

7 September 2022

## Eyeopener

### MPC decides on rates and is more likely to raise them

Today MPC decision, vote on Tyrowicz's candidacy for MPC, Kaczynski to speak in Karpacz  
 Expecting a 25bp rate hike and not closing the way for further moves  
 EURUSD has nothing to bounce on, downward correction of market valuation of the path of rates in Poland

**Today**, Monetary Policy Council meets to decide on interest rates in Poland. In turn, the Senate will decide whether to appoint Joanna Tyrowicz to the MPC, to replace Rafat Sura, who has moved to the NBP Board. Tyrowicz said yesterday during a Senate committee hearing that the MPC now has two main tasks: to beat inflation and to improve communication. We think that she will strengthen the hawkish wing of the Council (which will remain in minority, anyway). What will be important for the markets is whether the MPC gives a signal that it wants to stop raising rates already or whether it leaves the door open to further action. In our view, we will not learn such things from the official statement, but possibly from Adam Glapinski's speech on Thursday at 15:00 CET. After his latest interview, **we expect to see a 25bp rate hike today**, although the recent surprise of higher inflation and a more pro-inflationary GDP growth breakdown in Q2 than expected suggest that there is room for a bigger move. As part of the Karpacz Economic Forum today at 17:15, Jaroslaw Kaczynski will take part in a panel discussion.

German industrial production for July, published this morning, fell by -0.3% m/m. Sentiment in the US services sector unexpectedly improved in August according to the ISM index (a broader measure, more closely followed by the market), and fell according to the PMI index.

**Registered unemployment rate** stood at 4.9% in August according to estimates from the Ministry of Family and Social Policy, the same level as in the previous two months. The drop in the number of unemployed of 2,100 in August this year was marginally smaller than in the same month in recent years before the pandemic. Seasonal factors may bring the unemployment rate down a tad in the following months, but it will be well above 5% next year as a result of the recession.

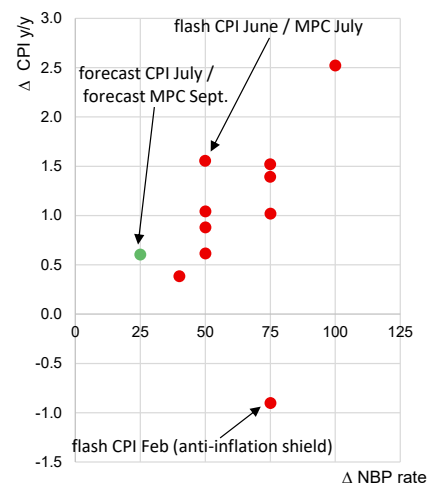
**EURUSD** once again below 0.99. Tuesday morning's weak German industrial orders data for July and the return of US investors to the market have negatively impacted the sentiment towards the single currency from the start of the US session. The euro was already underperforming due to the growing risk of a gas crisis in Europe during the autumn/winter heating season. The euro was further hampered by significantly better-than-expected US service sector ISM data for August, reinforcing the hawkish scenario of a Fed rate hike.

**EURPLN** rose from 4.72 to 4.73. During the day, the pair tried to go below 4.71, but the zloty's appreciation was hampered by growing risk aversion on European markets in connection with the suspension of gas supplies from Russia via the NS1 pipeline and the resulting strengthening of the dollar on European and global markets. In such an environment, today's MPC decision (we expect a 25bp rate hike) may not be enough to permanently strengthen the zloty.

**Other CEE currencies:** **EURCZK** rose from 24.57 to 24.58. Better-than-expected Czech industrial production data in July with an upward revision of June data failed to strengthen the koruna due to weak investment sentiment in European markets and dovish tones coming from CNB board members in recent days. **EURHUF** fell slightly below 403. Despite the weak sentiment in the region's markets, the forint recovered marginally due to the Hungarian government's announcement of the creation of an independent anti-corruption authority to oversee the spending of EU funds. This action is aimed at unblocking the Hungarian Recovery Funds by the EC.

**Debt market:** The yield curve fell by around 20bp at the short end and rose by around 5bp at the longer end. Expectations of a rate rise on the FRA market also fell markedly. The situation was opposite to developments in the German and US debt markets, which recorded marked increases in yields.

CPI inflation changes and MPC decisions



Source: GUS, NBP, Santander

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### FX market

#### Today's opening

EURPLN	4,7275	CZKPLN	0,1917
USDPLN	4,7795	HUFPLN*	1,1589
EURUSD	0,9895	RUBPLN	0,0782
CHFPLN	4,8485	NOKPLN	0,4748
GBPPLN	5,4819	DKKPLN	0,6353
USDCNY	6,9669	SEKPLN	0,4414

\*For 100HUF

#### Last session in the FX market 06.09.2022

	min	max	open	close	fixing
EURPLN	4,7042	4,7255	4,7149	4,7242	4,7168
USDPLN	4,7111	4,7830	4,7392	4,7665	4,7367
EURUSD	0,9862	0,9986	0,9946	0,9910	-

### Interest rate market 06.09.2022

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

Benchmark (term)	%	Change (bps)
OK0722 (2Y)	6,78	-20
DS0727 (5Y)	6,65	-1
DS0432 (10Y)	6,20	4

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,67	-20	3,95	6	1,82	0
2L	7,35	-20	3,86	6	2,21	3
3L	6,90	-13	3,68	2	2,26	4
4L	6,62	-8	3,56	2	2,30	5
5L	6,51	-3	3,51	6	2,36	6
8L	6,31	4	3,42	14	2,47	5
10L	6,25	5	3,42	12	2,55	5

### WIBOR rates

Term	%	Change (bps)
O/N	6,71	-3
T/N	6,80	-3
SW	6,95	3
2W	6,99	2
1M	7,06	1
3M	7,16	0
6M	7,36	0
1Y	7,51	0

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

Term	%	Change (bps)
1x4	7,36	-5
3x6	7,54	-20
6x9	7,64	-21
9x12	7,50	-21
3x9	7,71	-21
6x12	7,81	-18

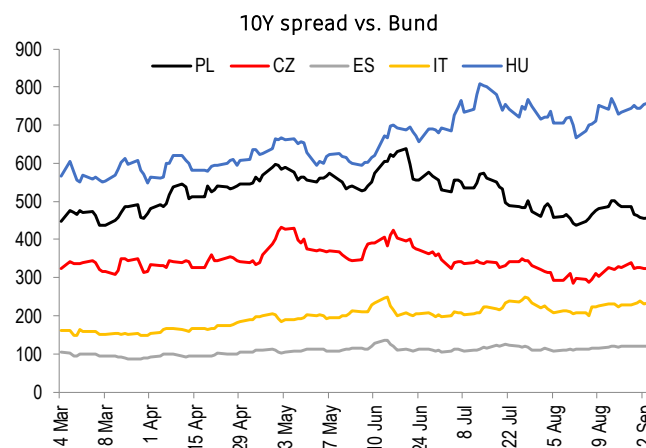
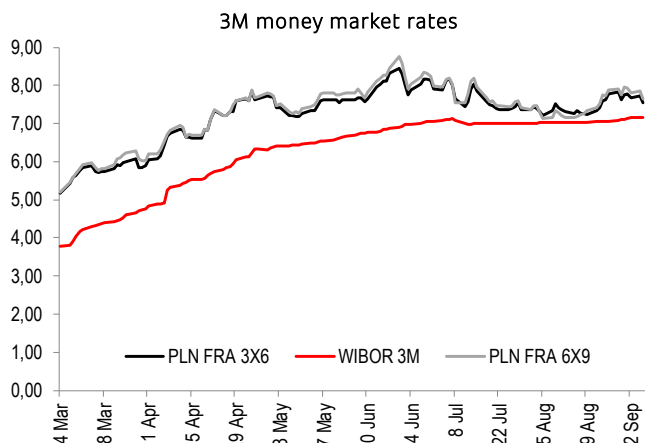
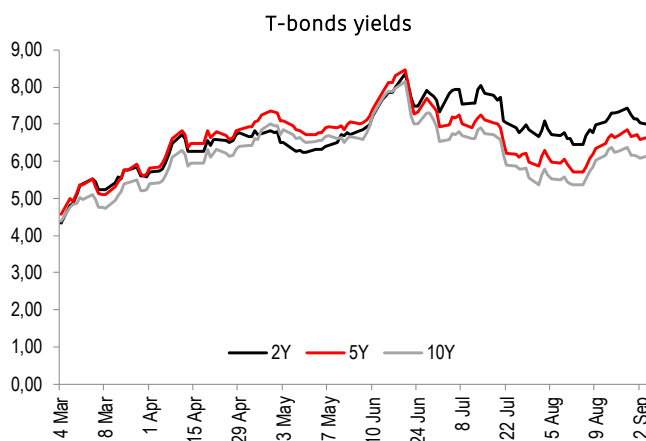
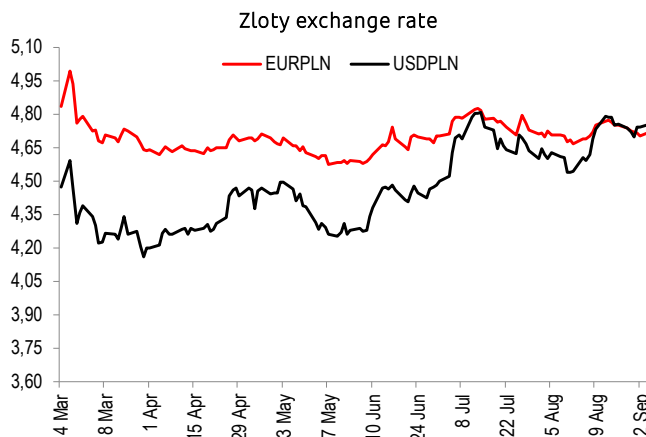
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	145	0	459	3
France	13	0	63	0
Hungary	196	0	761	6
Spain	53	0	121	1
Italy	70	0	237	6
Portugal	40	0	112	1
Ireland	14	0	66	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 (2 September)</b>								
08:00	DE	Exports SA	Jul	% m/m	-2.75	-	-2.1	4.4
14:30	US	Change in Nonfarm Payrolls	Aug	k	300	-	315	526
14:30	US	Unemployment Rate	Aug	%	3.5	-	3.7	3.5
16:00	US	Durable Goods Orders	Jul	% m/m	0.0	-	-0.1	0.0
16:00	US	Factory Orders	Jul	% m/m	0.2	-	-1.0	1.8
<b>MONDAY (5 September)</b>								
03:45	CN	Caixin China PMI Services	Aug	pts	54.0	-	55.0	55.5
09:55	DE	Markit Germany Services PMI	Aug	pts	48.2	-	47.7	49.7
10:00	EZ	Eurozone Services PMI	Aug	pts	50.2	-	49.8	51.2
11:00	EZ	Retail Sales	Jul	% m/m	0.5	-	0.3	-1.0
<b>TUESDAY (6 September)</b>								
08:00	DE	Factory Orders	Jul	% m/m	-0.5	-	-1.1	-0.3
09:00	CZ	Industrial Production	Jul	% y/y	-1.6	-	-1.9	2.7
16:00	US	ISM services	Aug	pts	55.2	-	56.9	56.7
<b>WEDNESDAY (7 September)</b>								
	PL	<b>MPC decision</b>		%	<b>6.75</b>	<b>6.75</b>		<b>6.5</b>
08:00	DE	Industrial Production SA	Jul	% m/m	-0.5	-	-0.3	0.8
09:00	HU	Industrial Production SA	Jul	% y/y	0.0	-		4.8
11:00	EZ	GDP SA	2Q	% y/y	3.9	-		3.9
<b>THURSDAY (8 September)</b>								
09:00	HU	CPI	Aug	% y/y	16.0	-		13.7
14:15	EZ	ECB Main Refinancing Rate	Sep/22	%	1.25	-		0.5
14:30	US	Initial Jobless Claims	Sep/22	k	247.5	-		232.0
<b>FRIDAY (9 September)</b>								
03:30	CN	Inflation	VIII	% r/r	2.8	-		2.7
03:30	CN	PPI	VIII	% r/r	3.2	-		4.2

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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