

# Eyeopener

## Yields abroad higher, in Poland lower

Today industrial production in Czechia  
 FAO food price index fell again; US employment rose strongly  
 EURUSD lower, EURPLN near 4.71, US bond yields higher but Polish yields lower  
 Glapiński and Kaczyński strongly against euro adoption in Poland

**Today**, not many relevant publications: industrial production in the Czech Republic, Sentix investor optimism index in the euro zone.

**July's US labour market data** showed a sharp increase of 528k jobs against expectations of 250k. Employment slightly surpassed the pre-pandemic level of February 2020. The data indicate that the US labour market remains in shape and could generate upward pressure on prices through wage pressure (wage growth accelerated to 5.2% y/y in July).

The **FAO Food Price Index** fell to 140.9 points in July from 154.3 points in June. This was the fourth decline in a row and the strongest on a monthly basis since October 2008. The fall in the index was most strongly influenced by the reduction in cereal prices. The fall in the FAO index reduces the risk of an acceleration in food prices and in inflation in the coming months in Poland.

The Minister for Climate and the Environment, Anna Moskwa, has announced that **households not covered by heating tariffs will receive subsidies** of up to PLN3.9k for non-tariffed centrally distributed heat consumers (i.e. from small heating plants), PLN3k for these heating with pellets, PLN1k for wood, PLN2k for heating oil and PLN500 for LPG. The estimated cost of this solution is PLN9bn. According to Moskwa, the Energy Regulatory Office (URE) will block price increases for centrally distributed heat, with the maximum acceptable increase expected set at 40%.

According to the NBP data, a **further increase in primary market property prices** was registered in 2Q22. In Warsaw, prices increased by 15.6% y/y vs. 16.1% y/y in 1Q2022, in the six largest cities by 18.3% y/y vs. 17.3% y/y, and in the 10 medium-sized cities by 19.1% y/y vs. 19.3% y/y in Q1. However, upward trends seem to be slowing down, with annual price growth declining in 11 of the 17 cities surveyed. We believe that the marked reduction in mortgage demand will translate into a slowdown in price growth, or perhaps even a reduction in subsequent quarters.

The **NBP President Adam Glapiński**, wrote in an article in Dziennik Gazeta Prawna that the zloty is the driving force behind Poland's economic success and that abandoning the sovereign currency would be a huge and costly mistake. At the same time, **Jarostaw Kaczyński**, head of the Law and Justice party (PiS), said the same thing in an interview for the weekly magazine "Sieci". - in his opinion, the introduction of the euro would mean "radical impoverishment" and "robbing" Poles. However, such statements are nothing new; the opinions of both policymakers on this subject have been well known for a long time.

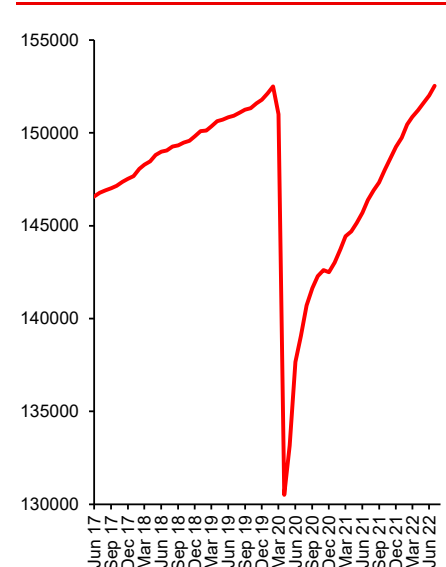
**EURUSD** slipped from the area of 1.0250 to the vicinity of 1.0150. In favour of the dollar were clearly better-than-expected data from the US labour market, which strengthened expectations for a rate hike in the US.

**EURPLN** fluctuated around the level of 4.71. Attempts to permanently break the level of 4.70 once again proved unsuccessful. Strengthening of the dollar on global markets and weaker domestic data expected this week should move the exchange rate up more significantly.

**Other CEE currencies:** EURCZK moved from around 24.57 to near 24.53. CNB board member Jan Frait said that the central bank will end currency interventions when it decides they are no longer needed, but there is no consensus within the board on how to define that moment. The EURHUF rose to 394 from around 393.

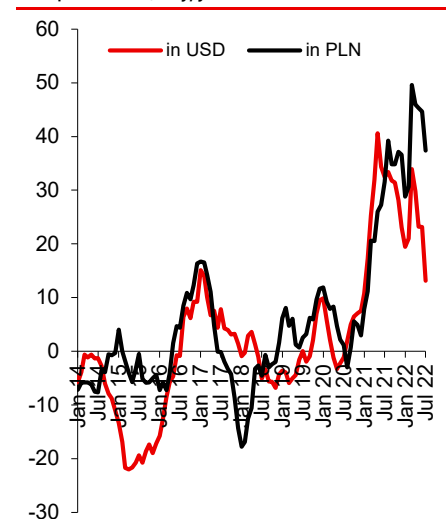
**Debt market:** The domestic yield curve and IRS slid more than 10 bps on Friday. After large swings in the week's tact, domestic market remained relatively immune to Friday's pronounced rally in yields in core markets following strong readings from the US labour market. Nevertheless, the global stagflation narrative weakened markedly after the data, which should also translate into trends in the domestic debt market in coming days.

US non-farm payrolls, thousands



Source: Refinitiv, Santander

FAO price index, % y/y



Source: FAO, Santander

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### FX market

#### Today's opening

EURPLN	4.7088	CZKPLN	0.1912
USDPLN	4.6264	HUFPLN*	1.1830
EURUSD	1.0182	RUBPLN	0.0763
CHFPLN	4.8038	NOKPLN	0.4712
GBPPLN	5.5617	DKKPLN	0.6321
USDCNY	6.7612	SEKPLN	0.4530

\*for 100HUF

#### Last session in the FX market 05/08/2022

	min	max	open	close	fixing
EURPLN	4.7007	4.7158	4.7070	4.7083	4.7053
USDPLN	4.5962	4.6421	4.5986	4.6291	4.6024
EURUSD	1.0139	1.0239	1.0233	1.0169	-

### Interest rate market 05/08/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.71	-17
DS0726 (5Y)	5.97	-17
DS0432 (10Y)	5.53	-11

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.26	-9	3.64	16	1.04	11
2L	6.68	-13	3.47	17	1.33	12
3L	6.16	-13	3.26	19	1.41	15
4L	5.78	-13	3.10	18	1.48	17
5L	5.53	-13	2.99	16	1.55	18
8L	5.25	-11	2.87	14	1.71	18
10L	5.25	-8	2.87	13	1.81	17

### WIBOR rates

Term	%	Change (bps)
O/N	6.45	-22
T/N	6.75	5
SW	6.77	-4
2W	6.79	-3
1M	6.80	0
3M	7.02	0
6M	7.30	0
1Y	7.44	0

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

Term	%	Change (bps)
1x4	7.04	-5
3x6	7.22	-9
6x9	7.13	-15
9x12	6.83	-17
3x9	7.32	-12
6x12	7.22	-16

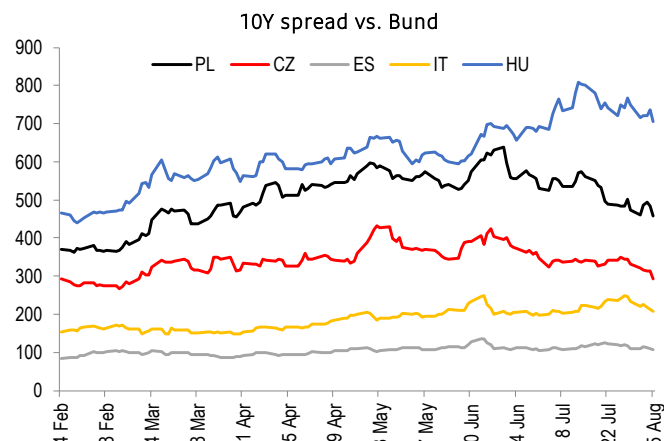
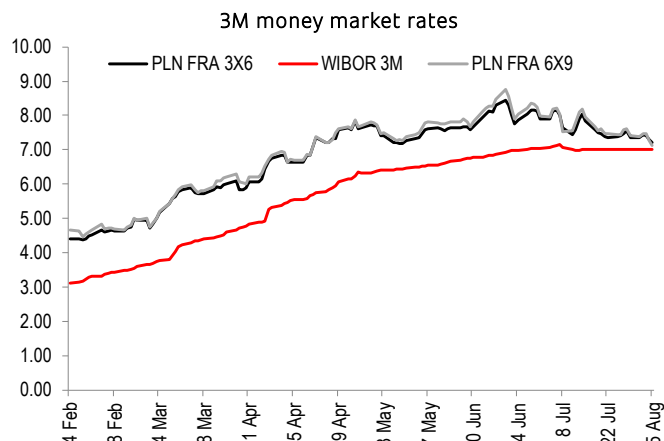
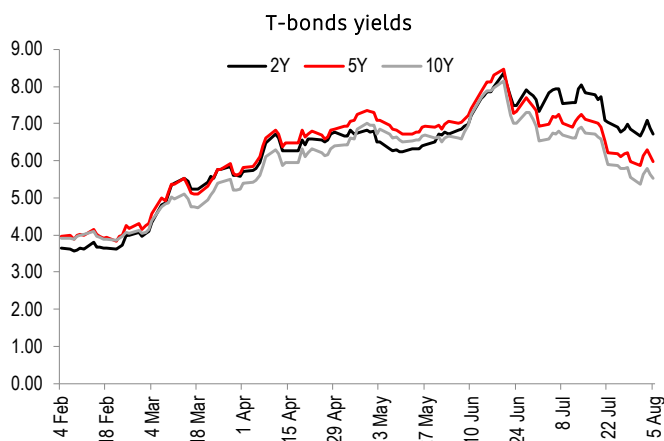
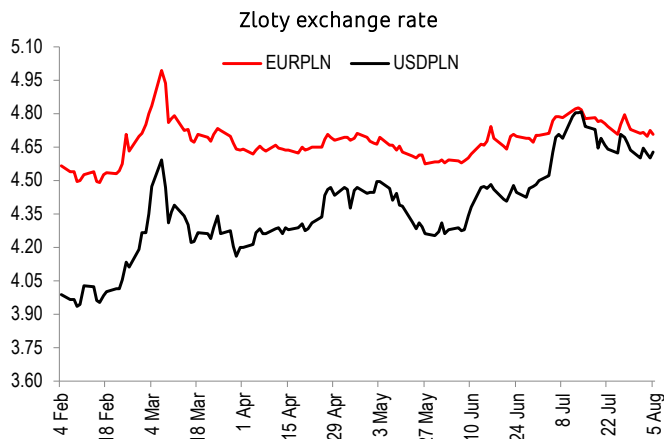
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	0	457	-26
France	14	0	54	-2
Hungary	189	1	705	-32
Spain	50	-3	108	-2
Italy	67	-3	207	-6
Portugal	37	-3	101	-2
Ireland	13	0	59	-1
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 (5 August)</b>							
08:00	DE	Industrial Production SA	Jun	% m/m	-0.4	0.4	-0.1
09:00	HU	Industrial Production SA	Jun	% y/y	-	0.6	3.4
14:30	US	Change in Nonfarm Payrolls	Jul	k	250	528	398
14:30	US	Unemployment Rate	Jul	%	3.6	3.5	3.6
<b>MONDAY (8 August)</b>							
09:00	CZ	Industrial Production	Jun	% y/y	2.0	-	6.3
<b>TUESDAY (9 August)</b>							
09:00	HU	CPI	Jul	% y/y	13.0	-	11.7
<b>WEDNESDAY (10 August)</b>							
08:00	DE	HICP	Jul	% m/m	0.8	-	0.8
09:00	CZ	CPI	Jul	% y/y	17.7	-	17.2
14:30	US	CPI	Jul	% m/m	0.2	-	1.3
<b>THURSDAY (11 August)</b>							
14:30	US	Initial Jobless Claims		k	260	-	260
<b>FRIDAY (12 August)</b>							
10:00	PL	CPI	Jul	% y/y	15.5	15.5	15.5
11:00	EZ	Industrial Production SA	Jun	% m/m	0.0	-	0.8
14:00	PL	Current Account Balance	Jun	€mn	-2571	-3220	-1909
14:00	PL	Trade Balance	Jun	€mn	-1500	2016	-1222
14:00	PL	Exports	Jun	€mn	27296	26133	28104
14:00	PL	Imports	Jun	€mn	29144	28149	29326
16:00	US	Michigan index	Aug	pts	51.8	-	51.5

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

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