

4 August 2022

## Eyeopener

### Czech National Bank in focus

CNB to set interest rates today  
 OPEC+ raised its oil output limits only slightly  
 Improving sentiments in services in Europe and China  
 EURPLN testing 4.70, yields strongly up, 2Y above 7% again

**Today** there are no major domestic publications on the schedule. The CNB's decision on interest rates is the main even in the CEE region. For several months, markets have been wondering how the appointment of the CNB's new very dovish chairman Aleš Michl, who took office on July 1 this year, would affect Czech monetary policy. While still a member of the board, he voted against all rate hikes starting in 2021. The new governor assured markets that bringing inflation down to target remains the main challenge of his tenure, but evaded answering whether this would be accomplished through further rate hikes or increased monetary interventions. Other appointments to the board, as promised by President Miloš Zeman, were expected to provide a more balanced spectrum of views among CNB policymakers, but to what extent this has been successful, we will only find out today. The market is divided on whether or not there will be a rate hike in the Czech Republic today.

**The OPEC+ meeting** of OPEC member states and 12 non-cartel countries, including Russia, decided to raise the daily production limit by only 100,000 barrels per day. The scale of the increase is equivalent to 86 seconds of the global economy's daily demand. Against the backdrop of U.S. President Joe Biden's recent tour of Middle Eastern countries and his calls for increased oil production to ease global inflationary pressures from high commodity prices, OPEC+'s decision can be seen as a despire to the US. On the economic side, it is a decision that stimulates inflation expectations and weakens global growth prospects.

**PMIs of the service sector** of the euro zone, Germany, the US and China improved in July. The better readings indicate that despite the slowdown in the manufacturing sector, services are holding up relatively strongly, raising the likelihood of further significant rate hikes in core markets.

**Gas storage facilities in Germany are about 70% full** despite significantly reduced gas supplies from Russia, the head of the Federal Network Agency, Klaus Müller, reported. According to him, problems with filling up storage facilities only occur with those previously under the management of Russian capital. The French Minister of Energy Transition, Agnes Pannier-Runacher, stated that French warehouses are 80% full. At the same time, she called on all French people, especially the largest companies, to "make sure they reduce their gas and electricity consumption" as gas will have to be shared with Germany to get support from them in the energy market in return. Due to the heat wave, French energy group EDF is having problems cooling its nuclear reactors and has not ruled out reducing electricity production or even shutting down a reactor at one of its plants in South East France.

**EURUSD** fluctuated in the 1.01 - 1.02 zone. Geopolitical tensions on the US-China line around Taiwan strengthened the dollar for another day.

**EURPLN**, from the 4.72 area, once again renewed its attack on the 4.70 level, and this time stayed there at the end of Wednesday. Slightly better readings from Europe in recent days improved sentiment in the CEE region, which benefited the zloty.

**Other CEE currencies:** EURHUF also continued its march south on a wave of improved investment sentiment in European emerging markets. The exchange rate fell to 394 from around 396. EURCZK kept its trading near 24.64, where it ended the previous day. The Czech koruna was unable to gain like other CE3 Region currencies due to uncertainty over the CNB's verdict on interest rates.

**Debt market:** The domestic yield curve is up sharply again. 2Y yields rose by about 25bp, thus returning above 7% again. At the longer end of the curve, 5Y and 10Y yields rose about 15bp. ASW spreads widened, especially on the 2Y tenor. Markets are again starting to worry about inflation, despite signs that the economy is slowing down.

Brent oil prices, USD



Source: Refinitiv, Santander

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### FX market

Today's opening			
EURPLN	4.6970	CZKPLN	0.1902
USDPLN	4.6217	HUFPLN*	1.1765
EURUSD	1.0160	RUBPLN	0.0766
CHFPLN	4.8039	NOKPLN	0.4749
GBPPLN	5.6039	DKKPLN	0.6306
USDCNY	6.7531	SEKPLN	0.4516

\*for 100HUF

Last session in the FX market						03/08/2022
	min	max	open	close	fixing	
EURPLN	4.6878	4.7252	4.7231	4.6967	4.7032	
USDPLN	4.5963	4.6493	4.6360	4.6297	4.6164	
EURUSD	1.0121	1.0209	1.0184	1.0143	-	

### Interest rate market

03/08/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.10	29
DS0726 (5Y)	6.30	15
DS0432 (10Y)	5.79	15

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.48	-1	3.49	4	0.96	0
2L	6.97	3	3.31	2	1.24	6
3L	6.45	7	3.11	1	1.31	7
4L	6.07	11	2.95	-1	1.37	5
5L	5.82	14	2.85	-3	1.40	-1
8L	5.50	14	2.75	-5	1.60	3
10L	5.47	14	2.75	-5	1.69	2

#### WIBOR rates

Term	%	Change (bps)
O/N	6.69	-8
T/N	6.78	-8
SW	6.79	-3
2W	6.81	-2
1M	6.79	2
3M	7.01	0
6M	7.30	0
1Y	7.43	0

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

Term	%	Change (bps)
1x4	7.12	-4
3x6	7.41	-3
6x9	7.46	-1
9x12	7.19	-1
3x9	7.58	-2
6x12	7.57	-1

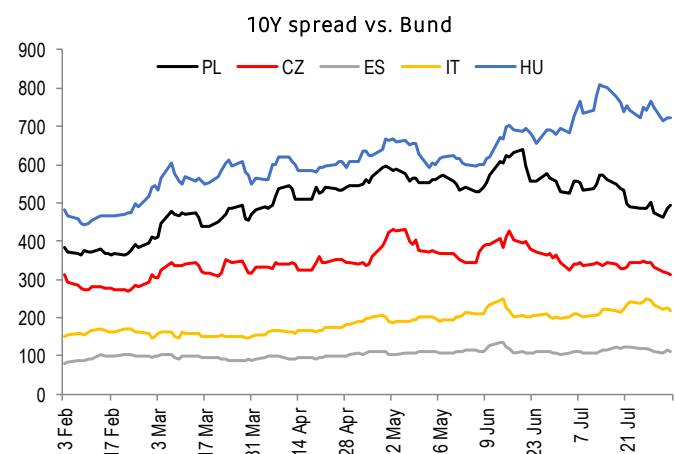
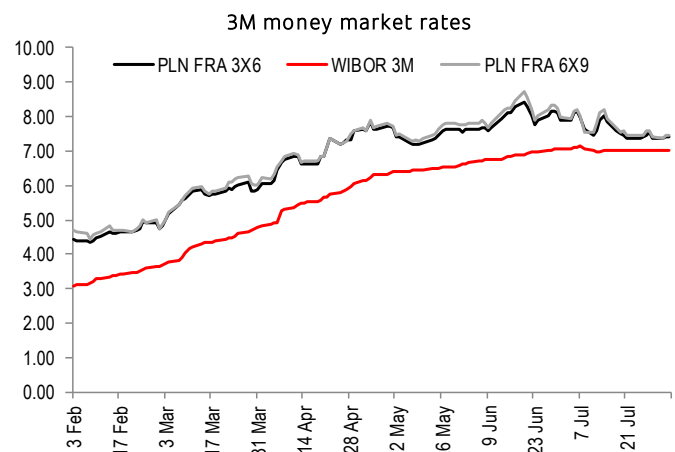
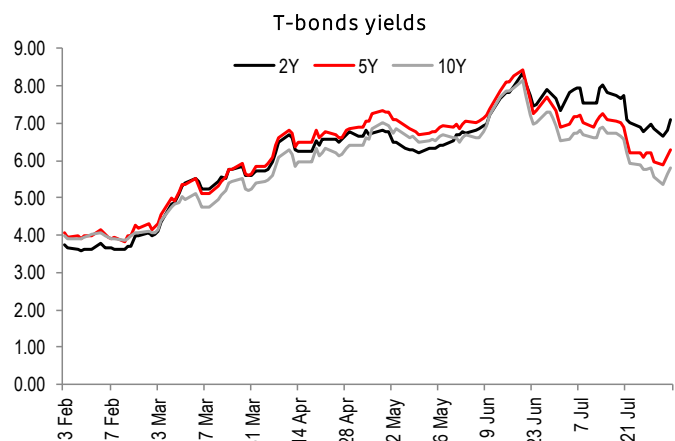
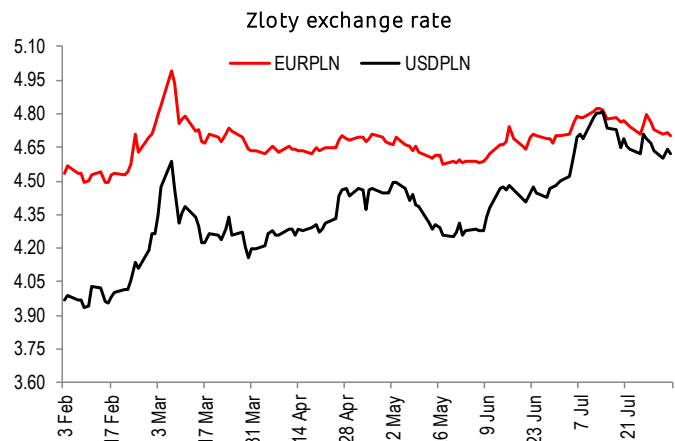
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	134	0	493	7
France	15	0	58	-2
Hungary	193	-4	722	0
Spain	50	-5	112	-3
Italy	70	-5	217	-9
Portugal	40	-2	106	-3
Ireland	14	1	62	-6
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		
<b>FRIDAY (29 July)</b>							
09:00	CZ	GDP SA	2Q	% y/y	3.3	3.6	4.9
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Jul</b>	<b>% y/y</b>	<b>15.6</b>	<b>15.5</b>	<b>15.5</b>
10:00	DE	GDP WDA	2Q	% y/y	1.7	1.4	3.6
11:00	EZ	Flash HICP	Jul	% y/y	8.7	8.9	8.6
11:00	EZ	GDP SA	2Q	% y/y	3.4	4.0	5.4
14:30	US	Personal Spending	Jun	% m/m	0.9	1.1	0.3
14:30	US	Personal Income	Jun	% m/m	0.5	0.6	0.6
14:30	US	PCE Deflator SA	Jun	% m/m	0.9	1.0	0.6
16:00	US	Michigan index	Jul	pts	51.1	51.5	51.1
<b>MONDAY (1 August)</b>							
03:45	CN	Manufacturing PMI	Jul	pts	51.5	50.4	51.7
08:00	DE	Retail Sales	Jun	% m/m	0.4	-1.6	1.2
<b>09:00</b>	<b>PL</b>	<b>Manufacturing PMI</b>	<b>Jul</b>	<b>pts</b>	<b>42.9</b>	<b>42.9</b>	<b>42.1</b>
09:55	DE	Manufacturing PMI	Jul	pts	49.2	49.3	52.0
10:00	EZ	Manufacturing PMI	Jul	pts	49.6	49.8	52.1
11:00	EZ	Unemployment Rate	Jun	%	6.6	6.6	6.6
16:00	US	ISM manufacturing	Jul	pts	52.1	52.8	53.0
<b>TUESDAY (2 August)</b>							
No key events or releases							
<b>WEDNESDAY (3 August)</b>							
03:45	CN	Services PMI	Jul	pts	54.0	55.5	54.5
08:00	DE	Exports SA	Jun	% m/m	1.0	4.5	1.3
09:55	DE	Services PMI	Jul	pts	49.2	49.7	52.4
10:00	EZ	Services PMI	Jul	pts	50.6	51.2	53.0
11:00	EZ	Retail Sales	Jun	% m/m	0.0	-3,7	0.2
16:00	US	Durable Goods Orders	Jun	% m/m	-	2.0	1.9
16:00	US	ISM services	Jul	pts	53.9	56.7	55.3
16:00	US	Factory Orders	Jun	% m/m	0.8	2.0	1.6
<b>THURSDAY (4 August)</b>							
08:00	DE	Factory Orders	Jun	% m/m	-1.2	-0.4	-0.2
14:30	US	Initial Jobless Claims	week	k	-	-	256
14:30	CZ	Central Bank Rate Decision		%	7.00	-	7.00
<b>FRIDAY (5 August)</b>							
08:00	DE	Industrial Production SA	Jun	% m/m	-0.4	-	0.2
09:00	HU	Industrial Production SA	Jun	% y/y	-	-	3.4
14:30	US	Change in Nonfarm Payrolls	Jul	k	250	-	372
14:30	US	Unemployment Rate	Jul	%	3.6	-	3.6

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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