

30 August 2022

Eyeopener

MNB deciding on interest rates

Today flash inflation data from Germany, euro zone and US business climate, MNB decision on interest rates, Czech GDP in 2Q22
EURUSD below 1.0, yields in Poland and on core markets up

Today, in the absence of significant macroeconomic data from Poland, markets will focus on foreign publications. From the CEE region, we will get to see the final Czech GDP data for 2Q, as well as the MNB's decision on interest rates. Markets are expecting a 100bp hike of the main interest rate. In addition, the ESI business climate indicators from the euro zone and the Conference Board from the US will also be published, which, as well as the preliminary August inflation reading from Germany, will provide further clues about the pace of further ECB and Fed interest rate hikes.

The Senate's vote on the appointment of Joanna Tyrowicz to the Monetary Policy Council will take place on September 7. Tyrowicz will take the place of Rafat Sura, who was appointed to the NBP Board. Following Sura's resignation, the MPC now has 7 members out of the 10 stated in the NBP Act. The Act reads that the Council's decisions are made with the presence of at least 5 members, including the NBP chairman.

European Commission Chairwoman Ursula von der Leyen said the **EU is working on a crisis intervention in the energy market** to contain the rise in electricity prices. Efforts are focused on both developing methods for an ad hoc intervention and a structural reform of the electricity market, as current circumstances have revealed the limitations of the EU energy market. A number of member states are calling for an energy price cap, and the Czech Republic, which holds the presidency, plans to convene an emergency meeting of EU energy ministers on September 9.

EURUSD, after attempts to attack the 0.99 level again, returned close to one. Despite the Fed's hawkish stance, rumours of a 75bp rate hike to be considered by the ECB at its upcoming meeting proved to be a brake on the dollar's strengthening. Today's preliminary German inflation reading for August may further reinforce these expectations. For both the Fed and the ECB, the market is currently pricing a rate hike at the September meetings of around 68 bp (September 8 ECB, September 21 Fed).

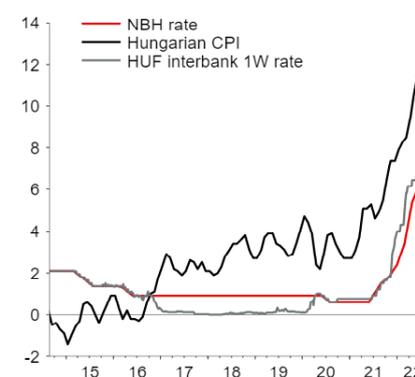
EURPLN slipped to 4.73 by the end of Monday from around 4.74. The zloty was helped by a rise in expectations for rate hikes following an interview with NBP chair Adam Glapiński, who signalled the possibility of further rate hikes in the absence of clear and sustained signs of declining inflation in the coming months and beyond.

EURCZK fell to 24.58 from around 24.61. The Czech koruna was supported by Monday's weakening of the dollar on global markets and signals from the CNB regarding the possibility of resuming interest rate hikes.

EURHUF fell to 408 from 413. The forint was helped by expectations of further significant MNB rate hikes. The median market expectation is for a 100bp hike at today's meeting, due to the rise in inflation, which was significantly higher in July than the central bank's forecast. MNB Deputy Governor Barnabas Virag already announced earlier this month that the central bank must use all available instruments to stop inflation expectations from anchoring at elevated levels.

Debt market: The domestic curve rose by an average of about 10bp as a result of continued increases in expectations of rate hikes in the domestic FRA market, as well as yields in the US and Germany rising under the influence of hawkish signals from the Fed and ECB.

NBH rates versus Hungarian CPI, % y/y



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.7321	CZKPLN	0.1920
USDPLN	4.7319	HUFPLN*	1.1582
EURUSD	1.0000	RUBPLN	0.0782
CHFPLN	4.8851	NOKPLN	0.4847
GBPPLN	5.5340	DKKPLN	0.6355
USDCNY	6.9128	SEKPLN	0.4429

*for 100HUF

Last session in the FX market 29/08/2022

	min	max	open	close	fixing
EURPLN	4.7247	4.7573	4.7467	4.7311	4.7529
USDPLN	4.7157	4.7888	4.7859	4.7320	4.7821
EURUSD	0.9912	1.0028	0.9915	0.9995	-

Interest rate market 29/08/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.42	11
DS0726 (5Y)	6.84	15
DS0432 (10Y)	6.37	9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.92	7	3.84	3	1.69	11
2L	7.60	2	3.74	4	2.09	17
3L	7.13	9	3.57	5	2.15	16
4L	6.78	6	3.42	3	2.19	15
5L	6.56	0	3.32	4	2.23	9
8L	6.30	0	3.19	7	2.34	14
10L	6.26	0	3.17	5	2.42	14

WIBOR rates

Term	%	Change (bps)
O/N	6.29	0
T/N	6.57	10
SW	6.73	1
2W	6.84	1
1M	6.95	3
3M	7.08	1
6M	7.30	0
1Y	7.45	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.44	2
3x6	7.82	4
6x9	7.92	3
9x12	7.77	2
3x9	7.97	2
6x12	8.08	3

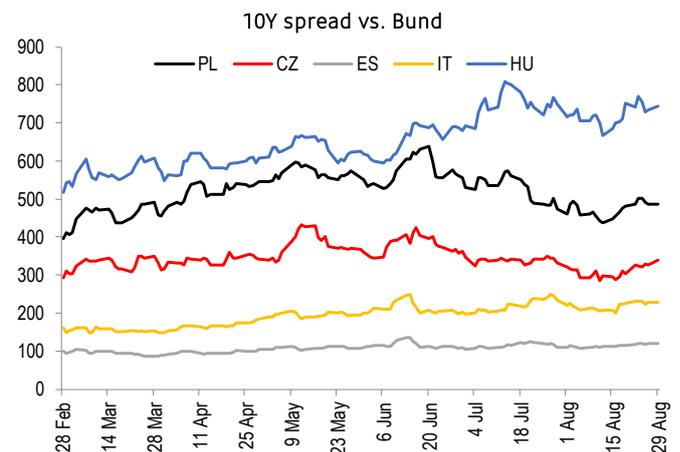
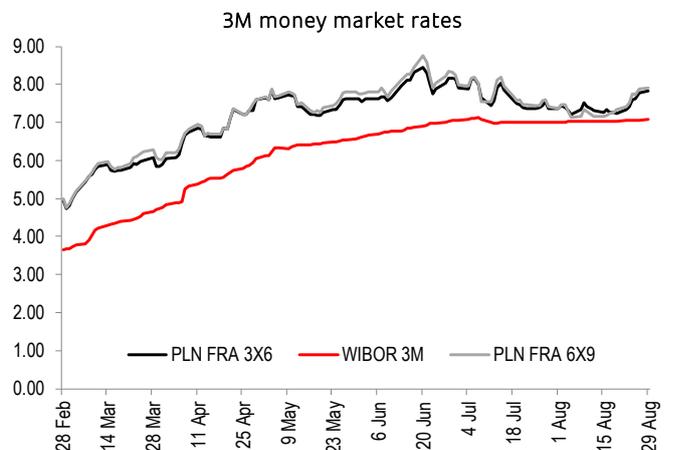
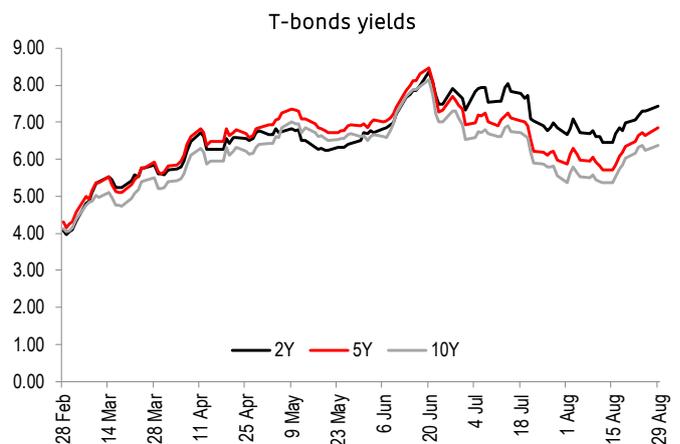
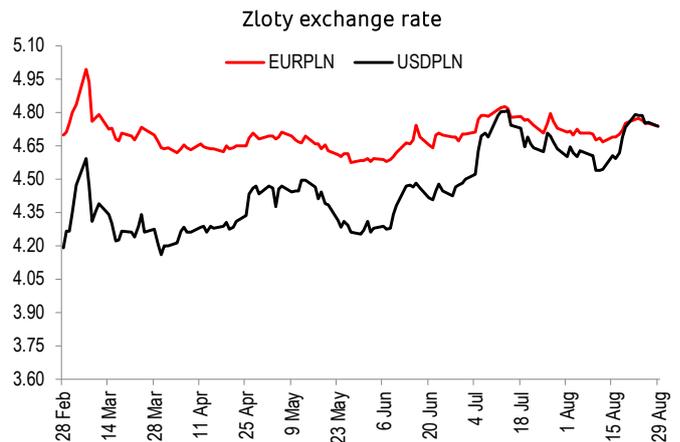
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	146	0	487	-1
France	13	0	62	2
Hungary	184	0	744	9
Spain	53	0	119	0
Italy	73	0	229	1
Portugal	40	0	110	1
Ireland	14	1	67	4
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 (26 August)								
14:30	US	Personal Spending	Jul	% m/m	0.5	-	0.1	1.0
14:30	US	Personal Income	Jul	% m/m	0.6	-	0.2	0.7
14:30	US	PCE Deflator SA	Jul	% m/m	0.0	-	-0.1	1.0
16:00	US	Michigan index	Aug	pts	55.4	-	58.2	55.1
MONDAY (29 August)								
No significant data								
TUESDAY (30 August)								
09:00	CZ	GDP SA	2Q	% y/y	3.6	-	-	4.9
11:00	EZ	ESI	Aug	pct.	97.8	-	-	99.0
14:00	HU	Central Bank Rate Decision	Aug.22	%	11.75	-	-	10.75
14:00	DE	HICP	Aug	% m/m	0.3	-	-	0.8
16:00	US	Consumer Conference Board	Aug	pts	97.4	-	-	95.7
WEDNESDAY (31 August)								
10:00	PL	CPI	Aug	% y/y	15.4	15.4	-	15.6
10:00	PL	GDP	2Q	% y/y	5.3	5.3	-	8.5
11:00	EZ	Flash HICP	Aug	% y/y	8.95	-	-	8.9
14:15	US	ADP report	Aug	k	-	-	-	128.2
THURSDAY (1 September)								
09:00	PL	Poland Manufacturing PMI	Aug	pts	41.6	41.0	-	42.1
09:00	HU	GDP	2Q	% y/y	6.5	-	-	6.5
09:55	DE	Germany Manufacturing PMI	Aug	pts	49.8	-	-	49.3
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	49.7	-	-	49.8
11:00	EZ	Unemployment Rate	Jul	%	6.6	-	-	6.6
14:30	US	Initial Jobless Claims	Aug.22	k	252.0	-	-	243.0
16:00	US	ISM manufacturing	Aug	pts	52.05	-	-	52.8
FRIDAY (2 September)								
08:00	DE	Exports SA	Jul	% m/m	-2.75	-	-	4.4
14:30	US	Change in Nonfarm Payrolls	Aug	k	300.0	-	-	528.0
14:30	US	Unemployment Rate	Aug	%	3.5	-	-	3.5
16:00	US	Durable Goods Orders	Jul	% m/m	0.0	-	-	0.0
16:00	US	Factory Orders	Jul	% m/m	0.2	-	-	2.0

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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