

9 August 2022

Eyeopener

Crops may be higher despite the drought

Today inflation data in Hungary

Rafał Sura appointed to the NBP Board... and to the Supreme Administrative Court

Agricultural drought in Poland, but crops may be higher than last year

EURPLN and bond yields did not change much on Monday

Today, no significant data releases in Poland. Abroad we will get to see CPI inflation in Hungary, NFIB small business optimism index.

Czech industrial production rose by 1.7% y/y in June and was slightly worse than expected. The Czech automotive sector was making up for its losses, thanks to a reduction in chips shortage problems. However, pronounced production declines in the wood and metal sectors dragged the headline figure sharply downwards.

Yesterday, the NBP website reported that the former MPC member **Rafał Sura** was appointed to the NBP board on 28 July. At the same time, the decision of Poland's President to appoint Rafał Sura as a judge of the Supreme Administrative Court (NSA) was published in the Bulletin of Acts (Monitor Polski). Meanwhile, Article 18 of the NBP Act reads that "A member of the NBP Board may not hold any other position or engage in any paid or public activity other than scientific work, teaching or authorship." Sura resigned from the MPC on 18 July.

In an article in today's Rzeczpospolita, **NBP President Adam Glapiński** writes, among other things, that rising inflation is a global phenomenon and that the MPC has not committed itself to maintaining a specific level of interest rates in recent years. He also writes that his secretly recorded conversation with a woman on a pier in Sopot "is a standard practice that has been occurring for years both in Poland and abroad".

According to IUNG-PIB (Institute for Soil Studies), 14 voivodships in Poland are currently affected by **agricultural drought**, and all have experienced crop losses due to water shortages. At the same time, however, the Cereals and Fodder Chamber reports that this year's **yields are higher than last year's**, and this news is in line with the crop estimate given by the GUS in July. We therefore think that the risk of an acceleration of food prices in the second half of the year is diminishing.

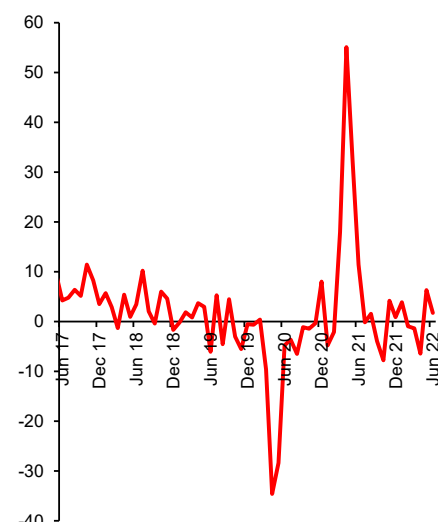
EURUSD has returned closer to 1.02 level. After a clear strengthening of the dollar on Friday, Monday saw a partial unwinding of this movement. The market is likely to move in an inertial motion until Wednesday's US CPI reading for July.

EURPLN fluctuated around the 4.70 level, temporarily going below, but today returning slightly above that level. In the absence of domestic data until Friday, the exchange rate should remain influenced by global factors.

Other CEE currencies: EURCZK rose from around 24.47 to near 24.52. A slightly weaker-than-expected industrial production reading from the Czech Republic slightly weakened the koruna, although the CNB's intervention policy remains the main determinant of the rate's trend. EURHUF rose from 392 to 393. The market is awaiting today's publication of Hungary's CPI for July. A higher reading than the previous one may stimulate expectations for further MNB rate hikes.

Debt market: Domestic yield and IRS curves remained virtually unchanged from late last week's quotes, despite starting the session with sharp declines. There were no significant changes in the main markets either. Markets are awaiting Wednesday's release of inflation data from the US for July. In recent months, these readings have had a significant impact on trends in global debt markets.

Czech industrial output, % y/y



Source: Refinitiv, Santander

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FX market

Today's opening

EURPLN	4.7051	CZKPLN	0.1912
USDPLN	4.6098	HUFPLN*	1.1922
EURUSD	1.0205	RUBPLN	0.0758
CHFPLN	4.8263	NOKPLN	0.4736
GBPPLN	5.5690	DKKPLN	0.6321
USDCNY	6.7539	SEKPLN	0.4544

*for 100HUF

Last session in the FX market 08/08/2022

	min	max	open	close	fixing
EURPLN	4.6920	4.7145	4.7088	4.7005	4.7013
USDPLN	4.5966	4.6300	4.6239	4.6053	4.6127
EURUSD	1.0169	1.0221	1.0184	1.0204	-

Interest rate market 08/08/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.69	-2
DS0726 (5Y)	5.96	-1
DS0432 (10Y)	5.51	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.26	1	3.65	1	1.03	-2
2L	6.65	-2	3.45	-2	1.30	-2
3L	6.13	-4	3.21	-5	1.37	-3
4L	5.75	-4	3.03	-6	1.44	-4
5L	5.51	-3	2.92	-7	1.51	-5
8L	5.23	-3	2.80	-7	1.66	-6
10L	5.22	-3	2.80	-7	1.75	-6

WIBOR rates

Term	%	Change (bps)
O/N	6.37	-8
T/N	6.59	-16
SW	6.74	-3
2W	6.79	0
1M	6.82	2
3M	7.03	1
6M	7.30	0
1Y	7.44	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.17	13
3x6	7.34	12
6x9	7.17	4
9x12	6.80	-3
3x9	7.40	8
6x12	7.22	0

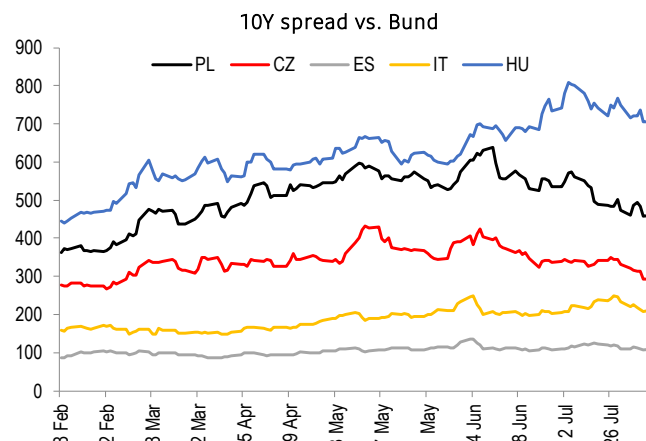
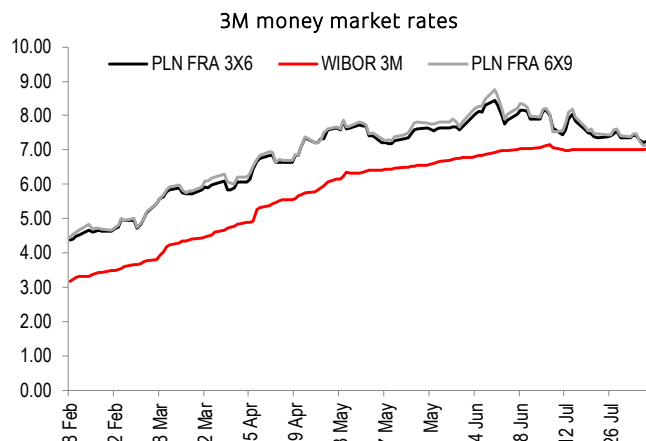
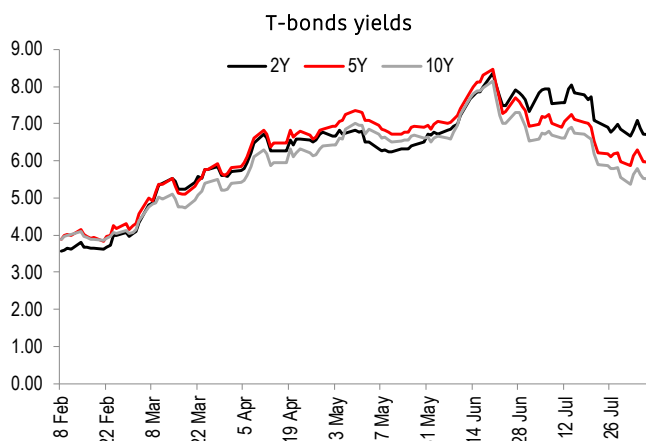
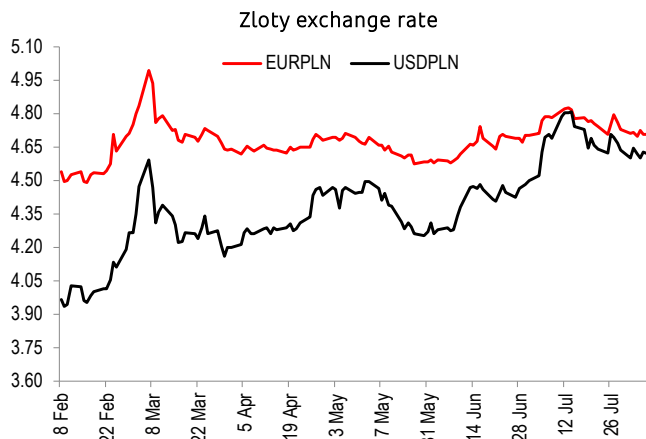
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	0	461	4
France	14	0	55	1
Hungary	189	-1	706	2
Spain	50	0	110	2
Italy	68	0	214	7
Portugal	38	0	103	2
Ireland	14	1	60	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		
FRIDAY (5 August)							
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
MONDAY (8 August)							
09:00	CZ	Industrial Production	Jun	% y/y	2.0	-	1.7
TUESDAY (9 August)							
09:00	HU	CPI	Jul	% y/y	13.0	-	11.7
WEDNESDAY (10 August)							
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
THURSDAY (11 August)							
14:30	US	Initial Jobless Claims		k	260	-	260
FRIDAY (12 August)							
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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