

Eyeopener

Forward guidance on a pier

Today core inflation in Poland, no important data abroad
 June CPI revised to 15.5%, July and August may be similar
 Glapiński: weaker PLN will not move inflation peak; one more 25bp rate hike, if any
 EURPLN and bond yields lower after MinFin information about budget

Today, core inflation data for June, we predict a rise to 9.2% y/y from 8.5% in May.

Friday's US data was mostly better than expected: retail sales, the Empire State manufacturing index and the Michigan consumer optimism index surprised to the upside, while industrial production was below forecast. Fed member James Bullard (hawk, voting) said the US economy is in very good shape, while Raphael Bostic (neutral, non-voting), said the recent 75-point hike was significant and the Fed should refrain from moving too sharply.

June CPI inflation was revised up to 15.5% y/y from 15.6% y/y. In May, inflation stood at 13.9% y/y. We think that the CPI may be close to its peak. We were expecting the peak to be reached in August, just below 16% y/y, but the upcoming months will be under impact of new price policies (discounts on fuel stations, government proposal to lower coal price), which adds uncertainty to the CPI forecast, as it is not sure how are these going to affect the headline. We see growing chances that inflation in July and August may be similar as in June or even slightly lower. However, the risk of new shocks in food and energy prices in autumn is growing. Read more in our [Economic comment](#).

NBP President Adam Glapiński said in an interview with Bloomberg that, although the current weakening of the zloty goes against monetary tightening, it will not postpone the peak in inflation expected in the summer. In turn, in a [conversation on a pier](#) in Sopot revealed online, Glapiński declared that there would be at most one more 25bp interest rate hike.

Finance Minister Magdalena Rzeczkowska said that for now the **Ministry has no plans to amend the budget law**. She also said that she foresees neither recession nor stagflation next year. In her opinion, the probability of a technical recession is moderate. The minister estimated that this year's GG deficit will be lower than the target of 4.3% of GDP, and the change in the spending rule will allow for no fiscal consolidation in 2023. In our view, an amendment to this year's budget is nevertheless likely, not so much because of the level of the deficit, but because of the spending - this would allow to relieve the burden for next year's budget, as in previous years. According to us, the balance of the entire public sector this year is likely to be -3.5% of GDP.

The European Commission has opened an infringement procedure against Hungary over the country's use of different gasoline prices for its citizens and foreigners. The Commission has also moved to the second stage of a procedure against Poland in connection with Constitutional Court rulings on the primacy of Polish law over EU law.

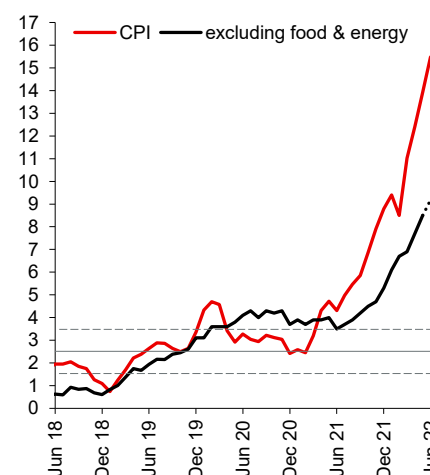
EURUSD rebounded from parity towards the 1.01 level at the end of the week despite mostly better-than-expected US data. In addition to investors closing positions at the end of the week, further parity push was hampered by uncertainty concerning Thursday's ECB meeting.

EURPLN slipped from around 4.81 to around 4.78. In addition to a slight weakening of the dollar against the euro, the zloty was supported by the MF's declarations of no need to increase the budget deficit this year and a possible lower GG deficit.

Other CEE currencies: the **EURCZK** rose from 24.46 to 24.49. CNB board member Tomas Holub announced further albeit already less aggressive rate hikes, as rates are already at fairly high levels. He also said that under current market conditions, it is not possible to end currency interventions and stop raising rates at the same time. **EURHUF** fell from around 405 to 401 thanks to MNB swap interventions and less pressure on emerging markets from a slightly weaker dollar.

Debt market: The domestic curve fell by about 15 bps on Friday, and the IRS curve was also affected on a similar scale. Rate hike expectations in the FRA market also fell noticeably. The domestic market was helped by the MF's budget declarations, as well as strong data from the US, easing somewhat concerns about a "hard landing" of the US economy.

CPI inflation, % y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.7794	CZKPLN	0.1946
USDPLN	4.7398	HUFPLN*	1.1918
EURUSD	1.0083	RUBPLN	0.0829
CHFPLN	4.8470	NOKPLN	0.4648
GBPPLN	5.6097	DKKPLN	0.6413
USDCNY	6.7476	SEKPLN	0.4506

*for 100HUF

Last session in the FX market 15/07/2022

	min	max	open	close	fixing
EURPLN	4.767	4.821	4.813	4.777	4.812
USDPLN	4.729	4.812	4.799	4.734	4.797
EURUSD	1.001	1.010	1.003	1.009	-

Interest rate market 15/07/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.83	-21
DS0726 (5Y)	7.11	-14
DS0432 (10Y)	6.75	-16

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.88	-18	3.49	-5	0.94	0
2L	7.63	-17	3.37	-3	1.31	3
3L	7.16	-15	3.18	-3	1.41	0
4L	6.77	-13	3.08	-3	1.52	3
5L	6.53	-10	3.01	-5	1.63	3
8L	6.22	-10	2.95	-6	1.84	-2
10L	6.20	-10	2.96	-7	1.96	0

WIBOR rates

Term	%	Change (bps)
O/N	6.38	-1
T/N	6.60	2
SW	6.63	0
2W	6.63	0
1M	6.67	2
3M	7.00	0
6M	7.30	0
1Y	7.45	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.32	-13
3x6	7.86	-20
6x9	7.96	-24
9x12	7.84	-24
3x9	8.07	-20
6x12	8.16	-23

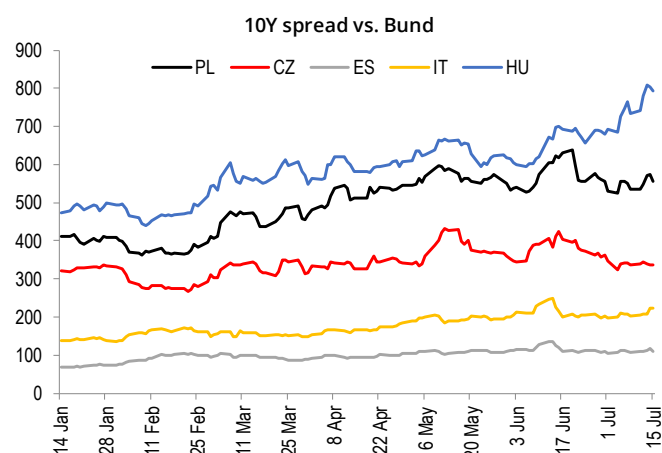
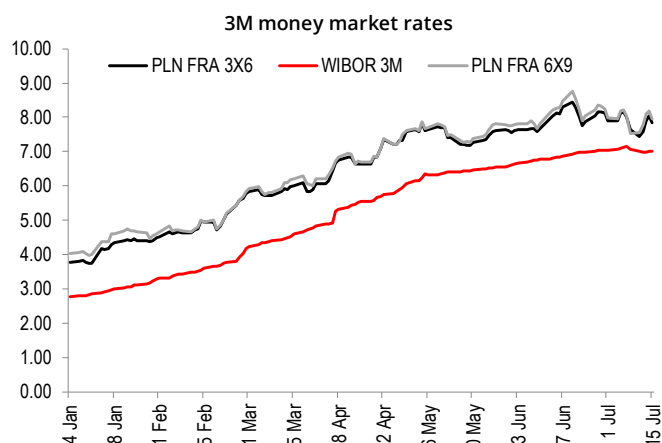
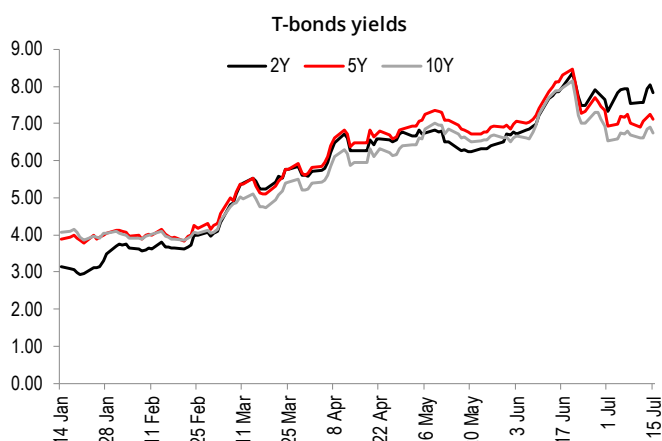
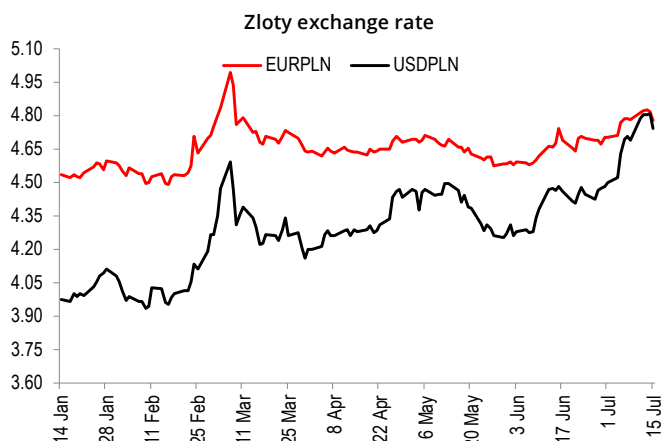
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	0	557	-16
France	15	0	53	0
Hungary	214	13	795	-9
Spain	68	3	110	-7
Italy	78	0	222	0
Portugal	53	3	112	-6
Ireland	16	2	55	-5
Germany	14	-1	-	-

* 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)								
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
MONDAY (18 July)								
14:00	PL	CPI Core	Jun	% y/y	9.3	9.2		8.5
TUESDAY (19 July)								
11:00	EZ	HICP	Jun	% y/y	8.6			8.6
14:30	US	Housing Starts	Jun	% m/m	2.97			-14.4
WEDNESDAY (20 July)								
10:00	PL	Employment in corporate sector	Jun	% y/y	2.2	2.1		2.4
10:00	PL	Average Gross Wages	Jun	% y/y	13.3	13.3		13.5
10:00	PL	Sold Industrial Output	Jun	% y/y	11.2	12.4		15.0
10:00	PL	PPI	Jun	% y/y	25.2	25.3		24.7
16:00	US	Existing Home Sales	Jun	% m/m	-0.18			-3.39
THURSDAY (21 July)								
10:00	PL	Construction Output	Jun	% y/y	11.25	8.7		13.0
10:00	PL	Retail Sales Real	Jun	% y/y	5.85	5.8		8.2
14:15	EZ	ECB Main Refinancing Rate		%	0.25			0.0
14:30	US	Initial Jobless Claims		k	240.0			244.0
14:30	US	Index Philly Fed	Jul	pts	-0.5			-3.3
FRIDAY (22 July)								
09:30	DE	Germany Manufacturing PMI	Jul	pts	50.9			52.0
09:30	DE	Markit Germany Services PMI	Jul	pts	51.4			52.4
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	51.0			52.1
10:00	EZ	Eurozone Services PMI	Jul	pts	52.0			53.0
14:00	PL	Money Supply M3	Jun	% y/y	7.7	7.6		7.6

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

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