

# Eyeopener

## US inflation below forecast

Today PPI inflation and new jobless claims in the US  
US CPI inflation fell more than expected in July  
EURUSD higher, EURPLN lower, bond yields in decline

**Today**, no local data releases. In the USA there will be PPI inflation and new jobless claims data.

**Czech CPI** inflation in July did increase, but less than expected. **Inflation in the USA**, on the other hand, declined and more sharply than forecast, which lowered expectations for rate rises in the USA, weakened the dollar and strengthened the currencies from emerging markets. Inflation fell mainly due to the much cheaper fuel and airline tickets. However, core inflation also seems to have lost momentum, so it cannot be ruled out that US inflation peaked in June and will continue to decline in the coming months.

The **Monthly Business Climate Index (MIK)**, published by the PIE Institute, fell by 3.8 points in August to 98.6 and was below the neutral level (100 points) for the first time since February. The index fell mainly due to weak assessments of demand and new orders. The downward trend in this measure is consistent with other business indicators and suggests a decline in economic activity.

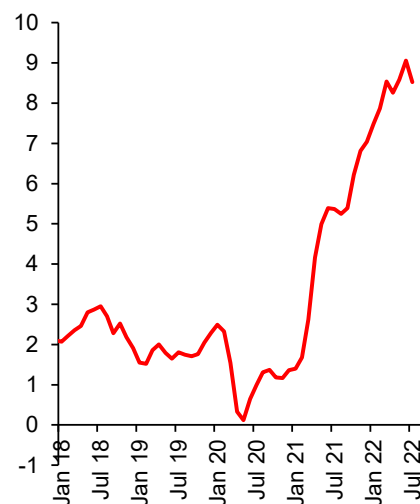
**EURUSD** rose temporarily above 1.03 from around 1.02. Expectations for a Fed rate hike in September decreased after weaker-than-expected US CPI inflation print. The market, which started pricing-in almost 70bp hike after Friday's US labour market data report, retreated to the 60bp area. At the same time, expectations for the ECB's 50 bp rate hike in September remained unchanged.

**EURPLN** declined from 4.70 to slightly below 4.68. Before the US inflation release, the exchange rate tried to approach 4.72, but it started to fall after the reading, in line with the general improvement in risk appetite on global markets. However, the potential for a deeper decline in the exchange rate remains limited in our view, among others due to Friday's publication of the Polish current account, which we expect to surprise negatively.

**Other CEE currencies: EURHUF** fell from around 396 to 393. During the day, the exchange rate tried to attack 401, but the forint was helped by the news that a solution had been found to resume oil transport through the Druzhba pipeline to Hungary. Hungarian energy operator MOL will pay Ukraine for the cost of transporting oil from Russia and then settle this cost with Russian companies. In addition, the weakening of the dollar on global markets following the US inflation reading worked in favour of the Hungarian currency and other currencies of the CEE region. **EURCZK** fell from around 24.49 to 24.35. In addition to the weakening of the dollar, the Czech koruna benefited from a lower-than-expected Czech inflation reading (17.5% vs. the expected 17.7%). Core inflation turned out to be as much as 0.5 percentage points lower than the CNB forecast (14.7% vs. 15.3%),

**Debt market:** The domestic yield curve fell by around 15bp on average, and the IRS curve fell on a similar scale. Interest rate expectations in the FRA market fell by around 10bp on average. The main reason for the declines was the lower-than-expected CPI inflation reading from the USA, which caused not only declines in yields on the main markets but also in the domestic market. However, unlike the readings of the previous two months this time, the publication is unlikely to cause a significant reversal of previous market trends. Already last week, Fed representatives asserted that a sustained trend indicating a successive decline in US inflation, and not just one reading, is needed for a possible revision of the current monetary policy in the US.

CPI inflation in the USA, % y/y



Source: Refinitiv, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto: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	4.6775	CZKPLN	0.1912
USDPLN	4.5482	HUFPLN*	1.1861
EURUSD	1.0285	RUBPLN	0.0752
CHFPLN	4.7987	NOKPLN	0.4749
GBPPLN	5.5337	DKKPLN	0.6321
USDCNY	6.7398	SEKPLN	0.4503

\*for 100HUF

Last session in the FX market						10/08/2022
	min	max	open	close	fixing	
EURPLN	4.6688	4.7154	4.6998	4.6700	4.7138	
USDPLN	4.5068	4.6215	4.6012	4.5206	4.6112	
EURUSD	1.0200	1.0368	1.0211	1.0332	-	

**Interest rate market** 10/08/2022

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.61	-15
DS0726 (5Y)	5.91	-14
DS0432 (10Y)	5.45	-13

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.30	-9	3.64	-2	1.06	-1
2L	6.68	-9	3.46	-4	1.33	-2
3L	6.08	-14	3.22	-3	1.39	-3
4L	5.69	-16	3.05	-4	1.45	-3
5L	5.45	-16	2.94	-4	1.52	-2
8L	5.17	-16	2.82	-1	1.67	-2
10L	5.16	-16	2.81	0	1.76	-2

**WIBOR rates**

Term	%	Change (bps)
O/N	6.40	4
T/N	6.52	-5
SW	6.70	-4
2W	6.74	-5
1M	6.80	-2
3M	7.03	0
6M	7.30	0
1Y	7.44	0

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

Term	%	Change (bps)
1x4	7.19	-11
3x6	7.42	-10
6x9	7.29	-6
9x12	6.90	-8
3x9	7.50	-2
6x12	7.33	-7

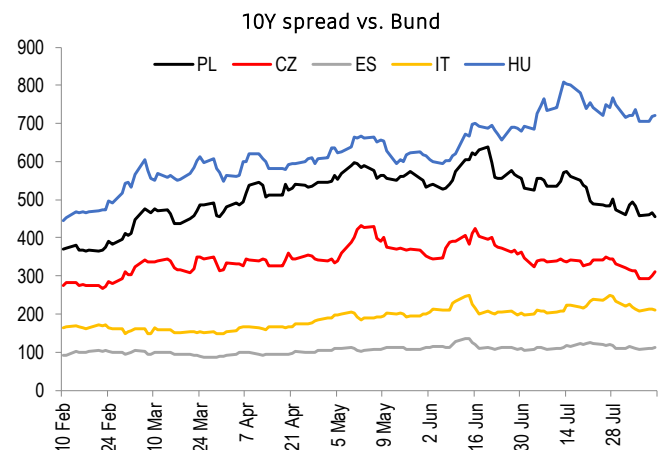
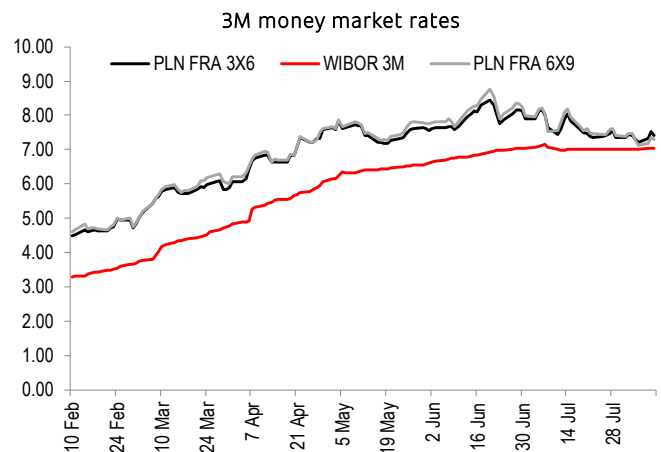
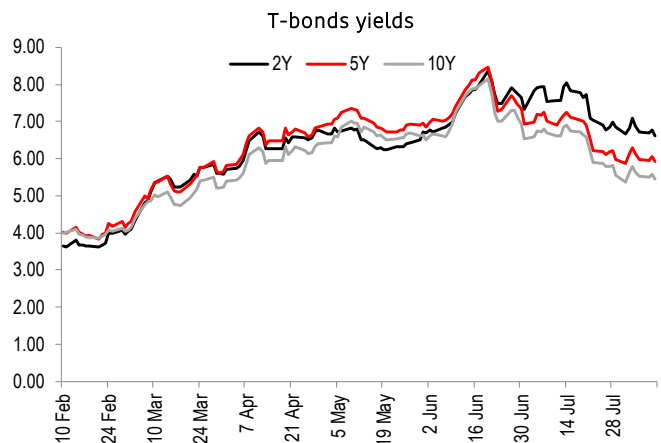
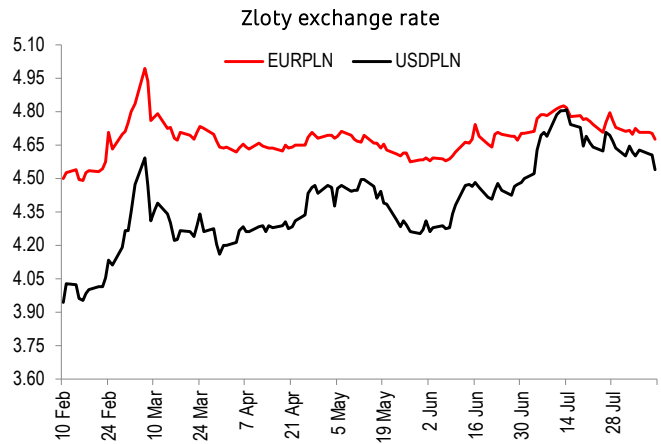
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	125	-5	456	-9
France	14	0	56	1
Hungary	184	-5	722	4
Spain	50	0	111	0
Italy	65	-2	210	-3
Portugal	38	0	103	0
Ireland	14	0	61	2
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	-	1.7
<b>TUESDAY (9 August)</b>							
09:00	HU	CPI	Jul	% y/y	13.0	-	13.7
<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	-	17.5
14:30	US	CPI	Jul	% m/m	0.2	-	0.0
<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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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.