

8 September 2022

Eyeopener

ECB likely to beat MPC hike

Today, ECB decision and a speech by the NBP president after the MPC decision, as well as a speech by the Fed chief

MPC raised rates by 25 bps, as expected

Money market has removed another 25 bps from the valuation of the further path of rates in Poland

Today, ECB decides on rates, the ECB president will explain in a press conference the decision that will be made today and the NBP president in his conference will explain the Polish MPC decision taken yesterday. The ECB will take a look at new forecasts and the market believes it will reach a conclusion today that rates should be raised by at least 50 bps - according to us, 75 bps is slightly more likely than 50 bps. In addition, the speech of the Fed chief is scheduled for today.

Polish MPC raised main interest rates by 25bp – the reference rate to 6.75%, as broadly expected. as in the recent months the main channel of communication for the central bank is the NBP president's press conference, not the official communique. The post-meeting MPC statement was again very similar as in previous months, which gives little guidance regarding the monetary policy outlook. However, we noticed two slight changes: a bit more emphasis on weaker economic data and erased fragment of the statement which mentioned strong demand as a source of inflation. Adam Glapiński's conference, possibly with more hints and guidance regarding future decisions, starts today at 15:00 CET. We think that Glapiński will repeat the message from his recent interview and earlier speeches: the tightening cycle is approaching its end although the door to more rate hikes are not closed and decisions will be data-driven; also, rate cuts may start before the end of 2023. Our baseline scenario at the moment assumes another 25bp rate hike in October and then stabilisation of the reference rate at 7.0% until late 2023.

Bank of Canada also raised interest rates yesterday, by 75 bps, and suggested the need for further monetary tightening. Previously, in July, it delivered a 100bp hike. The Polish Senate appointed **Joanna Tyrowicz** to the MPC in place of Rafal Sura. In our view, this does not change the balance of power and the approach represented by NBP Governor Adam Glapinski will continue to determine the line taken by the MPC. At the Economic Forum in Karpacz, Prime Minister **Mateusz Morawiecki** assured that the government does not intend to fight inflation by cooling domestic demand and allowing unemployment to rise. Final 2Q Eurozone GDP data turned out to be even better than their earlier estimates. The growth was 0.8% q/q instead of 0.6%, with private consumption rebounding by 1.3% q/q and investment by 0.9%.

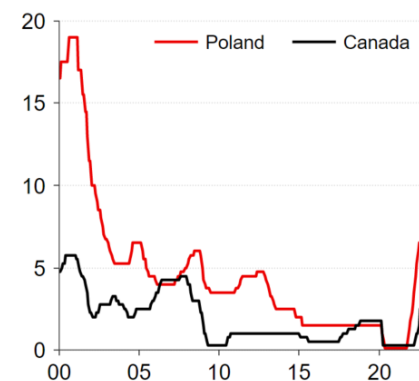
EURUSD rose from below 0.99 to near parity. The exchange rate was helped by an upward revision of 2Q Eurozone GDP reading and the increasing likelihood of a hawkish message and a 75bp hike at today's ECB meeting.

EURPLN went below 4.72 from around 4.73. The zloty benefited from the weakening of the dollar on global markets and under the influence of the MPC's statement after the 25bp rate hike, which does not definitively close the way for a continuation of the rate hike cycle in Poland. In our view, however, the potential for a further appreciation of the zloty is severely limited due to falling FRA market expectations for a rate hike in subsequent periods, as well as the increasing likelihood of a gas crisis in the European market during the autumn-winter heating season. In our view, today's ECB rate hike decision and possible signs of further rate hikes may additionally work against the zloty.

Other CEE currencies: **EURCZK** fell from around 24.63 to around 24.60, influenced by the weakening of the dollar. **EURHUF** fell to 396 from around 402. The Hungarian currency appreciated under the influence of news of increasing chances of unblocking the money from recovery fund, following the announcement of establishing the anti-corruption institution to oversee spending of EU money.

Debt market: The domestic yield curve declined by around 7 bps on average. The IRS curve fell by around 13 bp on average. Following the MPC's announcement of a 25 bp rate hike, expectations of a rate increase in the FRA market fell, which also affected the behaviour of the domestic yield curves. However, the potential for a continuation of yield declines seems limited due to the pro-inflationary effect of the increasing likelihood of a gas crisis in the European market during the autumn/winter heating season. The US and German markets also saw yields fall on Wednesday.

Policy rates, %



Source: Refinitiv Datastream, Santander

Economic Analysis Department:

aL. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: 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	4,7115	CZKPLN	0,1911
USDPLN	4,7083	HUFPLN*	1,1741
EURUSD	1,0008	RUBPLN	0,0775
CHFPLN	4,8227	NOKPLN	0,4710
GBPPLN	5,4189	DKKPLN	0,6334
USDCNY	6,9583	SEKPLN	0,4402

*For 100HUF

Last session in the FX market 07.09.2022

	min	max	open	close	fixing
EURPLN	4,7077	4,7347	4,7322	4,7185	4,7137
USDPLN	4,7344	4,7895	4,7855	4,7464	4,7584
EURUSD	0,9874	0,9954	0,9891	0,9937	-

Interest rate market 07.09.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0722 (2Y)	6,74	-4
DS0727 (5Y)	6,57	-8
DS0432 (10Y)	6,12	-8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,51	-16	3,91	-4	1,80	-3
2L	7,16	-20	3,79	-7	2,16	-5
3L	6,74	-17	3,59	-9	2,20	-6
4L	6,48	-14	3,48	-8	2,24	-7
5L	6,37	-14	3,41	-10	2,28	-8
8L	6,16	-15	3,33	-9	2,38	-9
10L	6,13	-12	3,33	-9	2,43	-12

WIBOR rates

Term	%	Change (bps)
O/N	6,66	-5
T/N	6,84	4
SW	6,96	1
2W	7,00	1
1M	7,06	0
3M	7,16	0
6M	7,36	0
1Y	7,51	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7,27	-9
3x6	7,38	-16
6x9	7,42	-22
9x12	7,26	-24
3x9	7,53	-18
6x12	7,56	-26

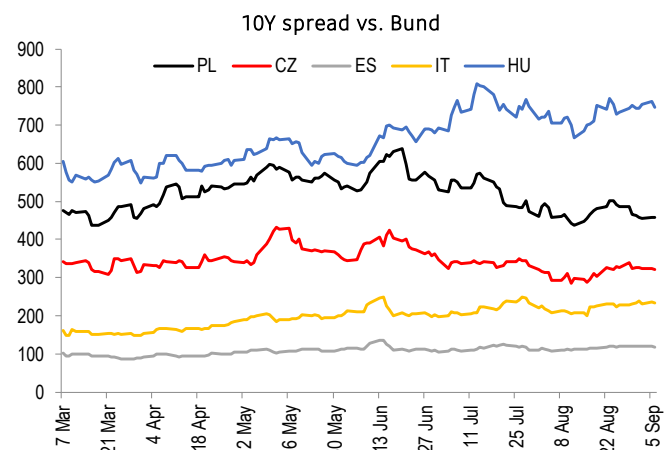
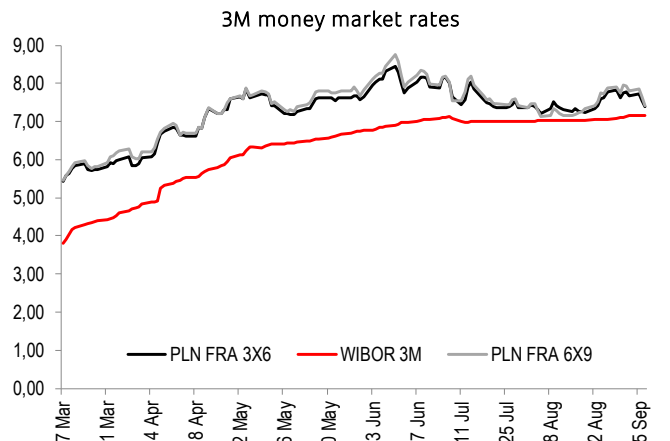
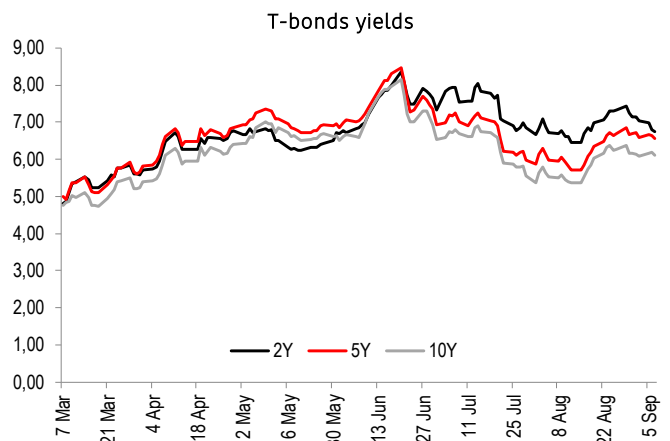
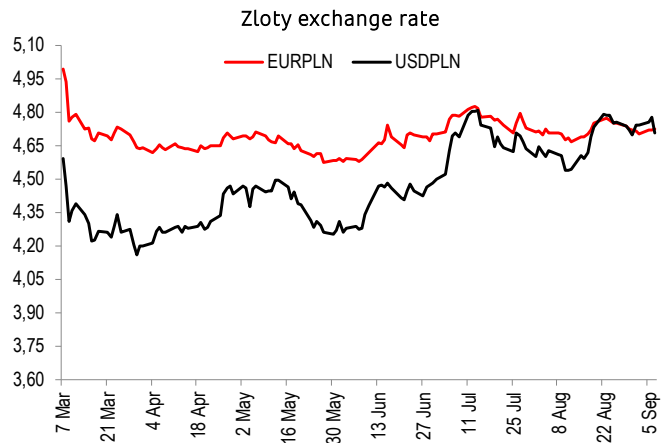
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	145	0	459	1
France	13	0	60	-3
Hungary	196	0	747	-15
Spain	53	0	119	-2
Italy	70	0	234	-3
Portugal	41	0	109	-2
Ireland	14	0	64	-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		
FRIDAY (2 September)								
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
MONDAY (5 September)								
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
TUESDAY (6 September)								
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
WEDNESDAY (7 September)								
	PL	MPC decision		%	6.75	6.75	6.75	6.5
08:00	DE	Industrial Production SA	Jul	% m/m	-0.5	-	-0.3	0.8
09:00	HU	Industrial Production SA	Jul	% y/y	2.9	-	6.6	4.8
11:00	EZ	GDP SA	2Q	% y/y	3.9	-	4.1	5.4
THURSDAY (8 September)								
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
15:00	PL	NBP governor's press conference						
FRIDAY (9 September)								
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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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>.