

26 July 2022

Eyeopener

Hungarians to decide on rates again

No domestic publications today, instead Hungarian central bank decides on rates
 The value of new orders in Polish industry grew noticeably slower than PPI in June
 Ifo index fell more than expected
 Gazprom limits NS1 pipeline gas supplies to 20% of maximum capacity
 EURUSD stuck at 1.02 for EURPLN clearly down

Today, there are no domestic publications, but the Hungarian central bank will decide on interest rates. At its last regular meeting on 28 June, the MNB raised rates by 185bp when the market was expecting a 50-100bp hike, before adding other 200bp at an extraordinary meeting on 12 July in the face of the forint's continued depreciation. This time the market is waiting for a +100bp move. We will also get to see US real estate data, the Conference Board's assessment of US consumer sentiment and another regional US business climate index for July - this time from the Richmond Fed, coming after the Dallas and Philadelphia branches reported significantly worse business sentiment than expected.

Industrial new orders data showed a nominal 16.8% y/y increase in June, including orders from abroad of 20.9% y/y. If we correct the data for producer prices (PPI inflation), the last time worse readings happened was in April and May 2020.

The registered unemployment rate came in at 4.9% in June (down from 5.1%), in line with what the market expected. This is the lowest reading since the economic transformation in Poland, and the same is true for the number of the registered jobseekers (818,000), although these figures take into account the increased registrations of refugees from Ukraine.

The Ifo index describing German business sentiment fell more than expected in July. A much worse assessment of the outlook was behind the drop to the lowest level since April 2021. In manufacturing and wholesale trade alone, the assessment of business conditions is the worst since the Covid-19 pandemic outbreak.

EU countries have agreed on a plan to save gas by 15% between 1 August 2022 and 31 March 2023. The plan is expected to be adopted on Tuesday at an extraordinary meeting of EU energy ministers and is aimed at limiting the risks that could arise from a possible total interruption of Russian gas supplies, the DPA agency reports. **Russia's Gazprom** said on Monday that it was halting one more turbine on the NS1 pipeline due to maintenance work from 27 July, which will have the effect of **reducing gas supplies to the EU to 20% of the pipeline's maximum capacity**.

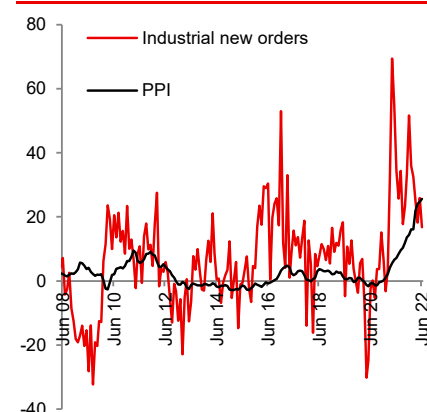
EURUSD fluctuated around 1.02 during the day, with the upside potential hindered by a worse-than-expected reading of the German Ifo index for July, further restrictions on Russian gas supplies to Germany and statements by the ECB's Robert Holtzmann (a hawk), who signalled that the scale of further rate hikes in the euro area would depend on incoming data. In light of recent weaker economic readings from the euro zone, this was a clear signal that even some ECB hawks are concerned about overreacting with rate hikes. Martins Kazaks, who sits on the ECB from Latvia - a country with one of the highest inflation rates in the EU - pointed out that July's decision was not acceleration of future moves and that the bank should go for a significant rate hike again in September. He added that the euro is too weak and this poses a problem.

EURPLN fell to 4.72 from around 4.74, and during the day the exchange rate even tried to go below 4.70. The pretext for a more pronounced strengthening of the zloty was Fitch's upholding of Poland's credit rating and the fact that the euro stayed away from parity against the dollar. The test for the zloty's strength this week, however, will be tomorrow's Fed meeting and Friday's reading of domestic CPI inflation (relatively low in our view).

Other CEE currencies: EURCZK rose from around 24.53 to around 24.58. **EURHUF** rose from around 396 to around 398. The upcoming Fed meeting is not conducive to strengthening of the region's currencies.

Debt market: The domestic yield curve recorded small declines of a few bps.

Value of industrial new orders, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,7176	CZKPLN	0,1916
USDPLN	4,6155	HUFPLN*	1,1869
EURUSD	1,0219	RUBPLN	0,0797
CHFPLN	4,7828	NOKPLN	0,4697
GBPPLN	5,5652	DKKPLN	0,6336
USDCNY	6,7540	SEKPLN	0,4522

*for 100HUF

Last session in the FX market 25.07.2022

	min	max	open	close	fixing
EURPLN	4,6900	4,7408	4,7379	4,7173	4,7196
USDPLN	4,5772	4,6513	4,6405	4,6216	4,6171
EURUSD	1,0178	1,0257	1,0205	1,0210	-

Interest rate market 25.07.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6,91	-13
DS0726 (5Y)	6,19	-2
DS0432 (10Y)	5,88	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,48	0	3,41	5	0,98	-3
2L	7,05	-1	3,25	7	1,23	-5
3L	6,55	-2	3,03	7	1,31	-5
4L	6,18	-4	2,92	6	1,40	-5
5L	5,94	-5	2,86	4	1,50	-4
8L	5,67	-6	2,83	4	1,71	-4
10L	5,64	-7	2,85	5	1,82	-4

WIBOR rates

Term	%	Change (bps)
O/N	6,62	17
T/N	6,61	10
SW	6,64	0
2W	6,66	1
1M	6,71	1
3M	7,00	0
6M	7,29	0
1Y	7,44	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7,13	4
3x6	7,38	1
6x9	7,44	-2
9x12	7,24	-3
3x9	7,56	0
6x12	7,59	-2

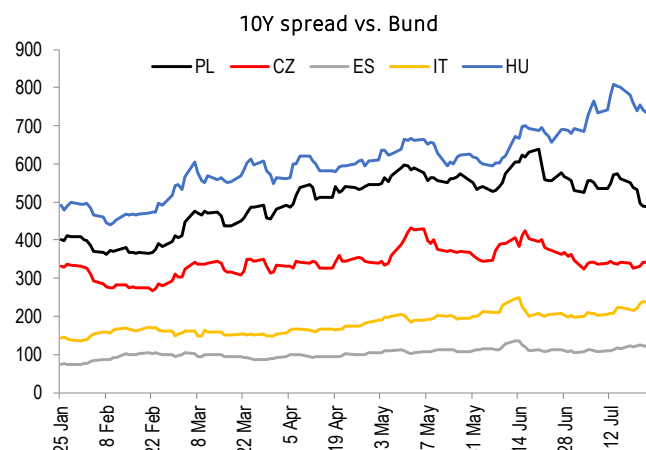
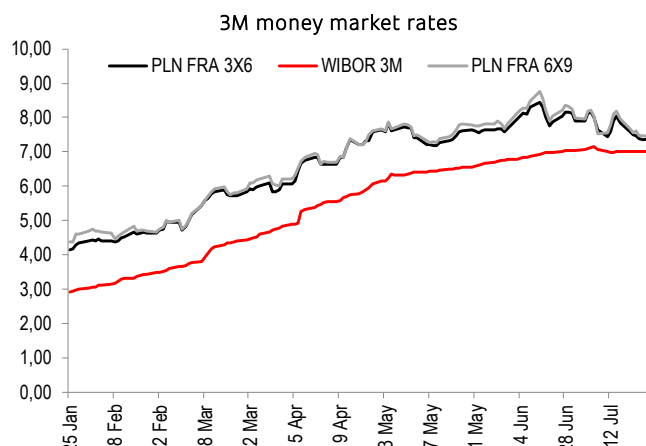
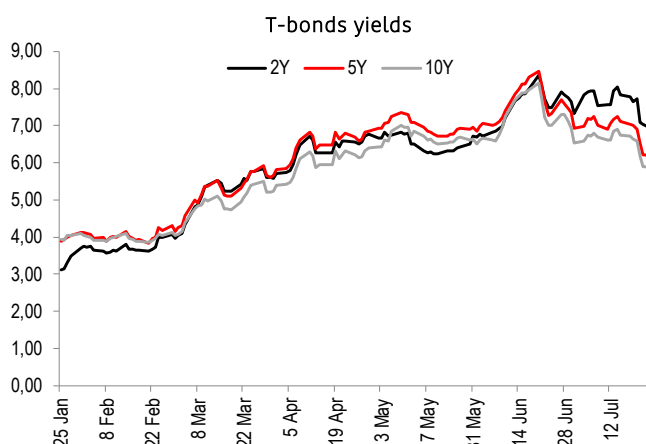
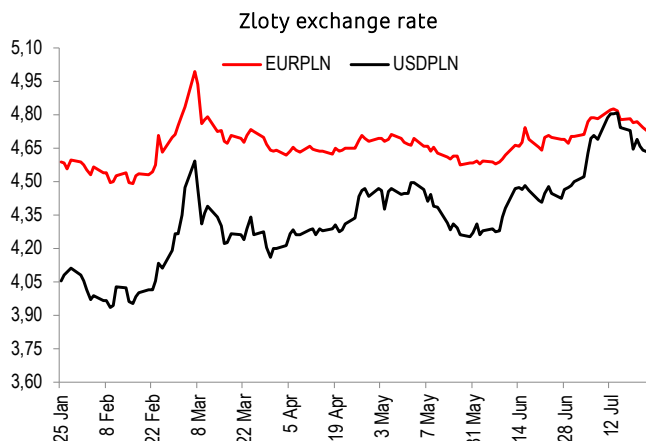
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	-2	485	-4
France	15	0	60	1
Hungary	203	-3	722	-19
Spain	60	-3	121	-2
Italy	73	0	237	-3
Portugal	45	0	114	-4
Ireland	15	0	62	-1
Germany	14	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 (22 July)							
09:30	DE	Germany Manufacturing PMI	Jul	pts	50.9	49.2	52.0
09:30	DE	Markit Germany Services PMI	Jul	pts	51.4	49.2	52.4
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	51.0	49.6	52.1
10:00	EZ	Eurozone Services PMI	Jul	pts	52.0	50.6	53.0
14:00	PL	Money Supply M3	Jun	% y/y	7.7	7.6	6.5
MONDAY (25 July)							
10:00	DE	IFO Business Climate	Jul	pts	90.3	88.6	92.2
10:00	PL	Unemployment Rate	Jun	%	4.9	4.9	5.1
TUESDAY (26 July)							
14:00	HU	Central Bank Rate Decision		%	10.75		9.75
16:00	US	New Home Sales	Jun	% m/m	-3.4		10.7
WEDNESDAY (27 July)							
14:30	US	Durable Goods Orders	Jun	% m/m	-0.5		0.8
16:00	US	Pending Home Sales	Jun	% m/m			0.7
20:00	US	FOMC decision		%	2.50		1.75
THURSDAY (28 July)							
11:00	EZ	ESI	Jul	pct.	102.0		104.0
14:00	DE	HICP	Jul	% y/y	8.1		8.2
14:30	US	GDP Annualized	2Q	% Q/Q	0.5		-1.6
14:30	US	Initial Jobless Claims		k	240.0		251.0
FRIDAY (29 July)							
09:00	CZ	GDP SA	2Q	% y/y	3.4		4.9
10:00	PL	CPI	Jul	% y/y	15.6	15.2	15.5
10:00	DE	GDP WDA	2Q	% y/y	1.7		3.8
11:00	EZ	Flash HICP	Jul	% y/y	8.7		8.6
11:00	EZ	GDP SA	2Q	% y/y	3.4		5.4
14:30	US	Personal Spending	Jun	% m/m	0.8		0.2
14:30	US	Personal Income	Jun	% m/m	0.5		0.5
14:30	US	PCE Deflator SA	Jun	% m/m	0.9		0.6
16:00	US	Michigan index	Jul	pts	51.1		51.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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