

29 June 2022

## Eyeopener

### Surprising size of rate hike in Hungary

Today inflation in Germany and confrontation of key central bankers  
 US economic sentiment indicators surprisingly negative  
 MPC's Kotecki sees need to hike rates by 100bp or more in July  
 Hungary hiked main interest rate by 185bp, against suggested smaller moves

**Today**, apart from the final set of speeches by leading central bankers at the **Sintra forum** (a panel with the ECB, Fed and BoE governors at 14:00CET), we will see also preliminary readings of June **inflation in Germany and Spain** (in both cases the median Bloomberg forecast is slightly higher than the May reading, but the spread of estimates is wide). The regional inflation print from North Rhine-Westphalia, published early this morning, surprised by falling to 7.5% y/y from 8.1% in May. In the **ESI** for June to be presented today by the European Commission, we are interested in whether the pronounced pessimism of Polish consumers from the GUS economic survey will be confirmed.

Another look at the previous quarter in the USA (the third estimate of Q1 GDP will be released today) should be less interesting than the story told by the current **regional economic indicators** - June index from Dallas on Monday and Richmond yesterday turned out to be big negative surprises. On Friday, the ISM index will summarize the condition of the whole US industrial sector. Also, the index of **US consumer sentiment**, Conference Board, brought disappointment and a downward revision of the previous reading. In contrast to the beginning of the pandemic, consumers assess the current situation relatively well, but there was a dramatic drop in the expectations index (now the lowest since 2013). Consumers are primarily concerned about food and fuel price increases and interest rate hikes.

According to **MPC's Ludwik Kotecki**, an interest rate hike in July should amount to at least 100 bps due to possible further strong inflation growth in early 2023. Kotecki would also like to use another NBP tool to fight the inflation by changing the interest rate on the required reserves.

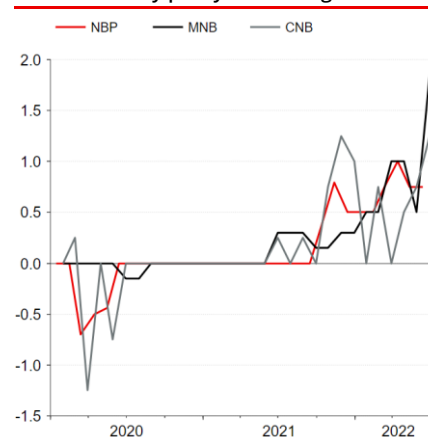
**EURUSD** for most of Tuesday maintained the range of 1.05 – 1.06. Since the beginning of European session the exchange rate remained under pressure due to weak consumer confidence indicators from Germany and France, and in the latter part of a day also from the US, which were fuelling recession fears of the markets. Christine Lagarde announcements at the Sintra Conference pointing that the new anti-fragmentation instrument will be provided under certain conditions for the beneficiary countries were coldly received by the markets, which were afraid that it will not be supportive for the economic growth. As a result at the end of a day the exchange rate moved closer to 1.05.

**EURPLN** fluctuated on Tuesday between 4.68 and 4.70. For another day in a row the exchange rate tried to break higher but without a clear success. Once again growing expectations for rate hikes in Poland allowed the zloty to withstand negative pressure from global markets.

**Other CEE currencies:** The event of the day in the region was an unexpectedly large rate hike by Hungary's central bank - by 185bp, against widely anticipated 50bp hike based on the institution's earlier suggestion that it would slow down the pace of rate hikes by half. Apparently, in the face of growing budget problems, a high current account deficit and increasing inflationary pressure, the MNB decided to change its policy. The communiqué announced the continuation of monetary policy tightening and a longer period of higher interest rates due to rising inflationary risks and the need to combat the growing second-round effects. As a result, EURHUF fell to 397 from around 401. EURCZK rose marginally from 24.72 to 24.73.

**Debt market:** The domestic yield curve fell at the end of the day despite attempts to resume yields' increases at the beginning of the European session (around midday 10Y bond yield was more than 10bp higher and at the end of the day 10bp lower than the day before). The upward correction of the strong declines of the previous week, which had been underway for a while, encountered a demand barrier related to fears of slowing global growth and the looming risk of an approaching end of tightening cycle in Poland.

Size of monthly policy rate changes in CEE



Source: Refinitiv Datastream, Santander

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### FX market

#### Today's opening

EURPLN	4.6932	CZKPLN	0.1894
USDPLN	4.4719	HUFPLN*	1.1780
EURUSD	1.0495	RUBPLN	0.0860
CHFPLN	4.6726	NOKPLN	0.4530
GBPPLN	5.4306	DKKPLN	0.6304
USDCNY	6.7016	SEKPLN	0.4391

\*for 100HUF

#### Last session in the FX market 28/06/2022

	min	max	open	close	fixing
EURPLN	4.676	4.702	4.686	4.692	4.700
USDPLN	4.412	4.466	4.429	4.454	4.438
EURUSD	1.050	1.061	1.057	1.053	-

### Interest rate market 28/06/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.83	-7
DS0726 (5Y)	7.59	-10
DS0432 (10Y)	7.30	-1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.21	8	3.33	1	0.93	4
2L	8.03	6	3.43	1	1.62	6
3L	7.69	3	3.33	0	1.84	5
4L	7.43	4	3.29	0	1.98	5
5L	7.24	2	3.26	-1	2.09	6
8L	6.98	-6	3.23	-2	2.29	7
10L	6.96	-2	3.23	-3	2.41	8

### WIBOR rates

Term	%	Change (bps)
O/N	5.76	-4
T/N	6.04	4
SW	6.14	1
2W	6.36	3
1M	6.58	2
3M	7.03	3
6M	7.32	2
1Y	7.48	2

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

Term	%	Change (bps)
1x4	7.69	4
3x6	8.16	12
6x9	8.35	14
9x12	8.31	10
3x9	8.42	12
6x12	8.54	6

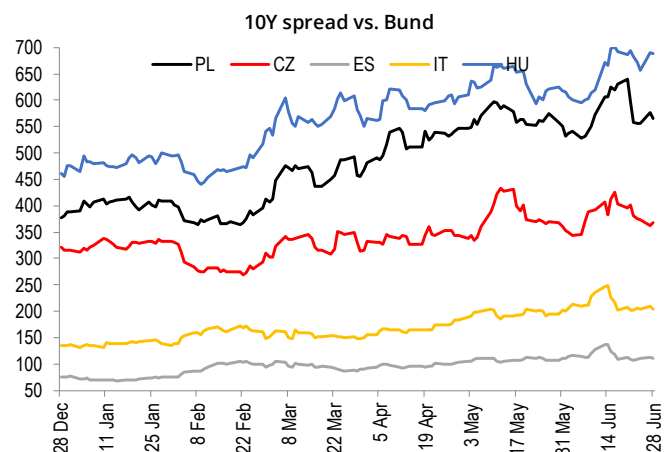
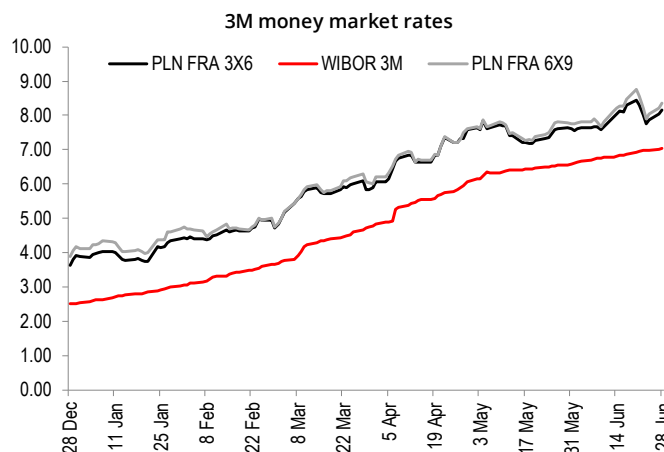
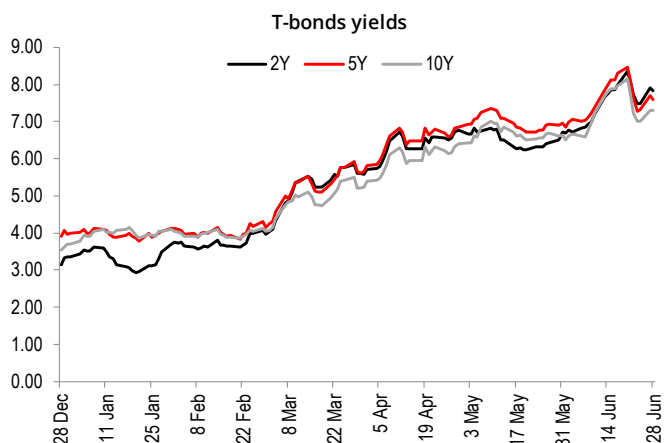
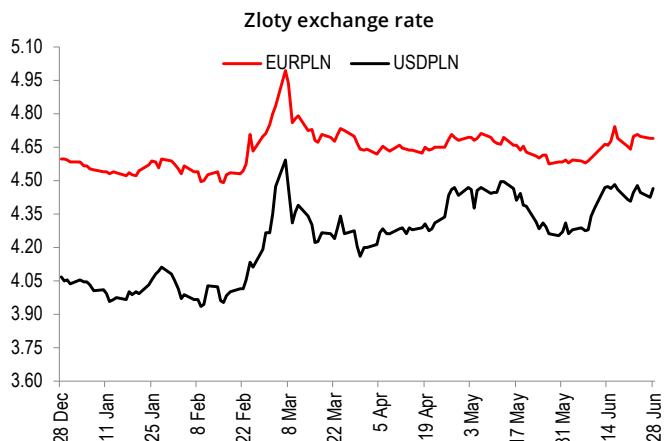
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	108	0	566	-11
France	12	0	55	1
Hungary	159	0	689	-1
Spain	55	-2	110	-2
Italy	60	-5	203	-6
Portugal	43	-2	108	-2
Ireland	13	0	61	0
Germany	10	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 (24 June)</b>								
10:00	DE	IFO Business Climate	Jun	pts	92.75	-	92.9	93.0
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>May</b>	<b>%</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.2</b>
16:00	US	Michigan index	Jun	pts	50.2	-	50.0	50.2
16:00	US	New Home Sales	May	% m/m	-0.2	-	10.7	-12.0
<b>MONDAY (27 June)</b>								
14:30	US	Durable Goods Orders	May	% m/m	0.1	-	0.7	0.4
16:00	US	Pending Home Sales	May	% m/m	-3.5	-	0.7	-4.0
<b>TUESDAY (28 June)</b>								
14:00	HU	Central Bank Rate Decision	Jun.22	%	6.40	-	7.75	5.90
16:00	US	Consumer Conference Board	Jun	pts	100.0	-	98.7	106.4
<b>WEDNESDAY (29 June)</b>								
11:00	EZ	ESI	Jun	pct.	103.0	-	-	105.0
14:00	DE	HICP	Jun	% y/y	8.7	-	-	8.7
14:30	US	GDP Annualized	1Q	% Q/Q	-1.4	-	-	-1.5
<b>THURSDAY (30 June)</b>								
09:00	CZ	GDP SA	1Q	% y/y	4.8	-	-	4.8
11:00	EZ	Unemployment Rate	May	%	6.8	-	-	6.8
14:30	US	Initial Jobless Claims		k	226.0	-	-	229.0
14:30	US	Personal Spending	May	% m/m	-	-	-	0.9
14:30	US	Personal Income	May	% m/m	-	-	-	0.4
14:30	US	PCE Deflator SA	May	% m/m	0.7	-	-	0.2
<b>FRIDAY (1 July)</b>								
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Jun</b>	<b>pts</b>	<b>48.5</b>	<b>47.0</b>	<b>-</b>	<b>48.5</b>
09:30	DE	Germany Manufacturing PMI		pts	52.0	-	-	52.0
10:00	EZ	Eurozone Manufacturing PMI		pts	52.0	-	-	52.0
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Jun</b>	<b>% y/y</b>	<b>15.6</b>	<b>15.5</b>	<b>-</b>	<b>13.9</b>
11:00	EZ	Flash HICP	Jun	% y/y	8.3	-	-	8.1
16:00	US	ISM manufacturing	Jun	pts	55.4	-	-	56.1

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

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