

Eyeopener

Today Fed and extraordinary ECB meeting

Today detailed data on Polish May CPI, Fed and ECB meetings
 Polish government approved macroeconomic assumptions to 2023 budget
 German ZEW index a bit higher

Today we will get to see detailed data on Polish May CPI inflation. In our view, it is very likely that the final reading will be revised up to 14.0% y/y from 13.9% in the preliminary data. In addition, important data from the Eurozone (industrial production in April) and the US (retail sales) are due for release. In the evening the **Fed meeting** is scheduled. A 50-75bp interest rate hike is widely expected, but in addition to the decision itself, the words of Fed Chairman Jerome Powell during the conference and new economic forecasts will be important. Fears are growing in the market that the Fed will be becoming increasingly tougher in its fight against inflation, which will cast a shadow over global economic growth. In addition, the **ECB will hold an unscheduled meeting** in connection with the destabilisation of the European debt market – no announcement by the ECB last Thursday of tangible measures to counteract market fragmentation triggered a strong sell-off and widening of spreads between Southern Europe and Germany. Tomorrow is a holiday in Poland, and the **Swiss National Bank's meeting** is worth watching abroad. A change to a more hawkish stance by the Swiss cannot be ruled out, or even a rate hike.

Polish MPC member Henryk Wnorowski said that inflation peak may be achieved at the end of holiday season, however, does not expect CPI to reach 20%. In his opinion, a condition of the Polish economy is very good. In his view, even GDP growth reaching c. 3.5% this year would be a very solid outcome. We generally agree with the MPC member's expectations concerning inflation (if, as we assume, "anti-inflation shield" is prolonged further), but we think that reaching 3.5% of GDP growth this year would require average 1% q/q decrease in 2Q, 3Q and 4Q, which should rather be called a strong recession.

Fitch agency raised its forecast for Poland's GDP growth to 5.2% from 3.3% in 2022 and lowered it to 3.0% from 3.3% in 2023, mainly due to a higher starting point. The agency expects NBP interest rates to rise to 7.00% at the end of this year and then fall to 6.50% at the end of next year. Fitch currently rates Poland's rating at A- with a stable outlook.

The government presented **macroeconomic assumptions for next year's budget**. GDP growth is assumed at 3.8% this year and 3.2% next year, inflation at 9.1% in 2022 and 7.8% in 2023. In our view, the GDP growth forecast for 2023 is a bit too optimistic, but on the other hand, the government underestimates this year's growth and inflation in 2022 and 2023, so in total we assess the forecasts as rather conservative. The government's plan to change the way inflation is taken into account in the spending rule, which we described yesterday, will enable an increase in public sector spending by an additional PLN55bn (around 1.5% of GDP). The government has also adopted a draft law on coal subsidies, which is expected to cost the budget PLN3bn. The price for individual consumers will be set at cPLN1000 per tonne, and private entities selling at this set price will receive PLN750 in compensation.

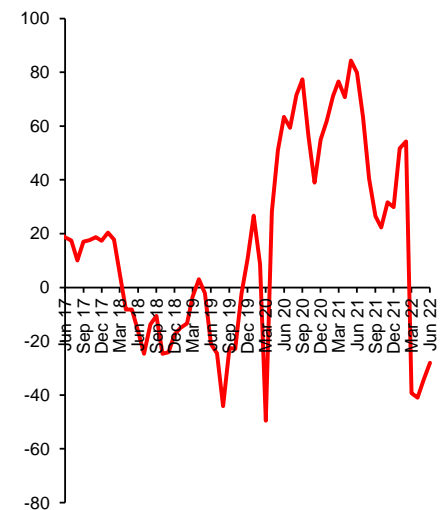
EURUSD fluctuated in the 1.04 - 1.05 zone on Tuesday, with the key events being today's FOMC meeting and the ECB emergency meeting (the rate jumped to 1.05 after the announcement of the latter). Despite the Fed's earlier signals of 50bp hikes in June and July, since Friday the market has started pricing in a 75bp hike in June and almost the same in July. In our opinion, given the strong risk aversion that has been building for the past few days based on the assumption of more aggressive rate hikes in the US, the Fed will seek to calm market sentiment and may remain at +50bp today, shifting the focus to extending rather than accelerating the rate hike cycle.

EURPLN remained below 4.66 on Tuesday in anticipation of further impulses. Today's Fed and ECB meetings will determine the pair's fate. In principle, the morning EURUSD rebound should support the zloty, but the risk of a hawkish Fed and possibly an SNB hike tomorrow morning dampens hopes for a significant downward correction of EURPLN.

Other CEE currencies: EURCZK increased slightly to 24.74 from 24.72. CNB board member Wojciech Benda said that the central bank will have to deliver another "relatively significant" rate hike in June. In his opinion, there is no room for small rate hikes in the current situation, as this could destabilise the koruna - its weaker exchange rate would lead to increased inflationary pressures. EURHUF has marginally fallen from the record highs recorded on Monday and has attempted to stabilize around 399.

Debt market: The yield and IRS curve continued to rise on Tuesday, although already at a slightly slower pace than in previous days. Markets fear that globally higher inflation will last longer, forcing central banks to raise interest rates for longer periods of time.

German ZEW Economic Expectations index, pts



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.6762	CZKPLN	0.1888
USDPLN	4.4720	HUFPLN*	1.1672
EURUSD	1.0452	RUBPLN	0.0790
CHFPLN	4.4703	NOKPLN	0.4480
GBPPLN	5.3721	DKKPLN	0.6286
USDCNY	6.7125	SEKPLN	0.4401

*for 100HUF

Last session in the FX market 14.06.2022

	min	max	open	close	fixing
EURPLN	4.637	4.665	4.645	4.655	4.655
USDPLN	4.428	4.478	4.454	4.470	4.448
EURUSD	1.041	1.048	1.042		-

Interest rate market 14.06.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.74	7
DS0726 (5Y)	7.98	12
DS0432 (10Y)	7.80	11

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.06	8	3.50	11	1.12	12
2L	8.03	9	3.79	7	1.97	12
3L	7.83	7	3.75	8	2.22	18
4L	7.68	5	3.68	10	2.28	10
5L	7.61	6	3.64	11	2.34	10
8L	7.47	4	3.55	13	2.49	19
10L	7.43	4	3.53	11	2.59	21

WIBOR rates

Term	%	Change (bps)
O/N	5.80	3
T/N	5.99	-1
SW	6.10	0
2W	6.13	2
1M	6.27	5
3M	6.81	3
6M	7.08	3
1Y	7.23	5

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.50	0
3x6	8.05	10
6x9	8.20	8
9x12	8.18	8
3x9	8.29	8
6x12	8.43	9

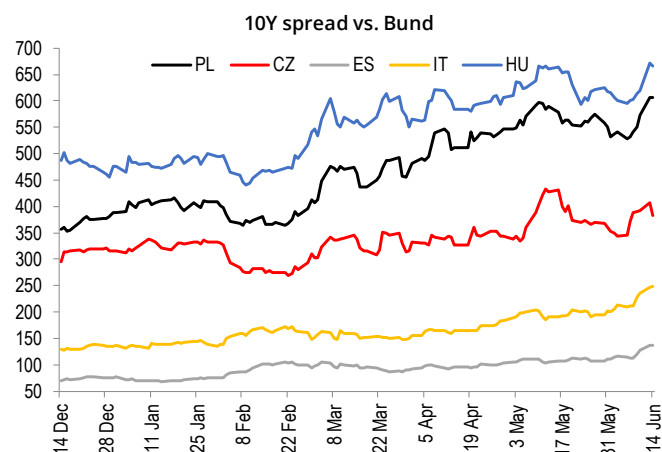
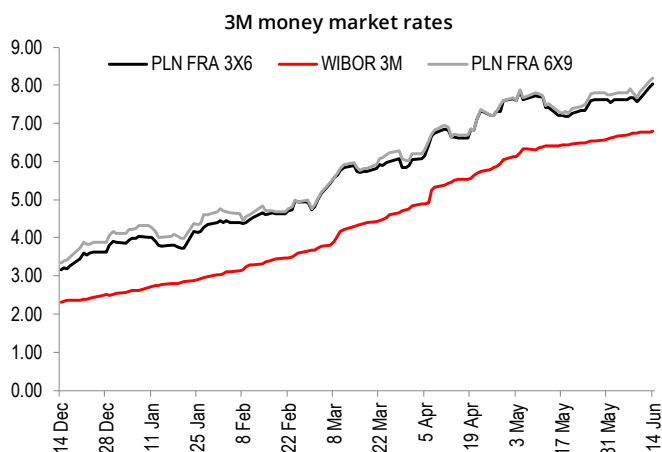
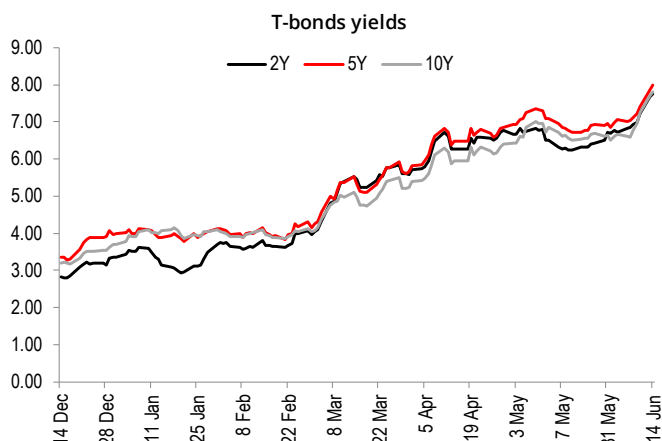
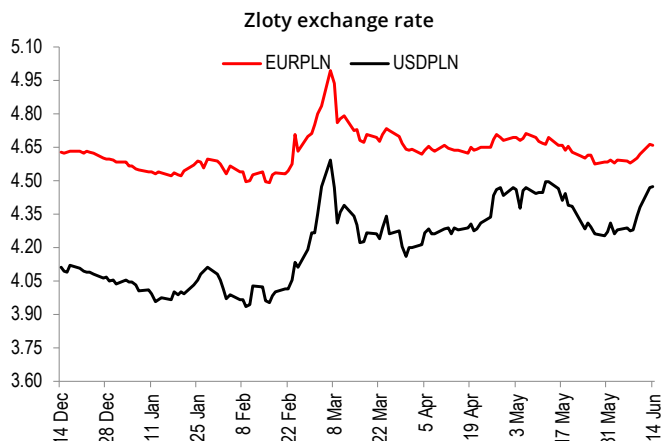
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	108	-2	606	-1
France	10	0	63	1
Hungary	152	0	666	-5
Spain	73	10	136	0
Italy	73	3	248	1
Portugal	53	6	137	-1
Ireland	13	0	74	3
Germany	8	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 (10 Jun)								
09:00	CZ	CPI	May	% y/y	15.5	'-	16.0	14.2
14:30	US	CPI	May	% m/m	0.7	'-	1.0	0.3
16:00	US	Michigan index	Jun	pts	58.2	'-	50.2	59.1
MONDAY (13 Jun)								
14:00	PL	Current Account Balance	Apr	€mn	-3100	-2397	-3924	-2972
14:00	PL	Trade Balance	Apr	€mn	-2795	-2795	-2466	-3253
14:00	PL	Exports	Apr	€mn	27100	28165	26559	25831
14:00	PL	Imports	Apr	€mn	30250	30960	29025	29084
TUESDAY (14 Jun)								
08:00	DE	HICP	May	% m/m	1.1	-	1.1	1.1
11:00	DE	ZEW Survey Current Situation	Jun	pts	0	-	-28.0	-34.3
WEDNESDAY (15 Jun)								
10:00	PL	CPI	May	% y/y	13.9	14.0		12.4
11:00	EZ	Industrial Production SA	Apr	% m/m	0.7	-		-1.8
14:30	US	Retail Sales Advance	May	% m/m	0.2	-		0.9
20:00	US	FOMC decision		%	1.5	-		1.0
THURSDAY (16 Jun)								
	PL	Corpus Christi						
09:30	CH	SNB decision		%	-	-		-0.75
14:30	US	Initial Jobless Claims	week	k	206	-		229
14:30	US	Housing Starts	May	% m/m	-0.58	-		-0.2
FRIDAY (17 Jun)								
11:00	EZ	HICP	May	% y/y	8.1	-		8.1
14:00	PL	CPI Core	May	% y/y	8.5	8.5		7.7
15:15	US	Industrial Production	May	% m/m	0.4	-		1.08

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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