member Tomas Holub remarks, which stated that inflation cannot be combated by refraining, simultaneously, from rate hikes and exchange rate interventions. Awaiting for the new ultra dovish CNB chair Ales Michl (to replace Jiri Rusnok in July), the markets understood it as a threat of a new exchange rate interventions, at least until July, when the new chair will take the office. In turn the other CNB member Vojtech Benda stated, that rate hikes are the only effective instrument to bring the inflation down. The market are currently pricing in another rate hike in Czechia in June by 50bp. EURHUF was also falling with the other CEE crosses. The exchange rate fell to about 384 from about 386.

On the **interest rate market** the bond curve shifted up on Wednesday. This was supported by rising energy commodities, which again started to fuel inflation expectations. On the Wednesday BGK auction of COVID-19 bonds a quite strong demand was recorded (the highest since September 2021). This may be signalling a high interest in domestic debt, but does not have to fuel a persistent decline of domestic yields. In our view such a possibility will appear when the market will be convinced that inflation will be going down. Until this time, any attempts to support the domestic debt will probably be short-lived. The Finance Ministry informed about results of Tuesday €-denominated bonds auction: it sold papers worth €2bn amid demand exceeding €4bn.

HICP inflation, % y/y



Source: Eurostat, Santander

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4.6495 | CZKPLN | 0.1881 |
| USDPLN | 4.4332 | HUFPLN* | 1.2091 |
| EURUSD | 1.0487 | RUBPLN | 0.0701 |
| CHFPLN | 4.4515 | NOKPLN | 0.4509 |
| GBPPLN | 5.4741 | DKKPLN | 0.6231 |
| USDCNY | 6.7616 | SEKPLN | 0.4420 |

*for 100HUF

Last session in the FX market 18.05.2022

| | min | max | open | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.630 | 4.658 | 4.652 | 4.643 | 4.653 |
| USDPLN | 4.401 | 4.437 | 4.419 | 4.424 | 4.428 |
| EURUSD | 1.049 | 1.054 | 1.053 | 1.049 | - |

Interest rate market 18.05.2022

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| DS1023 (2Y) | 6.29 | 1 |
| DS0726 (5Y) | 6.81 | -3 |
| DS0432 (10Y) | 6.65 | 2 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 7.26 | 3 | 2.56 | 0 | 0.37 | 4 |
| 2L | 7.02 | 2 | 2.94 | -4 | 0.96 | 2 |
| 3L | 6.73 | 2 | 2.95 | -6 | 1.18 | 1 |
| 4L | 6.50 | 0 | 2.93 | -7 | 1.32 | 1 |
| 5L | 6.35 | 0 | 2.91 | -8 | 1.42 | 0 |
| 8L | 6.16 | 2 | 2.91 | -11 | 1.63 | -1 |
| 10L | 6.10 | 0 | 2.93 | -11 | 1.74 | -2 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 5.08 | 4 |
| T/N | 5.22 | 2 |
| SW | 5.33 | -1 |
| 2W | 5.38 | -1 |
| 1M | 5.58 | 2 |
| 3M | 6.45 | 1 |
| 6M | 6.67 | 1 |
| 1Y | 6.80 | 0 |

FRA rates on the interbank market**

| Term | % | Change (bps) |
|------|------|--------------|
| 1x4 | 6.88 | 4 |
| 3x6 | 7.19 | -2 |
| 6x9 | 7.31 | 3 |
| 9x12 | 7.28 | 4 |
| 3x9 | 7.40 | 0 |
| 6x12 | 7.47 | 2 |

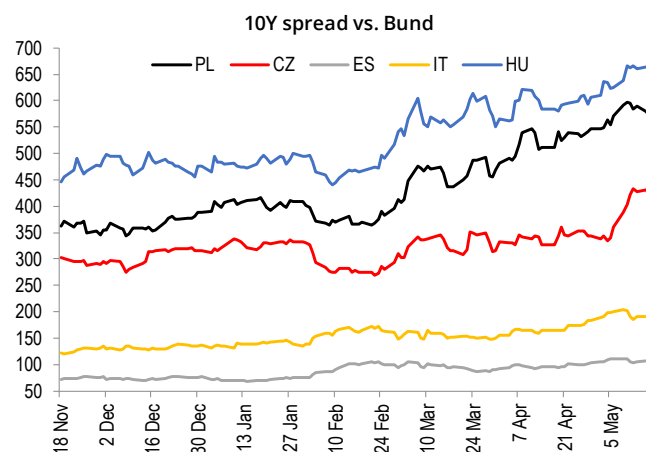
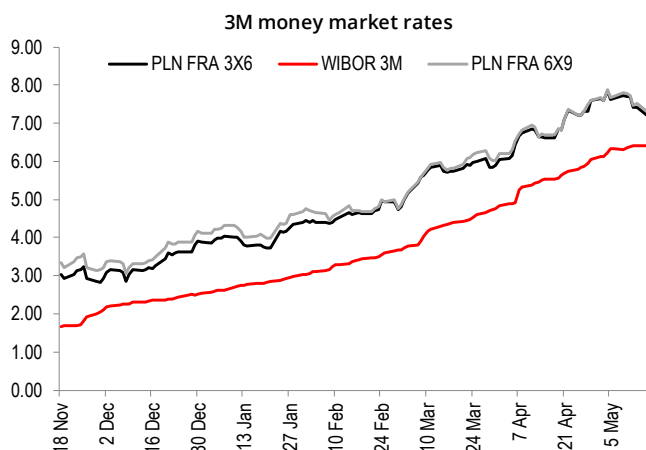
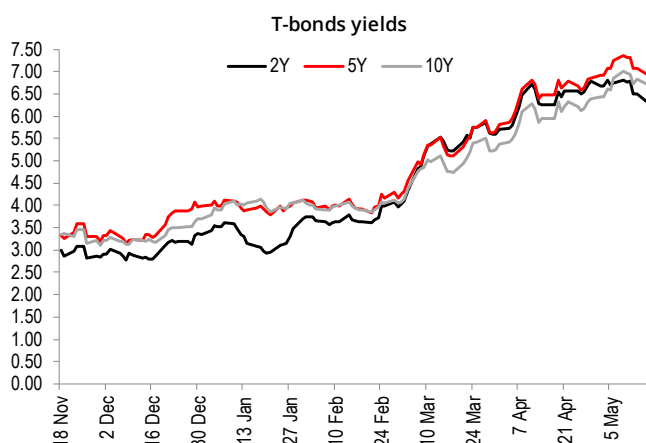
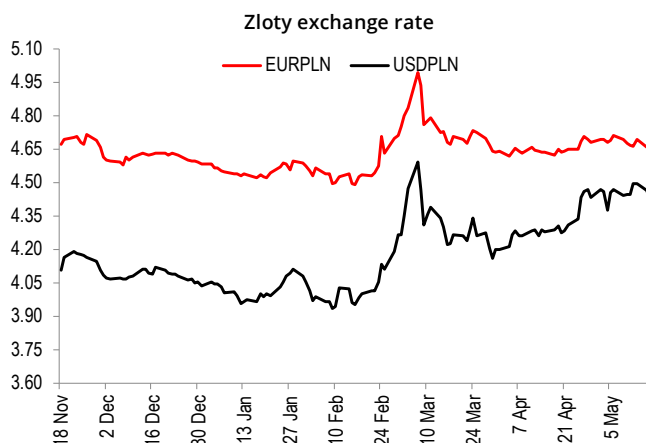
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 115 | 0 | 563 | 6 |
| France | 12 | 0 | 50 | -1 |
| Hungary | 125 | 0 | 656 | 4 |
| Spain | 53 | 0 | 108 | 0 |
| Italy | 60 | 0 | 193 | 1 |
| Portugal | 40 | 0 | 114 | 1 |
| Ireland | 13 | 0 | 63 | 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 | | | |
| FRIDAY (13 May) | | | | | | | | |
| 10:00 | PL | CPI | Apr | % y/y | 12.3 | 12.3 | 12.4 | 11.0 |
| 11:00 | EZ | Industrial Production SA | Mar | % m/m | -0.7 | - | -1.8 | 0.5 |
| 14:00 | PL | Current Account Balance | Mar | €mn | -2935 | -2478 | -2972 | -2663 |
| 14:00 | PL | Trade Balance | Mar | €mn | -2194 | -1836 | -3253 | -1559 |
| 14:00 | PL | Exports | Mar | €mn | 26259 | 25950 | 25831 | 25141 |
| 14:00 | PL | Imports | Mar | €mn | 28919 | 28038 | 29084 | 26700 |
| 16:00 | US | Michigan index | May | pts | 63.7 | - | 59.1 | 65.2 |
| MONDAY (16 May) | | | | | | | | |
| 14:00 | PL | CPI Core | Apr | % y/y | 7.5 | 7.7 | 7.7 | 6.9 |
| TUESDAY (17 May) | | | | | | | | |
| 09:00 | HU | GDP | 1Q | % y/y | 7.8 | - | 8.2 | 7.1 |
| 10:00 | PL | GDP | 1Q | % y/y | 8.1 | 8.1 | 8.5 | 7.3 |
| 11:00 | EZ | GDP SA | 1Q | % y/y | 5.0 | - | 5.1 | 4.6 |
| 14:30 | US | Retail Sales Advance | Apr | % m/m | 1.0 | - | 0.9 | 1.4 |
| 15:15 | US | Industrial Production | Apr | % m/m | 0.4 | - | 1.1 | 0.9 |
| WEDNESDAY (18 May) | | | | | | | | |
| 11:00 | EZ | HICP | Apr | % y/y | 7.5 | - | 7.4 | 7.4 |
| 14:30 | US | Housing Starts | Apr | % m/m | -1.7 | - | -0.2 | -2.8 |
| THURSDAY (19 May) | | | | | | | | |
| 14:30 | US | Initial Jobless Claims | | k | 193 | - | - | 203 |
| 14:30 | US | Index Philly Fed | May | | 16.7 | - | - | 17.6 |
| 16:00 | US | Existing Home Sales | Apr | % m/m | -2.1 | - | - | -2.7 |
| FRIDAY (20 May) | | | | | | | | |
| 10:00 | PL | Employment in corporate sector | Apr | % y/y | 2.7 | 2.8 | - | 2.4 |
| 10:00 | PL | Sold Industrial Output | Apr | % y/y | 14.5 | 12.3 | - | 17.3 |
| 10:00 | PL | PPI | Apr | % y/y | 20.3 | 20.5 | - | 20.0 |
| 10:00 | PL | Average Gross Wages | Apr | % y/y | 12.3 | 12.4 | - | 12.4 |

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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