

27 July 2022

# Eyeopener

## Another day, another rate hike

- NBH raised rates by 100 bps yesterday, Fed may raise its own by 75 bps today
- IMF further trims global growth forecast and highlights downside risks
- Growth worries depress paper yields domestically and in base markets

**Today** the Fed decides on rates. We expect a 75bp hike in line with the voices of James Bullard and Christopher Waller just before the blackout period before the meeting (both are considered hawkish, but have shied away from the proposal for a full 100bp hike recently mentioned by Loretta Mester and Mary Daly). With this move, the main interest rate would already be close to the level considered neutral. According to us, with a weakening of the economy already appearing in the US data, at the next meetings the FOMC will also be reluctant to hike by 100bp, but in total, including today's decision, it will still tighten by 200bp this year. Apart from that, today we will get to see some data from the US housing market; yesterday's numbers on new home sales surprised to the downside and showed a further marked downward price adjustment (the average price fell by 11.1% m/m in June and by 9.7% in May).

Yesterday's July reading of **US Conference Board consumer sentiment** (the leading indicator slipped back to the area in which it had been moving during the most difficult pandemic period) can be seen to reflect growing income concerns translating into less willingness to buy a house or car. German consumer sentiment data came out this morning. The GfK institute's sentiment index for August fell to -30.6pts, against expectations at -27.7pts, the worst result in the history of this survey (since 2005).

**IMF lowered its global GDP growth forecast** for this year to 3.2% from 3.6% forecast in April and 4.4% expected in January. In 2023, growth is expected at 2.9% (instead of the 3.6% shown previously). Negative risks to this scenario still prevail. The Fund has warned that a new global recession is not far away. Nonetheless, the IMF continues to prioritise the fight against inflation, regardless of the cost to global growth.

The message from the new edition of the **NBP's 'quick monitoring'** is quite pessimistic about how companies see the prospects for doing business. Manufacturers of consumer durables and intermediate goods gave particularly negative assessments (apparently companies are already adjusting their approach to rebuilding inventories in the face of weakening demand). Records were set for the extent of wage pressure (80% of companies feel it) and the proportion of companies planning wage increases. A lower assessment of the outlook for producer inflation and some improvement in attitudes to investment are positive signs.

**EURUSD** slipped from around 1.02 to around 1.01. The dollar's strengthening is the result of weaker June US consumer sentiment data, growing concerns about the EU gas market situation in the fall, and expectations of another rate hike and hawkish Fed rhetoric after tonight's FOMC meeting. The combination of all these factors has strengthened global risk aversion.

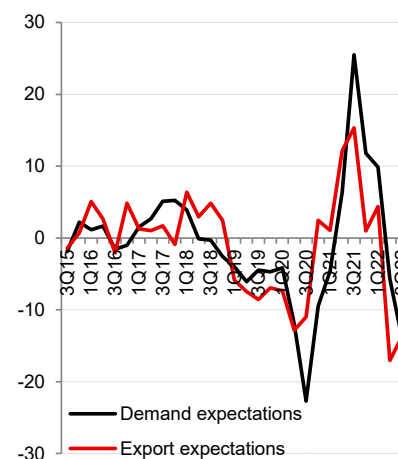
**EURPLN**, after the attempts to go below 4.70 on Monday, quickly returned above 4.75 on Tuesday. The weakening of the zloty is largely the result of Russian Gazprom's decision to reduce the capacity of NS1 due to the need for further maintenance work. Markets fear that this decision is just a pretext aimed at preventing the EU market from building sufficient gas reserves ahead of the autumn and winter heating season. This, along with the EU's decision to cut gas consumption by 15%, further strengthened recessionary fears on the market, weighing on the zloty.

**Other CEE currencies:** **EURCZK** kept near the opening level of the European session, i.e. close to 24.59. **EURHUF** rose to 400 from around 398. Amid growing concerns about the situation in the European gas market in the autumn, the NBH's decision to raise rates by 100bp kept the forint from depreciating more strongly, but could not achieve more in these circumstances.

**Debt market:** The domestic yield curve fell across the board by about 10 bps. The IRS curve also fell, with the longer end down by more than 15 bps. Expressions of growing recessionary fears were also reflected in strong declines in the longer-dated FRAs. Bond yields also fell in the underlying markets, with noticeably stronger declines in Germany than in the US.

**Finance Ministry** said that it will offer PLN5-8bn of securities at Thursday's outright auction, while the earlier monthly information on supply mentioned PLN4-9bn.

### Quick monitoring, y/y change of selected indexes



Source: NBP, 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  
**Jarostaw Kosaty** +48 887 842 480  
**Marcin Luziński** +48 510 027 662  
**Grzegorz Ogonek** +48 609 224 857

**FX market**

**Today's opening**

EURPLN	4,7514	CZKPLN	0,1929
USDPLN	4,6872	HUFPLN*	1,1745
EURUSD	1,0135	RUBPLN	0,0777
CHFPLN	4,8701	NOKPLN	0,4757
GBPPLN	5,6462	DKKPLN	0,6380
USDCNY	6,7615	SEKPLN	0,4549

\*for 100HUF

**Last session in the FX market** 26.07.2022

	min	max	open	close	fixing
EURPLN	4,7050	4,7655	4,7215	4,7617	4,7183
USDPLN	4,6032	4,7093	4,6162	4,7032	4,6222
EURUSD	1,0111	1,0235	1,0224	1,0115	-

**Interest rate market** 26.07.2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6,78	-13
DS0726 (5Y)	6,10	-9
DS0432 (10Y)	5,78	-10

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,48	0	3,43	2	0,95	-3
2L	6,99	-6	3,27	2	1,18	-5
3L	6,45	-10	3,08	5	1,25	-6
4L	6,04	-14	2,96	4	1,33	-8
5L	5,78	-16	2,90	4	1,41	-9
8L	5,48	-19	2,85	2	1,62	-9
10L	5,44	-21	2,87	2	1,74	-9

**WIBOR rates**

Term	%	Change (bps)
O/N	6,51	-11
T/N	6,72	11
SW	6,64	0
2W	6,66	0
1M	6,68	-3
3M	7,00	0
6M	7,29	0
1Y	7,44	0

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

Term	%	Change (bps)
1x4	7,15	2
3x6	7,41	3
6x9	7,44	0
9x12	7,22	-2
3x9	7,57	1
6x12	7,57	-2

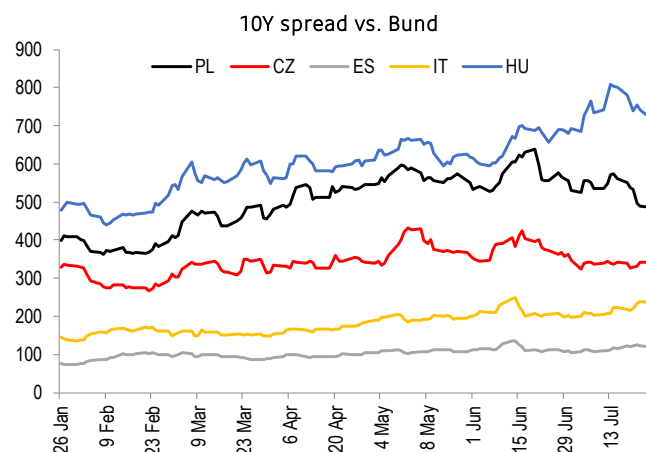
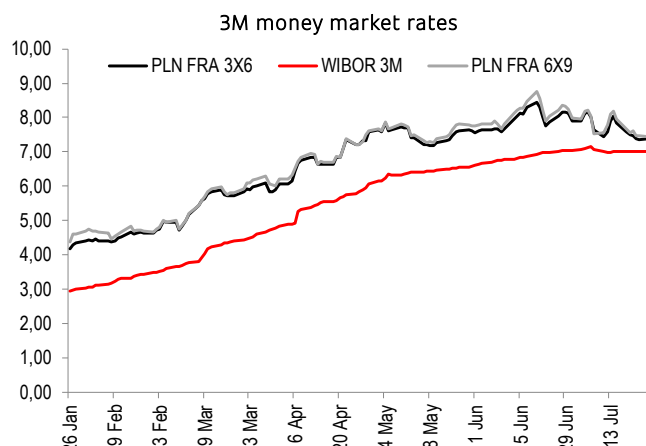
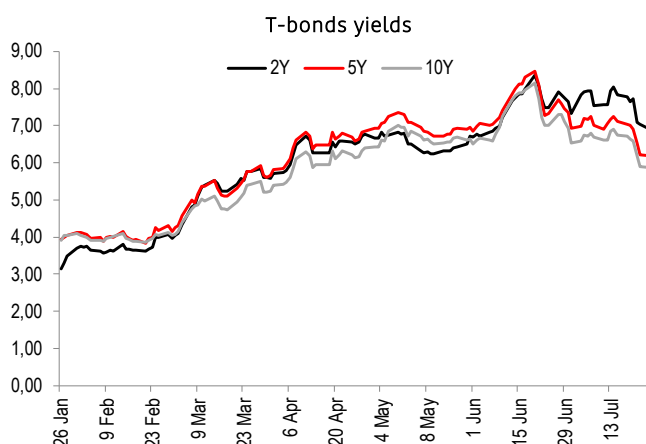
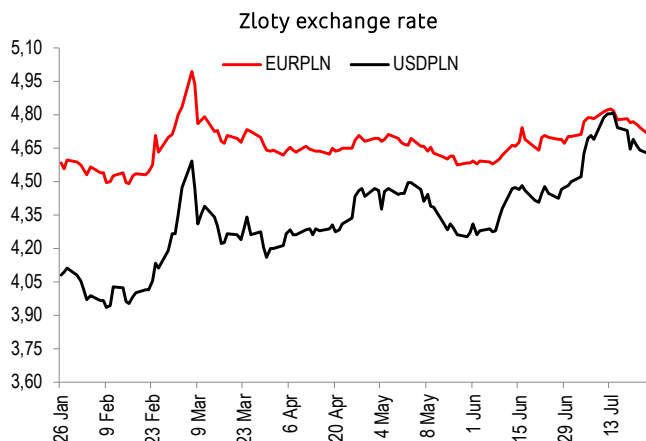
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	137	7	485	0
France	15	0	59	-1
Hungary	214	11	750	28
Spain	63	3	119	-3
Italy	75	3	241	4
Portugal	45	0	112	-2
Ireland	15	0	63	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		
<b>FRIDAY (22 July)</b>							
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
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Jun</b>	<b>% y/y</b>	<b>7.7</b>	<b>7.6</b>	<b>6.5</b>
<b>MONDAY (25 July)</b>							
10:00	DE	IFO Business Climate	Jul	pts	90.3	88.6	92.2
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Jun</b>	<b>%</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>
<b>TUESDAY (26 July)</b>							
14:00	HU	Central Bank Rate Decision		%	10.75	10.75	9.75
16:00	US	New Home Sales	Jun	% m/m	-3.4	-8.1	6.3
<b>WEDNESDAY (27 July)</b>							
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
<b>THURSDAY (28 July)</b>							
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
<b>FRIDAY (29 July)</b>							
09:00	CZ	GDP SA	2Q	% y/y	3.4		4.9
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Jul</b>	<b>% y/y</b>	<b>15.6</b>	<b>15.2</b>	<b>15.5</b>
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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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.