

Eyeopener

Inflation and balance of payments today

Today in Poland final July's CPI inflation and balance of payments for June
 US PPI inflation below expectations in July
 Dollar weaker again, which did not support the zloty
 Bond yields decreased again

Today, detailed CPI inflation data for July (flash data showed stabilisation at 15.5% y/y) and the balance of payments for June are due for release. We believe that the inflation data will confirm that price shocks are gradually waning, which will support our forecast of stabilisation and then a decline in inflation rate in the coming months. We expect the current account deficit to widen against May to more than €3bn and are somewhat more pessimistic than the market, which expects around €2.5bn. In addition, agenda abroad includes the US Michigan consumer optimism index and euro zone industrial production in June.

July **PPI inflation in the USA** surprised downwards, as did the CPI measure the day before. On an annual basis, the growth rate of producer prices fell to 9.8% y/y from 10.4% y/y. However, the decline was mainly due to price reductions in the energy category, while others recorded increases.

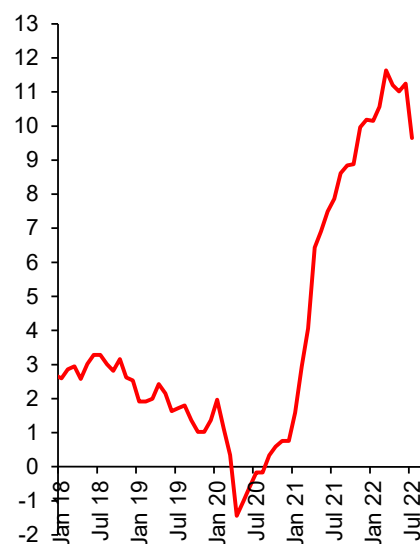
EURUSD, after a temporary correction of Wednesday's upward bounce in the morning, recovered rather quickly, ending the day close to 1.035. This level has not been breached for the last few days, however. The dollar was not supported by downwardly surprising inflation data from the US (PPI). The dollar index stayed close to 105 where it is also this morning. With few key releases ahead of the weekend, we do not expect a significant volatility today.

The domestic currency market was relatively stable on Thursday, with **EURPLN** rising only slightly to around 4.684 at the end of the day. Nevertheless, this was happening against the backdrop of a weaker dollar, which generally favoured emerging market currencies. The zloty behaved worse than other currencies in the CEE region on Thursday and was among the five weakest EM currencies. This afternoon, we expect a larger-than-consensus current account deficit, which could further work against the zloty.

Other CEE currencies: EURCZK ended the session near 24.32, without much change from Wednesday's close, after a temporary upward bounce during the day. EURHUF slipped to 393.6, gaining more than other currencies in the CEE region. The positive behaviour of Hungarian assets (bonds also strengthened noticeably) is perhaps still an echo of the unblocking of oil supplies from Russia via the southern branch of the Druzhba pipeline.

Debt market: yield curves again decreased slightly: for the bond market by around 10bp at the short end and around 5bp in the 10Y segment, IRS rates by around 2.5bp at the short end and 5bp at the long end. The key factor for most of the day remained the situation in global markets, influenced by lower inflation data from the US. However, towards the end of the session, the domestic market did not react significantly to the jump in yields on the core debt markets, which occurred, among other things, in reaction to the announcement of an increased supply of US Treasuries and the San Francisco Fed chief's statement according to which it is far too early to declare victory over inflation. At the bond swap auction, the Finance Ministry sold securities for PLN 5.95 billion and repurchased them for PLN 5.15 billion.

PPI inflation in the USA, % y/y



Source: Refinitiv, Santander

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FX market

Today's opening

EURPLN	4.6862	CZKPLN	0.1912
USDPLN	4.5432	HUFPLN*	1.1769
EURUSD	1.0314	RUBPLN	0.0750
CHFPLN	4.8186	NOKPLN	0.4769
GBPPLN	5.5355	DKKPLN	0.6321
USDCNY	6.7376	SEKPLN	0.4512

*for 100HUF

Last session in the FX market 11/08/2022

	min	max	open	close	fixing
EURPLN	4.6657	4.6878	4.6766	4.6804	4.6745
USDPLN	4.5129	4.5522	4.5458	4.5275	4.5206
EURUSD	1.0274	1.0365	1.0281	1.0336	-

Interest rate market 11/08/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.61	0
DS0726 (5Y)	5.82	-9
DS0432 (10Y)	5.40	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.29	0	3.64	1	1.06	0
2L	6.69	2	3.51	5	1.36	4
3L	6.06	-2	3.27	5	1.43	4
4L	5.67	-1	3.11	6	1.49	4
5L	5.43	-2	3.01	8	1.56	4
8L	5.17	0	2.92	10	1.73	6
10L	5.14	-2	2.92	11	1.83	7

WIBOR rates

Term	%	Change (bps)
O/N	6.38	-2
T/N	6.51	-1
SW	6.70	0
2W	6.76	2
1M	6.83	3
3M	7.03	0
6M	7.30	0
1Y	7.44	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.18	-1
3x6	7.38	-4
6x9	7.22	-7
9x12	6.97	7
3x9	7.46	-4
6x12	7.33	0

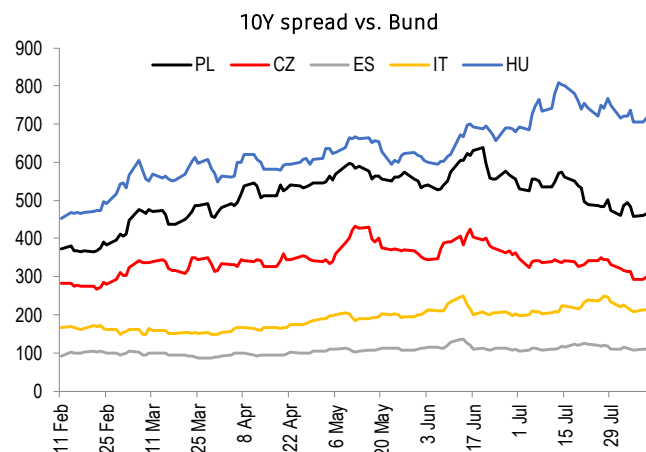
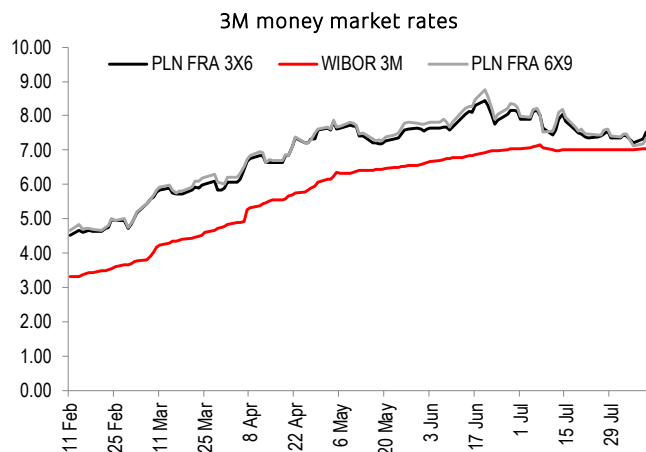
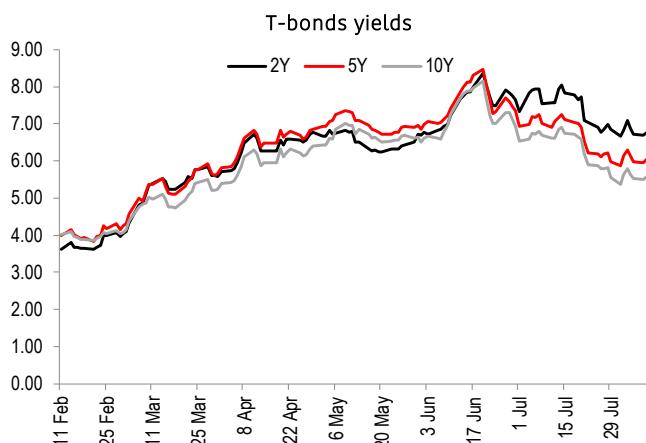
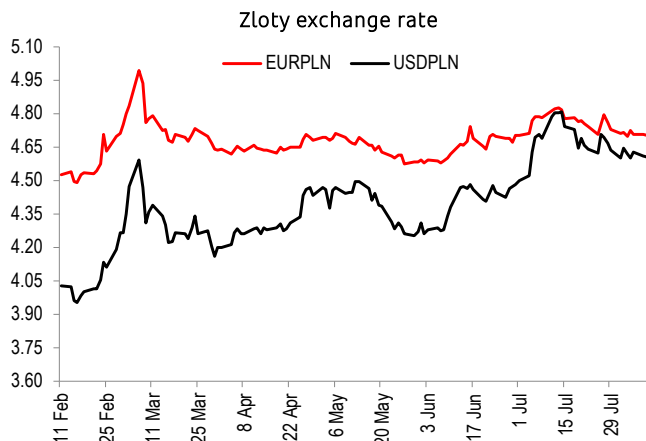
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	123	-2	443	-13
France	14	0	56	0
Hungary	179	-5	702	-20
Spain	48	-3	109	-2
Italy	63	-3	204	-6
Portugal	35	-3	100	-3
Ireland	14	0	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	-	13.7
WEDNESDAY (10 August)							
08:00	DE	HICP	Jul	% m/m	0.8	-	0.8
09:00	CZ	CPI	Jul	% y/y	17.7	-	17.5
14:30	US	CPI	Jul	% m/m	0.2	-	0.0
THURSDAY (11 August)							
14:30	US	Initial Jobless Claims		k	260	-	263
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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