

21 June 2022

Eyeopener

Today important domestic data

Today industrial output, PPI inflation, wages and employment

EURPLN below 4.65

Bond yields and swaps strongly up, pricing-in rate hikes

10Y Polish bond yields above 8%

Today we will see a package of domestic economic data from industry and labour market. Investors will look for signs of the current economic situation and the evolution of price-wage pressures in May.

NBP president Adam Glapiński said in the interview for Obserwator Finansowy that "the risk of stagflation in Poland is exaggerated for the time being, we do not see any such prospects, as we have high growth". Moreover, he estimated that in 2022 "the growth from the currently high level will go down to 4-4.5%, in 2023 the Polish GDP growth will slow down to some 2.5-3%, and we cannot go lower, because it would result in unemployment". This confirms the earlier words of the NBP President that the MPC is closer to the end of the rate hike cycle than to its beginning. The MPC is concerned about a possible economic slowdown, and if the upcoming inflation projection (July) indicates a slowdown towards levels mentioned by Glapiński, the Council may be willing to approach the end of the cycle. However, inflation development and decisions of the major central banks will decide whether this will be possible.

ECB head Christine Lagarde said that the risk of eurozone debt market fragmentation must be "nipped in the bud". However, she did not give details of the bank's new "anti-fragmentation" instrument and the conditions for its activation. She confirmed that the ECB would raise rates by 25bp in July and by more than this in September if the inflation outlook does not go down. For the period after September, she announced gradual but systematic increases. Regarding the possible risks of triggering a recession, she said that these should be monitored, although the bank's forecasts assume that economic growth will continue even in the face of monetary tightening. At the same time, however, she acknowledged that the risks of a sharp correction in European financial and real estate markets are serious.

James Bullard, currently a voting FOMC member, believes that the economy will gradually slow to the GDP trend projected by the Fed. In his view, recent increases in rental prices may indicate that inflation can remain elevated for an extended period of time. He also said that Fed is determined to bring inflation down.

EURUSD remained stable around 1.05. Calm situation on the exchange rate on Monday was supported by the market holiday in the US and the lack of significant data from the euro. ECB and Fed members' remarks did not have significant market impact as it fitted in the last week's rhetoric presented on the central banks meetings.

EURPLN continued its decreases, falling below 4.65. PLN was supported by growing expectations for interest rate increases, despite signals coming from the NBP on the upcoming end of the rate hike cycle in Poland. If today's industrial and labour market data show no significant signs of fading wage-price pressures, the zloty may strengthen further.

Other CEE currencies: Monday also brought a strengthening of the Czech koruna and of the Hungarian forint. EURCZK fell to 24.68 from about 24.70 and EURHUF to about 397 from 399. Currencies of a CEE region benefitted from the calm situation on the market thanks to the market holiday in the US.

Debt market: Monday brought strong increases of domestic yield and IRS curves, as both rose by several basis points. FRA market expectations for rate hikes also strongly increased – by about 25bp in the 7-15 month period. Given the significant acceleration of a monetary policy tightening on the core markets, the domestic market remains sceptical about signals from the NBP on the upcoming end of a rate hike cycle in Poland. Weakening of Polish debt market was also supported by rising yields in the euro zone and in the US.

EURPLN versus EURUSD



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.6395	CZKPLN	0.1877
USDPLN	4.4090	HUFPLN*	1.1679
EURUSD	1.0523	RUBPLN	0.0792
CHFPLN	4.5577	NOKPLN	0.4465
GBPPLN	5.4085	DKKPLN	0.6236
USDCNY	6.6938	SEKPLN	0.4359

*for 100HUF

Last session in the FX market 20/06/2022

	min	max	open	close	fixing
EURPLN	4.645	4.683	4.675	4.650	4.673
USDPLN	4.409	4.454	4.441	4.412	4.440
EURUSD	1.051	1.055	1.052	1.054	-

Interest rate market 20/06/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	8.35	35
DS0726 (5Y)	8.45	16
DS0432 (10Y)	8.14	18

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.47	22	3.43	4	1.05	3
2L	8.47	22	3.59	1	1.82	5
3L	8.22	21	3.56	4	2.06	7
4L	8.01	19	3.44	1	2.20	8
5L	7.87	18	3.38	1	2.29	9
8L	7.66	18	3.29	1	2.44	10
10L	7.59	17	3.27	0	2.53	9

WIBOR rates

Term	%	Change (bps)
O/N	5.79	3
T/N	6.02	-3
SW	6.11	-1
2W	6.18	2
1M	6.38	6
3M	6.91	3
6M	7.18	4
1Y	7.34	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.82	11
3x6	8.44	13
6x9	8.75	29
9x12	8.74	27
3x9	8.79	23
6x12	9.02	33

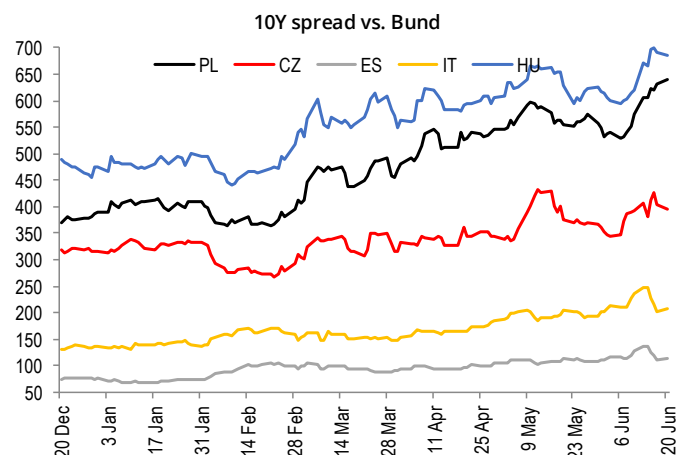
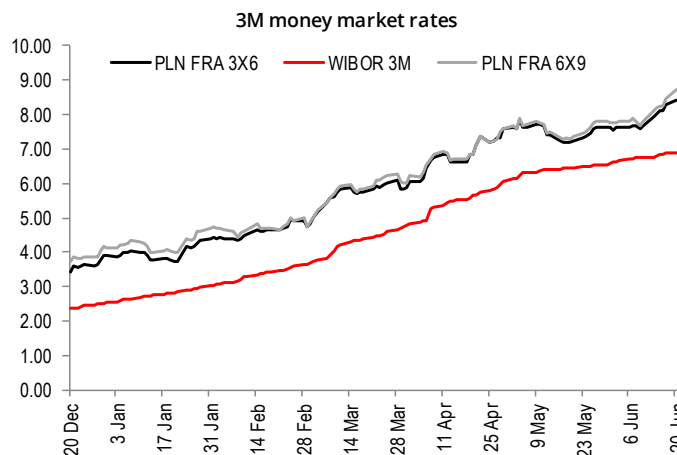
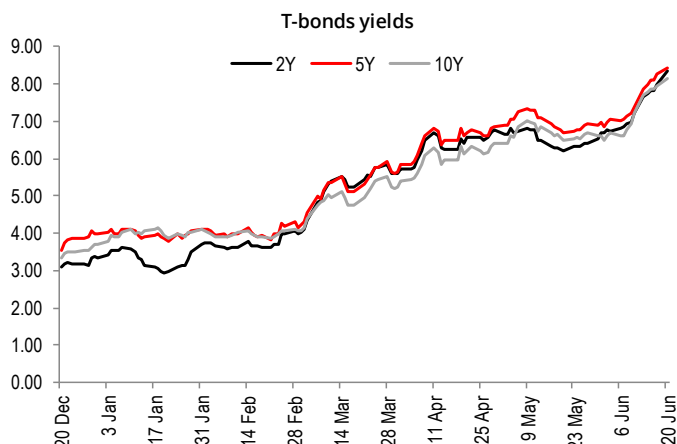
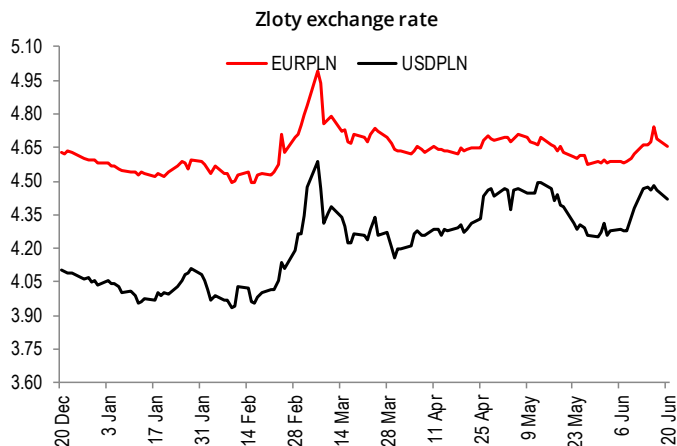
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	110	0	639	9
France	10	0	57	2
Hungary	152	0	687	-6
Spain	55	-3	113	3
Italy	60	0	207	5
Portugal	43	-3	104	-1
Ireland	13	0	67	1
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 (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	8.5	
15:15	US	Industrial Production	May	% m/m	0.4	-	0.2	
MONDAY (20 Jun)								
	US	Market holiday						
TUESDAY (21 Jun)								
10:00	PL	Employment in corporate sector	May	% y/y	2.6	2.6	2.8	
10:00	PL	Sold Industrial Output	May	% y/y	16.7	17.3	13	
10:00	PL	PPI	May	% y/y	24.7	24.8	23.3	
10:00	PL	Average Gross Wages	May	% y/y	15.0	14.5	14.1	
16:00	US	Existing Home Sales	May	% m/m	-3.7	-	-2.43	
WEDNESDAY (22 Jun)								
10:00	PL	Construction Output	May	% y/y	8.0	8.6	9.3	
10:00	PL	Retail Sales Real	May	% y/y	8.8	9.1	19	
14:30	CZ	Central Bank Rate Decision		%	6.88	-	5.75	
THURSDAY (23 Jun)								
09:30	DE	Flash Manufacturing PMI	Jun	pts	54.0	-	54.8	
09:30	DE	Flash Services PMI	Jun	pts	54.5	-	55	
10:00	EZ	Flash Manufacturing PMI	Jun	pts	53.8	-	54.6	
10:00	EZ	Flash Services PMI	Jun	pts	55.5	-	56.1	
14:00	PL	Money Supply M3	May	% y/y	8.2	7.8	8.2	
FRIDAY (24 Jun)								
10:00	DE	Ifo Business Climate	Jun	pts	92.7	-	93	
10:00	PL	Unemployment Rate	May	%	5.1	5.1	5.2	
16:00	US	New Home Sales	May	% m/m	0.7	-	-16.6	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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