

## Eyeopener

### Check of US consumers' confidence

Today data on the condition of US consumers and an important measure of US inflation  
The bill scrapping the Disciplinary Chamber approved by the Sejm  
EURPLN still close to 4.60

**Today** we will get to see a set of data from the US showing the consumers' situation: income and spending in April (and, the PCE deflator, one of the measures of inflation tracked by the Fed) and the results of the University of Michigan consumer sentiment survey for May. These survey-based consumer sentiment and expectations indices have been at historic lows recently and further declines may intensify fears of an impending US recession. Preliminary readings have already been released for the Michigan indices, but with markets alert to recessionary signals, even revisions could matter today.

Polish **Finance Minister Magdalena Rzeczkowska** said in an interview for Radio Warszawa that "if the war ends or does not develop, there is a chance that inflation should already fall at the end of this year". This is in line with our forecasts, although we do not think that the decline will be particularly rapid. At present, we expect the peak in inflation to occur in a few months, and the scale of the CPI retreat between its peak and December may be in the order of 1 pp.

The **National Bank of Poland (NBP)**, in its opinion on the draft law on support for mortgage holders, opted for targeting the aid only at those with real problems with repayment. According to the NBP, the widespread application of aid programmes may result in borrowers in good financial condition also benefiting from them, which may encourage excessive debt and risk taking in the future. Moreover, the widespread use of such solutions will also result in higher costs for the banking sector, which will translate into lower CIT revenues. According to the NBP if all borrowers took advantage of the "credit holidays", the total cost for the banking sector in 2022-2023 could reach even PLN20bn.

**EURUSD**, after temporary downward correction, returned above 1.07. Another weaker US real estate data negatively influenced expectations for growth and inflation, which hampered the dollar. EUR is carried on the wave of imminent rate hikes in the Eurozone.

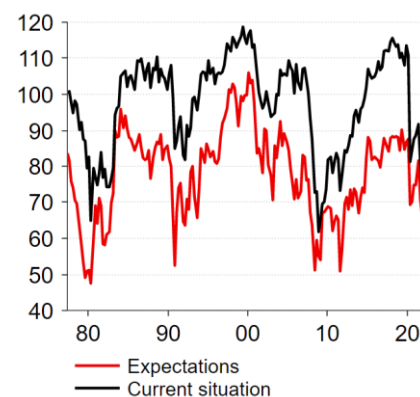
**EURPLN** remains close to 4.60. Attempts of an upward correction on the back of the earlier strengthening of the dollar (after hawkish Fed minutes) failed due to rising expectations for further rate hikes (from the beginning of this week) on the domestic FRA market. Since recently published industrial and labour market data showed growing inflationary pressure in Poland and the lack of clear signals of a weaker economic growth, domestic market have started to perceive PLN more optimistically. Additionally supportive for the zloty was the looming EU Recovery Plan approval – yesterday evening Polish Parliament has passed the law liquidating the Supreme Court's Disciplinary Chamber.

**Other CEE currencies:** EURCZK remains near 24.70 in the absence of new signals. EURHUF remained at elevated levels near 393. After the announcement of the NBH Deputy Governor Barnabas Virag that the pace of rate hikes would be reduced from 100 bps to 50 bps spooked the markets and caused a sell-off of the forint, the government's proposal for new windfall taxes turned out to be an additional factor supporting the upward trend of EURHUF. Banks, insurance companies and airlines, among others, are to be subject to them for a 2-year period. Its main purpose is to finance social aid for the population from higher utility charges, as well as to increase defence spending.

**Debt market:** The domestic yield curve and IRS rates rose significantly for another day. Thursday's MF bond auction did not significantly change the market picture - demand was relatively high and the auction price parameters did not differ significantly from both the market and the previous auction. The domestic debt was mostly driven by interest rate expectations, gradually returning to their peak on the FRA market. They are already very close to negating the entire downward correction that began a fortnight ago. On the main markets, yields also rose despite fears of an economic slowdown as a result of monetary tightening.

At a **bond auction** on Thursday, the Finance Ministry sold six bond series worth PLN5.5bn, with demand at PLN7bn as compared to the planned supply of PLN4-7bn. The biggest demand was for 5-year floating rate bonds (WZ1127) and fixed rate bonds (PS0527), as well as 10-year fixed rate bonds (DS0432).

#### University of Michigan consumer confidence indicators



Source: Refinitiv Datastream, Santander

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**FX market**

**Today's opening**

EURPLN	4.5974	CZKPLN	0.1858
USDPLN	4.2774	HUFPLN*	1.1777
EURUSD	1.0749	RUBPLN	0.0663
CHFPLN	4.4612	NOKPLN	0.4495
GBPPLN	5.4049	DKKPLN	0.6179
USDCNY	6.7396	SEKPLN	0.4346

\*for 100HUF

**Last session in the FX market 26.05.2022**

	min	max	open	close	fixing
EURPLN	4.595	4.614	4.599	4.602	4.614
USDPLN	4.288	4.324	4.306	4.290	4.319
EURUSD	1.066	1.073	1.068	1.073	-

**Interest rate market 26.05.2022**

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.41	9
DS0726 (5Y)	6.90	11
DS0432 (10Y)	6.67	12

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.61	12	2.50	1	0.38	-1
2L	7.36	13	2.78	2	0.93	1
3L	7.02	15	2.78	2	1.14	2
4L	6.73	15	2.76	1	1.28	2
5L	6.54	15	2.75	1	1.38	2
8L	6.24	14	2.75	-1	1.62	4
10L	6.17	14	2.81	1	1.75	5

**WIBOR rates**

Term	%	Change (bps)
O/N	5.42	17
T/N	5.32	9
SW	5.38	3
2W	5.51	8
1M	5.79	4
3M	6.53	2
6M	6.75	3
1Y	6.84	1

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

Term	%	Change (bps)
1x4	7.08	7
3x6	7.59	13
6x9	7.79	16
9x12	7.77	19
3x9	7.79	12
6x12	7.94	14

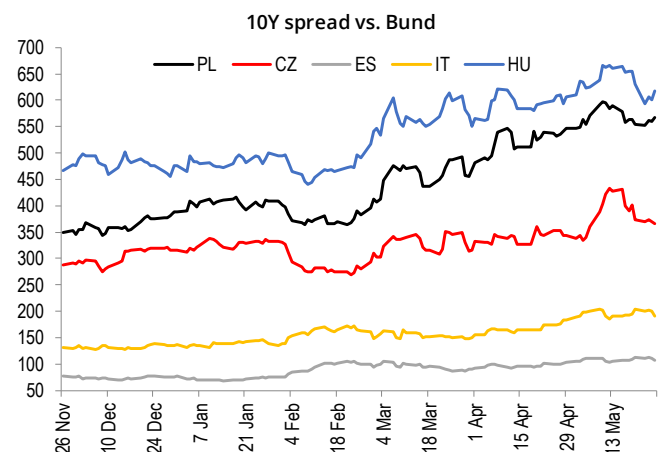
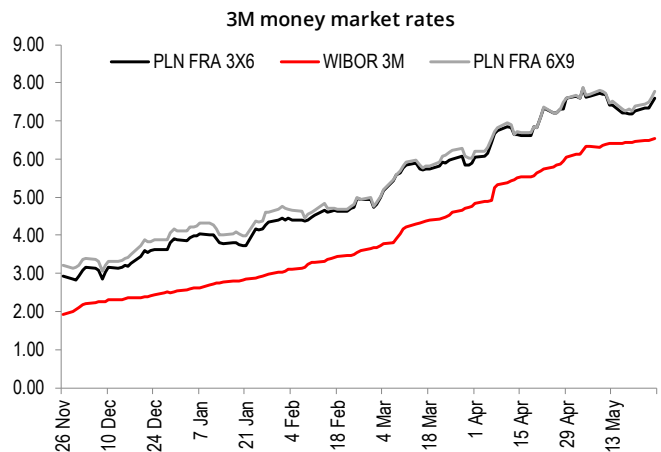
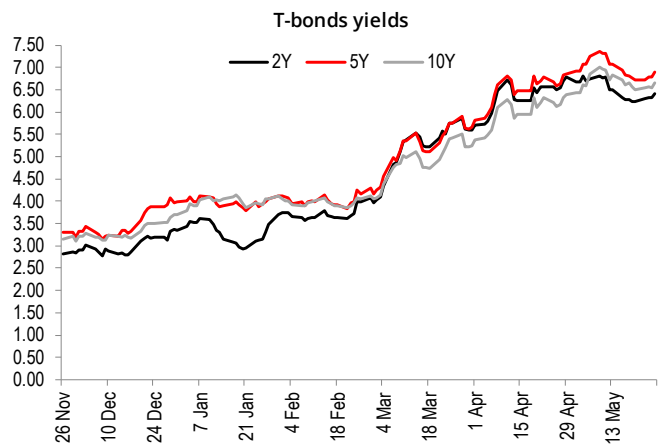
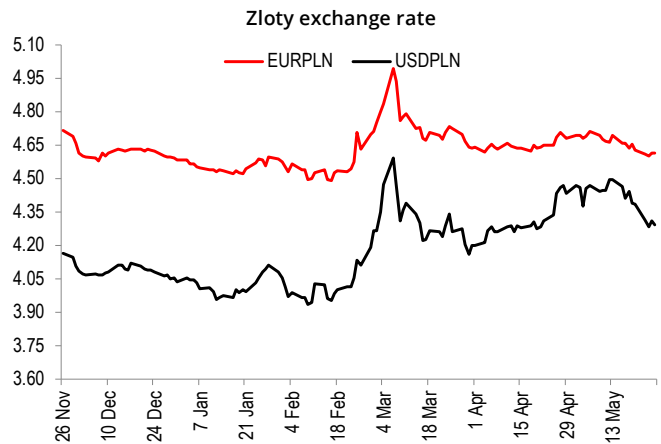
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	116	0	567	7
France	10	0	52	-1
Hungary	132	0	618	17
Spain	53	-3	107	-4
Italy	63	-3	192	-8
Portugal	43	0	113	-3
Ireland	13	0	60	-2
Germany	8	-1	-	-

\* 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	-	-1.5	-1.4
14:30	US	Initial Jobless Claims	May.22	k	210.0	-	210	218.0
16:00	US	Pending Home Sales	Apr	% m/m	-1.9	-	-3.9	-1.6
<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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