

# Eyeopener

## Rate hike expectations are growing again

Today POLGB auction, Sejm votes on judiciary changes, US data  
 Consumer confidence burdened with inflation, but no sign of demand collapse  
 EURPLN close to 4.60, yields under pressure of growing rate hike expectations

**Today** Sejm will vote on the bill abolishing the disciplinary chamber of the Supreme Court. Unofficially the EC is to accept the Polish recovery plan on 1 June and Ursula von der Leyen is planning to visit Poland on 2 June (she usually visited countries which were granted the EC's formal approval to tap the EU's recovery funds). Also today Polish Ministry of Finance holds an bond auction. The today's US data may be quite interesting: the weekly initial jobless count (the data have been showing an upside trend since April), the revision of 1Q GDP, another regional business sentiment indicator, more data from the real estate market, which is recently showing a quick deterioration.

Polish **consumer confidence** worsened somewhat in May. The main area of deterioration was the shape of the economy (the lowest print ever, data since 2004) and its outlook (third worst reading ever). At the same time households' assessment of their future financial situation got better, the major purchases index also increased a bit (but remained historically low). The high and rising inflation affected negatively consumers' perceptions of their ability to save money and their current financial situation. Worries about unemployment grew a bit, but still the level of this indicator is in our view encouraging, given how negatively consumers perceive the economic outlook. This all suggests that in May there was still no collapse of consumer demand.

The registered **unemployment rate** fell in April to 5.2% while the market had expected 5.3% after such indication in the Ministry of Labour estimates. The number of the unemployed was 878k. LFS data for 1Q22 showed the alternative unemployment rate rise to 3.1% from 2.9% in 4Q21 – this is exactly the same move as the one before the pandemic – from 4Q19 to 1Q20.

**Fed monetary policy accounts** from the last meeting (3-4 May) proved wide consensus among FOMC members on the need of taking more “expeditious” approach on the transition from accommodative to neutral monetary policy stance. Faster reaching of monetary policy neutrality should enable the Fed to become “well positioned” to assess economic conditions with regard to further policy evolution including implementing more restrictive approach. Inflationary processes are “highly attentively” observed, and the risks of its further development are skewed to the upside. Lower GDP 1Q reading was evaluated as less meaningful in terms of next. Fed expects “solid” 2Q readings, near or even above trend for the whole year.

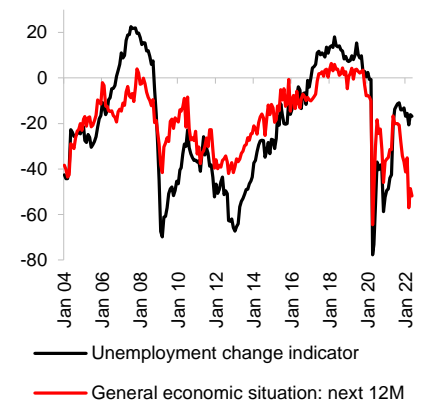
**EURUSD** fell slightly below 1.07. The move was supported by the hawkish FOMC minutes which signalled the Fed's readiness to implement more restrictive monetary policy approach and suggested solid 2Q economic growth in the US. It was an important hint for the markets, fearing global slowdown, on the Fed view on further economic performance.

**EURPLN** finished very volatile Wednesday session closer to the level of 4.60 than 4.59 where it had opened. The exchange rate was driven mainly by the global trends aimed at the correction of the dollar depreciation trend ongoing for a few last days.

**Other CEE currencies:** EURCZK for a few days was oscillating below 24.7. On the one hand the market feared of further currency interventions and looming rate hike at the June CNB meeting, and on the other hand it was aware that the next CNB chair will be very dovish, which may diametrically shift further monetary policy of the central bank. EURHUF increased to about 393 from the level of 383. Strong depreciation of the forint was the effect of market worries concerning premature ending of a rate hikes cycle in Hungary. This view was backed by last remarks of deputy chair of NBH Barnabas Virag, who signalled the possible reduction of the rate hike pace from 100bp to 50bp.

**On the interest rate market** on Wednesday the Polish yield curve and IRS curve rose significantly, by around 10bp. This was another day of rate hike expectations going up, as seen in the FRA rates, due to the evidence of strong price pressures and the risk of inflation becoming more permanent. One of the symptoms was the rise of the yield curve's belly. Today the Ministry of Finance holds an auction of government bonds with the planned supply of PLN4-7bn. Relatively small demand would put more upside pressure on yields. The MF also informed that it plans to collect PLN6bn in June from issuance of new types of floating retail bonds tied to the NBP reference rate.

Selected consumer confidence survey results



Source: GUS, Santander

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### FX market

Today's opening			
EURPLN	4.6033	CZKPLN	0.1862
USDPLN	4.3162	HUFPLN*	1.1742
EURUSD	1.0662	RUBPLN	0.0725
CHFPLN	4.4853	NOKPLN	0.4490
GBPPLN	5.4184	DKKPLN	0.6186
USDCNY	6.7354	SEKPLN	0.4359

\*for 100HUF

Last session in the FX market						25.05.2022
	min	max	open	close	fixing	
EURPLN	4.585	4.622	4.595	4.608	4.596	
USDPLN	4.289	4.338	4.292	4.325	4.307	
EURUSD	1.064	1.071	1.070	1.066	-	

### Interest rate market 25.05.2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.32	0
DS0726 (5Y)	6.78	0
DS0432 (10Y)	6.55	-2

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.49	10	2.49	-2	0.38	-1
2L	7.23	10	2.76	-3	0.92	-2
3L	6.87	9	2.77	-1	1.13	-1
4L	6.58	11	2.75	-1	1.26	-1
5L	6.39	11	2.74	-1	1.36	-1
8L	6.10	11	2.76	0	1.58	0
10L	6.03	9	2.80	1	1.70	0

#### WIBOR rates

Term	%	Change (bps)
O/N	5.25	18
T/N	5.23	2
SW	5.35	0
2W	5.43	3
1M	5.75	6
3M	6.51	1
6M	6.72	1
1Y	6.83	1

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

Term	%	Change (bps)
1x4	7.01	3
3x6	7.46	11
6x9	7.63	14
9x12	7.57	11
3x9	7.67	13
6x12	7.81	15

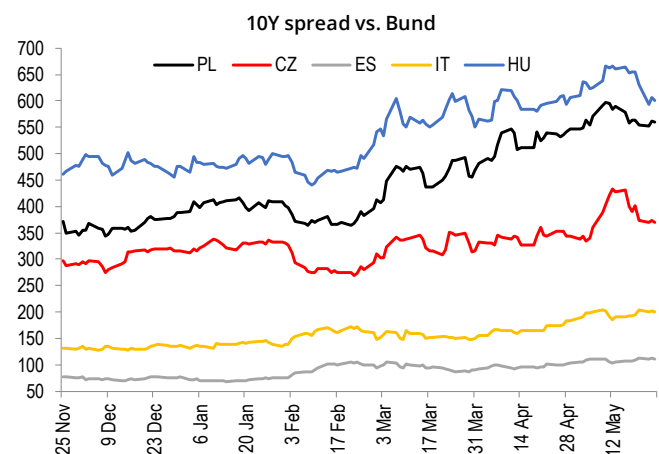
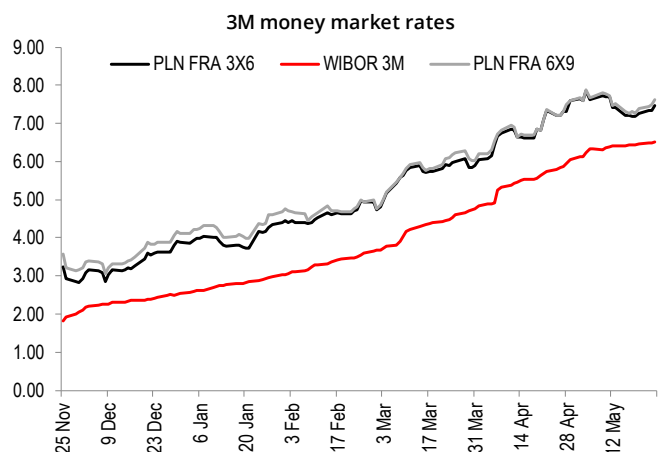
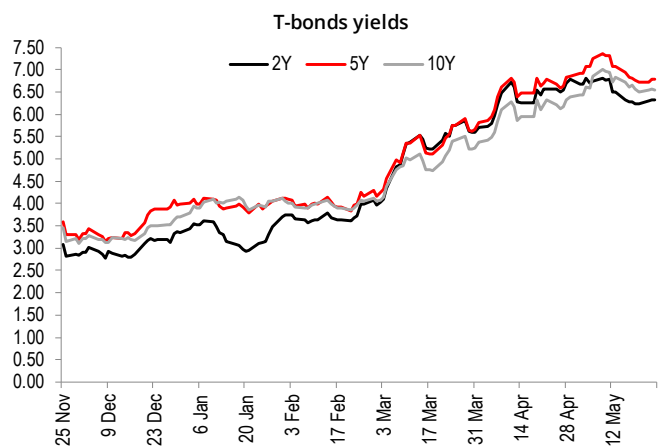
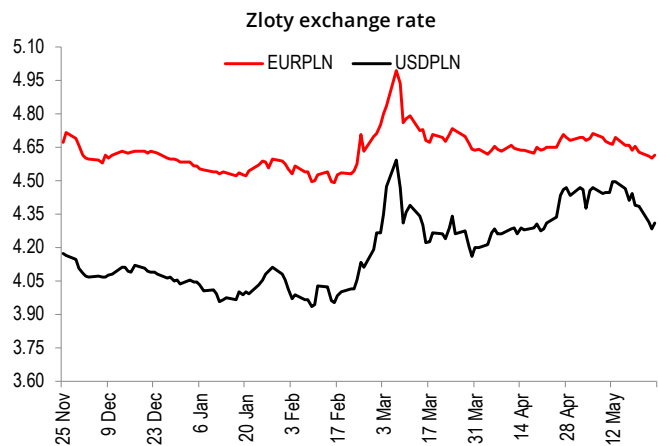
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	116	0	560	-2
France	10	-2	54	0
Hungary	132	0	600	-6
Spain	55	0	111	-2
Italy	65	0	199	-3
Portugal	43	0	116	-2
Ireland	13	0	62	-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 (20 May)</b>								
10:00	PL	Employment in corporate sector	Apr	% y/y	2.7	2.8	2.8	2.4
10:00	PL	Sold Industrial Output	Apr	% y/y	14.5	12.3	13.0	17.3
10:00	PL	PPI	Apr	% y/y	20.3	20.5	23.3	20.0
10:00	PL	Average Gross Wages	Apr	% y/y	12.3	12.4	14.1	12.4
<b>MONDAY (23 May)</b>								
10:00	DE	IFO Business Climate	May	pts	91.4	-	93.0	91.8
10:00	PL	Construction Output	Apr	% y/y	18.9	18.5	9.3	27.6
10:00	PL	Retail Sales Real	Apr	% y/y	16.1	17.1	19.0	9.6
<b>TUESDAY (24 May)</b>								
09:30	DE	Germany Manufacturing PMI	May	pts	54.0	-	54.7	54.6
09:30	DE	Markit Germany Services PMI	May	pts	57.2	-	56.3	57.6
10:00	EZ	Eurozone Manufacturing PMI	May	pts	54.7	-	54.4	55.5
10:00	EZ	Eurozone Services PMI	May	pts	57.5	-	56.3	57.7
14:00	PL	Money Supply M3	Apr	% y/y	8.4	8.8	8.2	7.9
16:00	US	New Home Sales	Apr	% m/m	-1.7	-	-16.6	-10.5
<b>WEDNESDAY (25 May)</b>								
08:00	DE	GDP WDA	1Q	% y/y	3.7	-	3.8	3.7
10:00	PL	Unemployment Rate	Apr	%	5.3	5.3	5.2	5.4
14:30	US	Durable Goods Orders	Apr	% m/m	0.6	-	0.4	0.6
20:00	US	FOMC Meeting Minutes	May.22					
<b>THURSDAY (26 May)</b>								
14:30	US	GDP Annualized	1Q	% Q/Q	-1.3	-	-	-1.4
14:30	US	Initial Jobless Claims	May.22	k	210.0	-	-	218.0
16:00	US	Pending Home Sales	Apr	% m/m	-1.9	-	-	-1.24
<b>FRIDAY (27 May)</b>								
14:30	US	Personal Spending	Apr	% m/m	0.6	-	-	1.1
14:30	US	Personal Income	Apr	% m/m	0.5	-	-	0.5
14:30	US	PCE Deflator SA	Apr	% m/m	0.2	-	-	0.9
16:00	US	Michigan index	May	pts	59.1	-	-	59.1

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

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