

Eyeopener

MPC hiked rates by less than previously

Polish MPC hiked rates by 50bp, market had expected 75bp, previous move was +75bp

NBP projection has higher 2022 and 2023 CPI, but lower GDP growth in 2023-2024.

Today NBP governor's press conference, US labour market data

EURPLN in the 4.78-4.80 zone after the MPC decision, domestic yields lower on the short end, long end stable

Today the NBP President Adam Glapiński's press conference takes place at 15:00CET following the 50bp rate hike. In view of the smaller-than-expected hike and the lack of clear guidance in the MPC's statement, markets will be looking for signals about the looming end of the tightening cycle and on exchange rate policy amid growing pressure on the zloty. Abroad, the US labour market data will be released, allowing to assess its condition amid faster rate hikes by the Fed and signs of a slowing global economy.

The Monetary Policy Council raised interest rates by 50bp, less than expected (market consensus and our forecast was 75bp). It was the tenth rate hike in a row and the main reference rate went up to 6.50%. The official MPC communique was not very informative regarding the monetary policy outlook –there was hardly any change in the document's key paragraphs. The key channel of central bank communication is now the NBP governor's press conference, scheduled for today. We think the reduction of rate hike size is a signal that the MPC is increasingly worried about the looming recession. For now, we maintain the view that the NBP rates may peak at c.7% after the summer holidays. Read more in our [Economic comment](#).

The **new NBP projection** shows much higher CPI inflation in 2022-23 (the middle of the 50% probability range is at 14.3% and 12.45%, respectively, both levels c.3.5pp above the March projection) and slightly lower in 2024 (4.10%). We guess that the projection assumes the expiry of anti-inflation shield in October 2022, in line with the currently existing law, which seems to be an unrealistic assumption, as in our view the temporary tax reductions will be maintained until the next general elections (late 2023). It means that the projection is overestimating CPI in 2022-23 and underestimating in 2024. GDP forecast was trimmed by 1.75pp compared to the March projection in 2023 and by 0.5pp in 2024 (to 1.25% and 2.25%, respectively). Our 2023 GDP forecast is similar, which means that the NBP is currently taking into consideration the scenario of technical recession at the turn of 2022/2023.

The **ECB minutes** of the 8-9 June meeting emphasised that the raised inflation projection requires further steps towards the normalisation of monetary policy. In this process, the ECB needs to maintain its credibility by demonstrating its determination - so while it talks of gradual action, this does not rule out increases larger than 25bp. ECB Council members assessed that inflation in the euro area is clearly more supply-side in nature than that in the US.

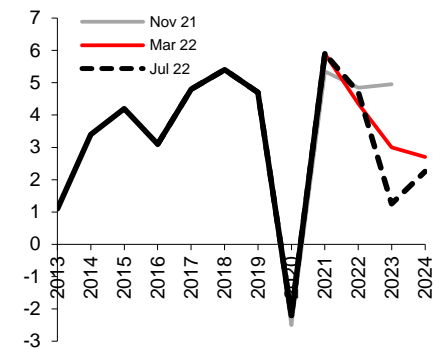
EURUSD remained below the 1.02 level in anticipation of data from the US labour market.

EURPLN briefly jumped above 4.80 after the rate hike decision, but was brought lower by the activity of state-owned bank BGK, according to market reports. The MPC's decision, lower than market expectations, amid growing pressure on the zloty created by global recessionary fears, indicates that in the current environment the MPC prefers to sustain economic growth at the expense of inflation and the risk of PLN depreciation. The MPC reiterated the possibility of currency interventions. Their effectiveness may prove limited, in our view, amid the global tendency to seek safe havens, which may intensify in the coming months.

Other CEE currencies: the EURCZK remained close to 24.75. The EURHUF fell from around 408 to around 401. Despite attempts to approach the 415 level, it eventually fell significantly thanks to a 200-bp hike in the 1-week deposit rate to 9.75%. The forint was also helped by reports of the Hungarian government's progress in negotiations with the EC regarding the unblocking of the country's recovery plan.

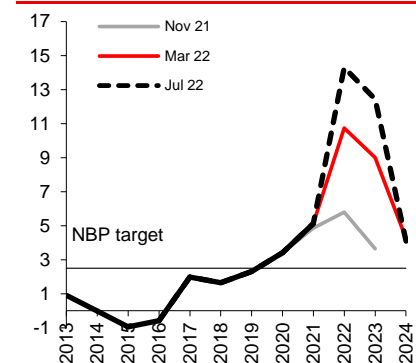
Debt market: the domestic yield curve fell at the shorter end due to an anticipated lower NBP terminal rate target following a lower-than-expected NBP rate hike. The longer end remained relatively stable due to an upward unwinding of yields in the main markets.

GDP growth according to NBP projections (projection mid-points)



Source, NBP, Santander

CPI growth according to NBP projections (projection mid-points)



Source, NBP, Santander

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FX market

Today's opening			
EURPLN	4.7809	CZKPLN	0.1928
USDPLN	4.7058	HUFPLN*	1.1597
EURUSD	1.0157	RUBPLN	0.0758
CHFPLN	4.8349	NOKPLN	0.4657
GBPPLN	5.6428	DKKPLN	0.6422
USDCNY	6.7054	SEKPLN	0.4451

*for 100HUF

Last session in the FX market						07.07.2022
	min	max	open	close	fixing	
EURPLN	4.760	4.801	4.774	4.783	4.797	
USDPLN	4.664	4.722	4.679	4.708	4.703	
EURUSD	1.015	1.022	1.020	1.016	-	

Interest rate market 07.07.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.94	0
DS0726 (5Y)	7.24	6
DS0432 (10Y)	6.81	9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.97	-15	3.32	3	0.83	12
2L	7.65	-9	3.27	4	1.31	12
3L	7.20	-7	3.14	5	1.48	18
4L	6.86	-5	3.08	4	1.62	12
5L	6.65	-2	3.04	4	1.74	16
8L	6.38	0	3.05	7	1.99	14
10L	6.38	4	3.06	7	2.11	10

WIBOR rates

Term	%	Change (bps)
O/N	6.57	17
T/N	6.84	34
SW	6.81	7
2W	6.82	7
1M	6.82	7
3M	7.14	2
6M	7.43	2
1Y	7.57	2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.65	-18
3x6	8.00	-16
6x9	8.04	-17
9x12	7.91	-14
3x9	8.18	-28
6x12	8.21	-17

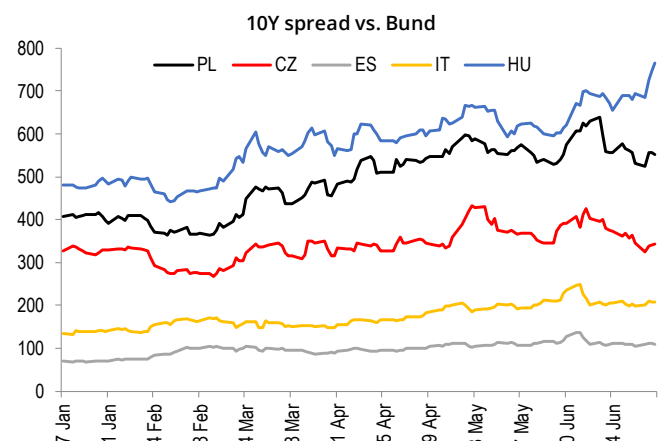
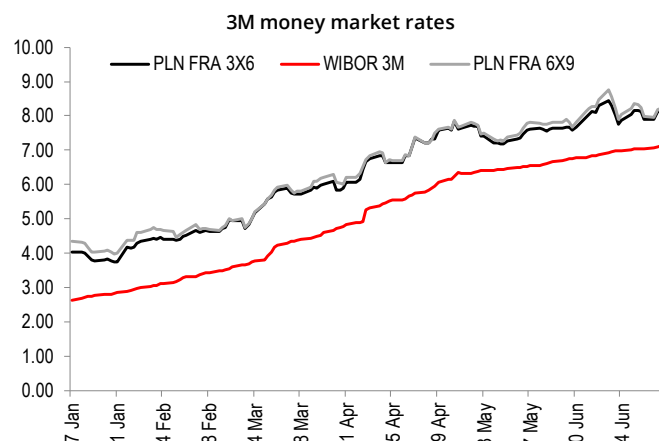
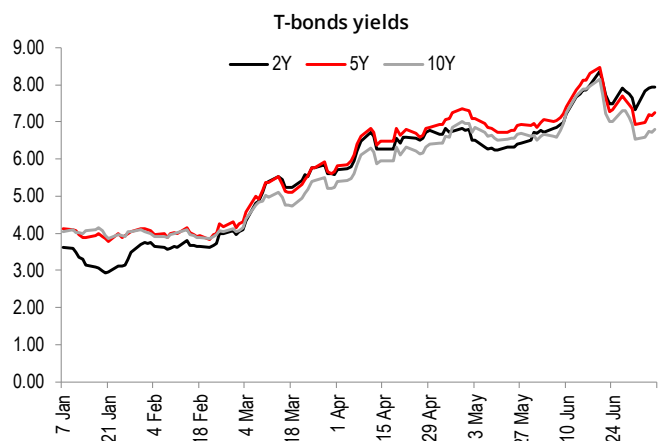
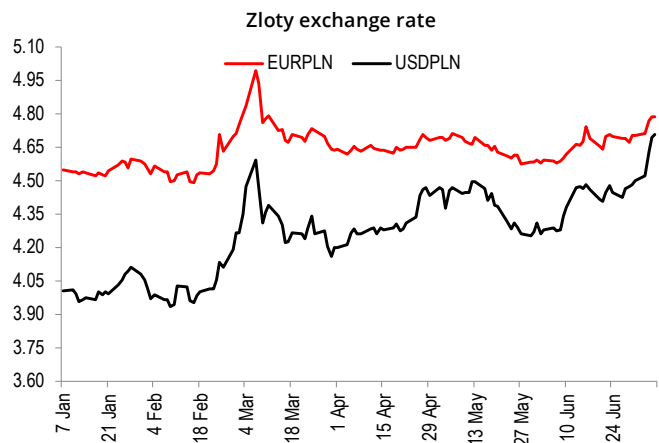
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	118	0	552	-4
France	12	0	55	-6
Hungary	174	0	764	17
Spain	60	0	110	-2
Italy	68	0	207	-1
Portugal	48	0	111	-2
Ireland	13	0	61	-3
Germany	11	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 (1 July)								
09:00	PL	Poland Manufacturing PMI	Jun	pts	48.0	47.0	44.4	48.5
09:55	DE	Germany Manufacturing PMI	Jun	pts	52.0	-	52.0	54.8
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	52.0	-	52.1	54.6
10:00	PL	CPI	Jun	% y/y	15.5	-	15.6	13.9
11:00	EZ	Flash HICP	Jun	% y/y	8.5	-	8.6	8.1
16:00	US	ISM manufacturing	Jun	pts	54.5	-	-	56.1
MONDAY (4 July)								
08:00	DE	Exports SA	May	% m/m	0.7	-	-0.5	4.4
TUESDAY (5 July)								
03:45	CN	Caixin China PMI Services	Jun	pts	49.0	-	54.5	41.4
09:55	DE	Markit Germany Services PMI	Jun	pts	52.4	-	52.4	55.0
10:00	EZ	Eurozone Services PMI	Jun	pts	52.8	-	53	56.1
16:00	US	Durable Goods Orders	May	% m/m	0.7	-	0.8	0.4
16:00	US	Factory Orders	May	% m/m	0.5	-	1.6	0.3
WEDNESDAY (6 July)								
08:00	DE	Factory Orders	May	% m/m	-0.5	-	0.1	-1.8
09:00	HU	Industrial Production SA	May	% y/y	2.6	-	9.4	4.7
11:00	EZ	Retail Sales	May	% m/m	0.4	-	0.2	-1.3
16:00	US	ISM services	Jun	pts	54.5	-	55.3	55.9
20:00	US	FOMC Meeting Minutes	Jun.22					
THURSDAY (7 July)								
	PL	MPC decision		%	6.75	6.75	6.50	6.00
08:00	DE	Industrial Production SA	May	% m/m	0.3	-	0.2	1.3
09:00	CZ	Industrial Production	May	% y/y	2.5	-	3.3	-6.4
14:30	US	Initial Jobless Claims		k	230	-	235	231
FRIDAY (8 July)								
09:00	HU	CPI	Jun	% y/y	11.6	-	-	10.7
14:30	US	Change in Nonfarm Payrolls	Jun	k	275	-	-	390
14:30	US	Unemployment Rate	Jun	%	3.6	-	-	3.6

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

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