

## Eyeopener

### US inflation above forecasts

Today domestic balance of payments, number of new unemployed in the US  
High US CPI weakened Polish bonds  
EURPLN again attacked the 4.85 level.

**Today**, Poland's balance of payments data - we expect the deficit to remain high, near €4bn. By the end of the year, we believe the current account balance will reach -5% of GDP. The Ministry of Finance holds the switching auction today. Also, new jobless claims and PPI inflation data will be released in the US.

**The June US CPI inflation** surprised to the upside (9.1% y/y vs. forecasts of 8.8% y/y), which led to a renewed strengthening of expectations for rate hikes in the US, thus strengthening the dollar and weakening the bond market. Eurozone industrial production data for May were also higher than expected.

**MPC member Henryk Wnorowski** said that he had voted for a 50 bp rate hike in July and that the smaller scale of the hike was caused by concerns about economic growth. We think that the MPC will raise rates one more time by 50 bp in September and end the cycle there, unless there is another inflation surprise in the autumn.

The IMiGW reported that **June was extremely warm**, with average temperatures 1.8 degrees above the multi-year average. The result was a strong loss of moisture through the ground. A hot and dry summer could result in agricultural drought, which in turn could translate into poorer harvests and higher food prices in the autumn.

In Q1 2022, the **general government sector recorded a surplus** of PLN1bn, which was better than in the same period of the previous year (PLN5bn deficit) and than the average for the last 10 years (PLN1bn deficit). Cumulatively in the last four quarters the public sector's deficit was 1.6% of GDP. We expect the gap to rise to around 3.5% of GDP by the end of the year due to slowing economic growth and tax cuts.

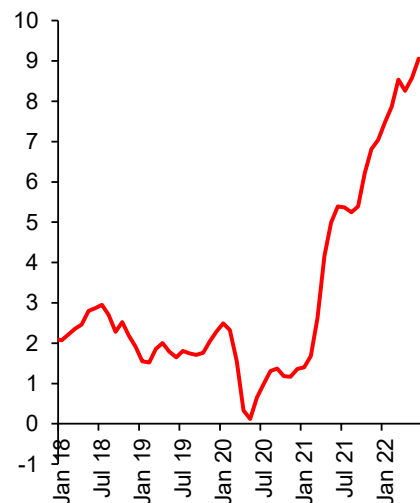
**EURUSD** once again attacked parity, after a significantly higher-than-expected US CPI reading, but then by the end of the European session, the rate was back in the 1.00 - 1.01 zone. The psychological level of parity remains a strong support around which market forces are clearly activating.

**EURPLN** tried to attack the level of 4.85 for another day in a row, but eventually ended the day near the level of 4.83, which is about 2 pennies higher from the beginning of Wednesday. The weakness of the zloty is mainly a result of recessionary fears around the world, in anticipation of a faster cycle of rate hikes in the US. Today's publication of Poland's current account balance may again add to the pressure on the weakening zloty.

**Other CEE currencies:** the **EURCZK** fell for another day in a row, from 24.44 to around 24.35. Markets expect high inflation in the Czech Republic to trigger CNB responses either in the form of rate hikes or increased currency interventions in favour of the koruna. The **EURHUF** has been oscillating around 408. Higher interest rates in Hungary have so far made only a limited contribution to halting the forint's depreciation, but a number of negative domestic fundamentals are working against the Hungarian currency, including the lack of agreement with the European Commission on the Recovery Fund, the high current account deficit, and budgetary problems. This was accompanied on Wednesday by another risk factor pointing to the problems of the Hungarian economy, i.e. the introduction of an energy emergency by the Hungarian government, including a ban on the export of energy resources, as well as financial penalties for higher-than-average gas and electricity consumption.

**Debt market:** the domestic yield curve and IRS rates moved upwards by around a dozen basis points following the publication of the US CPI for June. For several months now, movements in this indicator have dictated trends in bond markets for the next few days or even weeks following the publication. The higher reading stimulated expectations of inflation and for a rate hike not only in the US but also in other markets, including the Polish one, and it remained there until the end of the day. On the main markets, the effect of the higher US CPI began to gradually fade by the end of the day, translating into a limited upward effect, mainly at the shorter ends of the curve. In the US market itself, after attempts to increase the US 10-year note, it eventually ended the European session with a decline. Markets are concerned that higher inflation could force interest rates higher in the shorter term, but in the longer term this could lead to a marked economic slowdown.

US CPI inflation, % y/y



Source: Refinitiv, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: ekonomia@santander.pl

website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)

Piotr Bielski +48 691 393 119

Jarosław Kosaty +48 887 842 480

Marcin Luźniński +48 510 027 662

Grzegorz Ogonek +48 609 224 857

### FX market

| Today's opening |        |         |        |
|-----------------|--------|---------|--------|
| EURPLN          | 4,8330 | CZKPLN  | 0,1981 |
| USDPLN          | 4,8243 | HUFPLN* | 1,1667 |
| EURUSD          | 1,0017 | RUBPLN  | 0,0825 |
| CHFPLN          | 4,9094 | NOKPLN  | 0,4703 |
| GBPPLN          | 5,7105 | DKKPLN  | 0,6495 |
| USDCNY          | 6,7323 | SEKPLN  | 0,4548 |

\*for 100HUF

### Last session in the FX market 13.07.2022

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4,808 | 4,846 | 4,814 | 4,820 | 4,840  |
| USDPLN | 4,767 | 4,841 | 4,797 | 4,782 | 4,822  |
| EURUSD | 1,000 | 1,012 | 1,004 | 1,008 | -      |

### Interest rate market 13.07.2022

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

| Benchmark (term) | %    | Change (bps) |
|------------------|------|--------------|
| DS1023 (2Y)      | 7,95 | 39           |
| DS0726 (5Y)      | 7,17 | 10           |
| DS0432 (10Y)     | 6,86 | 25           |

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

| Term | PL   |              | US   |              | EZ   |              |
|------|------|--------------|------|--------------|------|--------------|
|      | %    | Change (bps) | %    | Change (bps) | %    | Change (bps) |
| 1L   | 7,97 | 20           | 3,51 | 18           | 0,91 | 12           |
| 2L   | 7,70 | 28           | 3,37 | 12           | 1,23 | 4            |
| 3L   | 7,21 | 24           | 3,17 | 5            | 1,37 | 6            |
| 4L   | 6,84 | 20           | 3,06 | 2            | 1,49 | 5            |
| 5L   | 6,59 | 19           | 3,01 | -1           | 1,60 | 3            |
| 8L   | 6,26 | 11           | 2,98 | -3           | 1,83 | 0            |
| 10L  | 6,30 | 15           | 3,00 | -4           | 1,96 | -1           |

#### WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 6,34 | 5            |
| T/N  | 6,47 | -7           |
| SW   | 6,62 | 1            |
| 2W   | 6,61 | -4           |
| 1M   | 6,67 | -1           |
| 3M   | 6,99 | 0            |
| 6M   | 7,29 | -1           |
| 1Y   | 7,43 | 0            |

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

| Term | %    | Change (bps) |
|------|------|--------------|
| 1x4  | 7,39 | 13           |
| 3x6  | 7,91 | 33           |
| 6x9  | 8,11 | 32           |
| 9x12 | 7,97 | 28           |
| 3x9  | 8,18 | 26           |
| 6x12 | 8,26 | 47           |

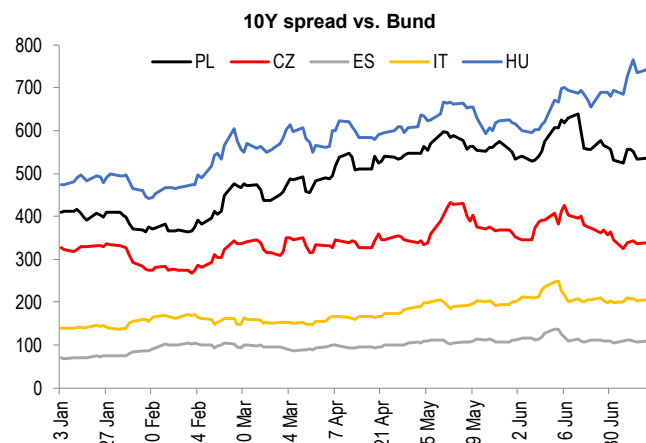
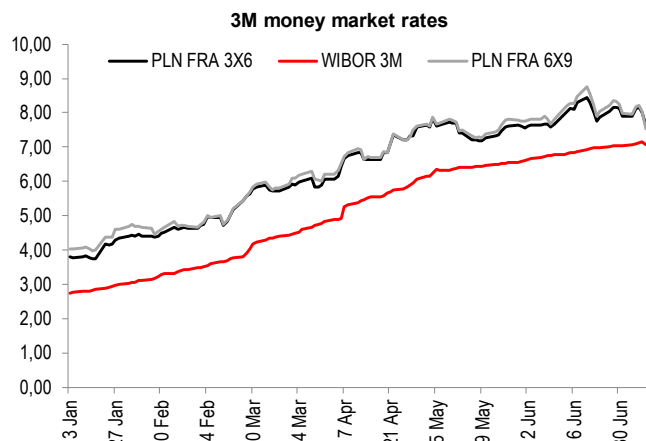
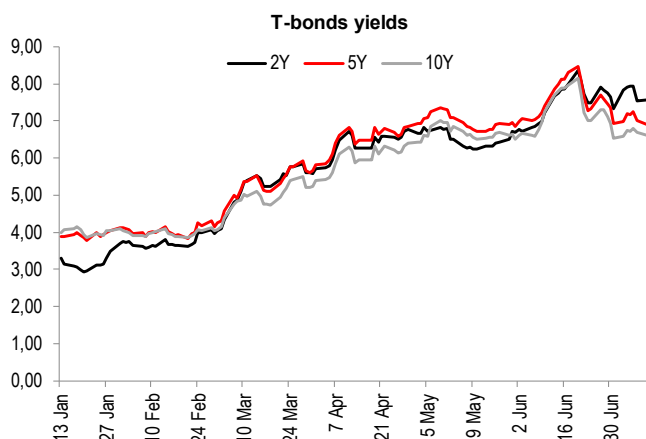
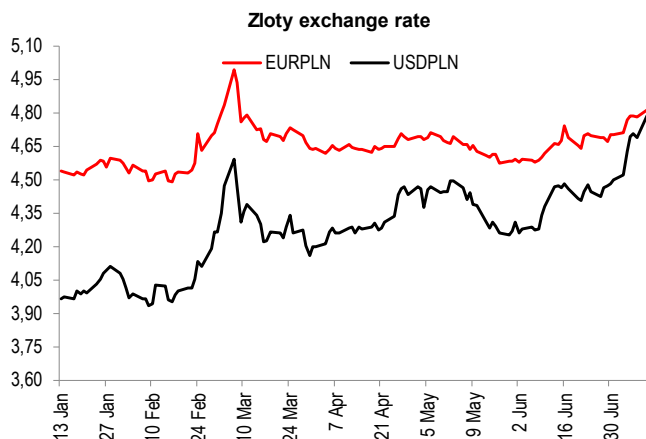
#### Measures of fiscal risk

| Country  | CDS 5Y USD |              | 10Y spread* |              |
|----------|------------|--------------|-------------|--------------|
|          | Level      | Change (bps) | Level       | Change (bps) |
| Poland   | 119        | 0            | 571         | 24           |
| France   | 12         | 0            | 52          | 0            |
| Hungary  | 189        | 8            | 808         | 28           |
| Spain    | 63         | 0            | 111         | 2            |
| Italy    | 73         | 2            | 209         | 2            |
| Portugal | 48         | 0            | 112         | 1            |
| Ireland  | 14         | 0            | 58          | 0            |
| 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<br>CET                | COUNTRY   | INDICATOR                      | PERIOD     | FORECAST     |                | ACTUAL<br>VALUE | LAST<br>VALUE* |  |
|----------------------------|-----------|--------------------------------|------------|--------------|----------------|-----------------|----------------|--|
|                            |           |                                |            | MARKET       | SANTANDER      |                 |                |  |
| <b>FRIDAY (8 July)</b>     |           |                                |            |              |                |                 |                |  |
| 09:00                      | HU        | CPI                            | Jun        | % y/y        | 11.6           | -               | 11.7           |  |
| 14:30                      | US        | Change in Nonfarm Payrolls     | Jun        | k            | 275            | -               | 384            |  |
| 14:30                      | US        | Unemployment Rate              | Jun        | %            | 3.6            | -               | 3.6            |  |
| <b>MONDAY (11 July)</b>    |           |                                |            |              |                |                 |                |  |
| No important releases      |           |                                |            |              |                |                 |                |  |
| <b>TUESDAY (12 July)</b>   |           |                                |            |              |                |                 |                |  |
| <b>09:00</b>               | <b>PL</b> | <b>NBP Inflation Report</b>    |            |              |                |                 |                |  |
| 11:00                      | DE        | ZEW Survey Current Situation   | Jul        | pts          | -33.0          | -               | -53.8          |  |
| <b>WEDNESDAY (13 July)</b> |           |                                |            |              |                |                 |                |  |
| 08:00                      | DE        | HICP                           | Jun        | % m/m        | -0.1           | -               | -0.1           |  |
| 09:00                      | CZ        | CPI                            | Jun        | % y/y        | 17.1           | -               | 17.2           |  |
| 11:00                      | EZ        | Industrial Production SA       | May        | % m/m        | 0.1            | -               | 0.8            |  |
| 14:30                      | US        | CPI                            | Jun        | % m/m        | 1.1            | -               | 1.3            |  |
| <b>THURSDAY (14 July)</b>  |           |                                |            |              |                |                 |                |  |
| <b>14:00</b>               | <b>PL</b> | <b>Current Account Balance</b> | <b>May</b> | <b>€mn</b>   | <b>-3500.0</b> | <b>-4019.0</b>  | <b>-3924</b>   |  |
| <b>14:00</b>               | <b>PL</b> | <b>Trade Balance</b>           | <b>May</b> | <b>€mn</b>   | <b>-2515.0</b> | <b>-2626.0</b>  | <b>-2466</b>   |  |
| <b>14:00</b>               | <b>PL</b> | <b>Exports</b>                 | <b>May</b> | <b>€mn</b>   | <b>26278.0</b> | <b>26147.0</b>  | <b>26559</b>   |  |
| <b>14:00</b>               | <b>PL</b> | <b>Imports</b>                 | <b>May</b> | <b>€mn</b>   | <b>28971.0</b> | <b>28773.0</b>  | <b>29025</b>   |  |
| 14:30                      | US        | Initial Jobless Claims         |            | k            | -              | -               | 231.0          |  |
| <b>FRIDAY (15 July)</b>    |           |                                |            |              |                |                 |                |  |
| <b>10:00</b>               | <b>PL</b> | <b>CPI</b>                     | <b>Jun</b> | <b>% y/y</b> | <b>15.6</b>    | <b>15.6</b>     | <b>13.9</b>    |  |
| 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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication. Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.