

12 July 2022

Eyeopener

Dollar close to breaking parity to euro

Today Inflation Report, in Germany ZEW index
Finance Minister: budget deficit will be clearly below plan
EURPLN already near 4.81, yields fall

Today, the NBP will publish the Inflation Report and in Germany the ZEW economic sentiment index will be released.

Poland's Finance Minister said that this year's central budget deficit will be clearly lower than planned (PLN30bn). In our view, this year's tax revenues will be clearly higher than budgeted, mainly due to high nominal GDP growth. Thus, the deficit may actually be better than initially planned, unless the government amends the Budget Act and changes spending limits. However, it should be borne in mind that in recent years the government has regularly applied a policy of moving expenditure from the following financial year to the current year and we believe that it will do the same trick this time, so we are betting that the amendment will nevertheless occur, especially as economic growth will be weaker in 2023 and the budgetary situation may be more difficult.

The number of foreigners insured with ZUS (social security) exceeded 1 million for the first time in history and was 23.6% higher than the year before. Hard data from the labour market still do not suggest any weakening, but in our view, we may see a deteriorating situation in a few months.

Joachim Nagel, the ECB Council member from the Bundesbank, said that the new anti-fragmentation monetary policy instrument should be modelled on the Outright Monetary Transactions (OMT) instrument scheme developed in 2012. He stressed, however, that the design of the new instrument must not create the impression that the pursuit of fiscal consolidation of beneficiary countries ceases to matter. This is yet another statement by a representative of the Bundesbank in the last few days, which indicates a lively discussion within the ECB regarding the shape of the new instrument. He had previously advocated that the instrument should be used "only temporarily and in exceptional narrowly defined cases".

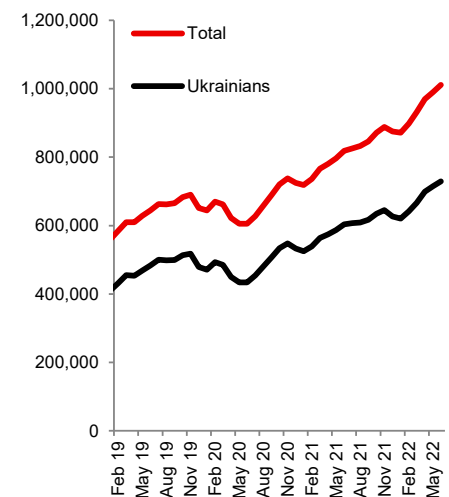
EURUSD resumed its southward movement after the weekend. The dollar was supported not only by strong data from the US labour market, backing the scenario of further accelerated monetary policy tightening in the USA, but also by friction within the ECB Council regarding the degree of restrictiveness and frequency of use of the ECB's new anti-fragmentation policy instrument.

EURPLN rose from the vicinity of 4.77 to around 4.81. The activity of BGK on the foreign exchange market did not protect the zloty from exceeding 4.80. The unfavourable pattern of domestic and foreign data for the zloty may bring further attempts to weaken the zloty and at least temporarily test the level 4.82.

Other CEE currencies: EURCZK lower again. The exchange rate fell from 24.62 to 24.60. The Czech koruna was supported by the statements of the new CNB president Aleš Michl, who said that bringing inflation down to the target remains a priority, although various consequences of further interest rate rises in the Czech Republic should be considered. Such a statement was significant as markets had previously feared that his appointment could lead to a 'dovish turn' in CNB monetary policy. **EURHUF** resumed its rise. It rose from around 402 to 407. Even though the MNB more euro into the domestic financial market to strengthen the forint, it depreciated anyway. Sentiment towards the Hungarian currency deteriorated after the US terminated Hungary's double taxation agreement.

Debt market: Domestic yield curves and IRS rates continued their declines driven by falling interest rate expectations in the FRA market. In the main markets, Monday saw a return to declines.

Foreigners in Polish Social Security



Source: ZUS, Santander

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FX market

Today's opening			
EURPLN	4,7987	CZKPLN	0,1948
USDPLN	4,7886	HUFPLN*	1,1722
EURUSD	1,0024	RUBPLN	0,0810
CHFPLN	4,8640	NOKPLN	0,4681
GBPPLN	5,6796	DKKPLN	0,6448
USDCNY	6,7268	SEKPLN	0,4495

*for 100HUF

Last session in the FX market 11.07.2022

	min	max	open	close	fixing
EURPLN	4,772	4,815	4,777	4,804	4,798
USDPLN	4,703	4,779	4,706	4,763	4,742
EURUSD	1,005	1,015	1,015	1,008	-

Interest rate market 11.07.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7,56	3
DS0726 (5Y)	6,90	-12
DS0432 (10Y)	6,61	-7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,51	-8	3,38	-3	0,84	-2
2L	7,15	-10	3,30	-8	1,24	-6
3L	6,72	-15	3,15	-8	1,38	-8
4L	6,44	-17	3,08	-9	1,52	-9
5L	6,24	-21	3,06	-9	1,66	-8
8L	6,03	-21	3,04	-9	1,93	-8
10L	6,02	-20	3,06	-9	2,08	-7

WIBOR rates

Term	%	Change (bps)
O/N	6,28	-25
T/N	6,57	-26
SW	6,66	-18
2W	6,66	-4
1M	6,76	9
3M	7,00	-8
6M	7,34	-4
1Y	7,42	-12

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7,08	-17
3x6	7,44	-20
6x9	7,56	2
9x12	7,35	-14
3x9	7,55	-16
6x12	7,50	-22

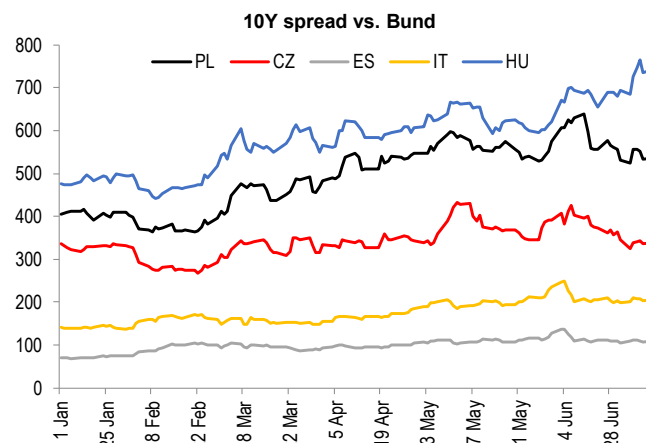
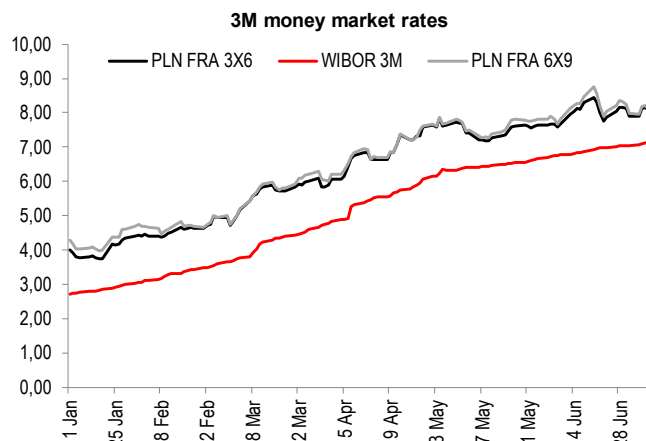
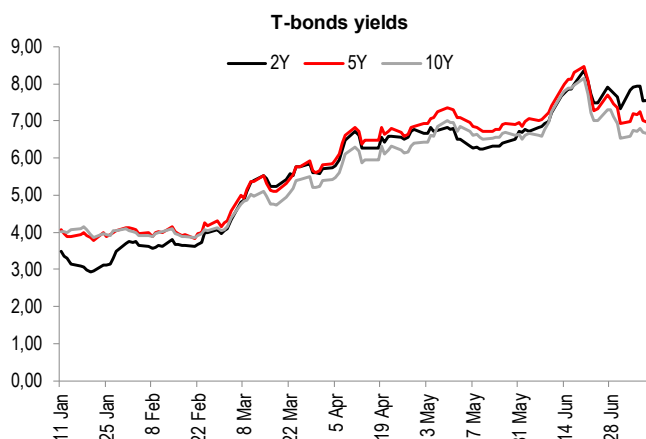
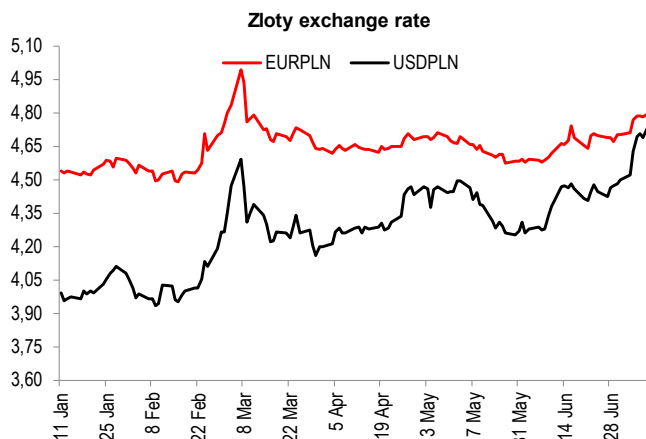
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	119	1	536	2
France	13	0	53	-1
Hungary	179	5	743	8
Spain	60	0	109	1
Italy	68	0	205	3
Portugal	48	0	110	0
Ireland	14	1	58	-2
Germany	13	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 (8 July)								
09:00	HU	CPI	Jun	% y/y	11.6	-	11.7	10.7
14:30	US	Change in Nonfarm Payrolls	Jun	k	275	-	372	384
14:30	US	Unemployment Rate	Jun	%	3.6	-	3.6	3.6
MONDAY (11 July)								
No important releases								
TUESDAY (12 July)								
09:00	PL	NBP Inflation Report						
11:00	DE	ZEW Survey Current Situation	Jul	pts	-33.0	-		-27.6
WEDNESDAY (13 July)								
08:00	DE	HICP	Jun	% m/m	-0.1	-		-0.1
09:00	CZ	CPI	Jun	% y/y	17.1	-		16.0
11:00	EZ	Industrial Production SA	May	% m/m	0.1	-		0.4
14:30	US	CPI	Jun	% m/m	1.1	-		1.0
THURSDAY (14 July)								
14:00	PL	Current Account Balance	May	€mn	-3500.0	-4019.0		-3924
14:00	PL	Trade Balance	May	€mn	-2515.0	-2626.0		-2466
14:00	PL	Exports	May	€mn	26278.0	26147.0		26559
14:00	PL	Imports	May	€mn	28971.0	28773.0		29025
14:30	US	Initial Jobless Claims		k	-	-		231.0
FRIDAY (15 July)								
10:00	PL	CPI	Jun	% y/y	15.6	15.6		13.9
14:30	US	Retail Sales Advance	Jun	% m/m	0.9	-		-0.3
15:15	US	Industrial Production	Jun	% m/m	0.0	-		0.1
16:00	US	Michigan index	Jul	pts	49.2	-		50.0

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

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