

12 September 2022

Eyeopener

Dual opinions in the MPC

Today, Czech inflation data

MPC: September rate hike could have been the last in the cycle

EURUSD still above parity, yet EURPLN below 4.70

Narrowing yield spread of Polish bonds vs Bunds and UST

Today, no significant domestic publications. Relevant in the region will be Czech inflation for August, which in July came in below expectations and, like the Polish one, seems to be already close to its peak, if not at it. Inflation will be the main theme of the week, with CPI data also coming out in the following days in Poland, the US, Germany and several other countries.

MPC member Ireneusz Dąbrowski tweeted on Friday that his analysis of the data indicates that September's 25bp rate hike was the final one and in his opinion, the cycle of interest rate hikes in Poland has ended. The next day, MPC's **Henryk Wnorowski** told Radio Maryja that if it is confirmed that August inflation was the highest this year, then perhaps the September rate hike was the last in the monetary tightening cycle. If not, a possible hike in October would also be minimal. **Ludwik Kotecki**, on the other hand, said on Polsat News on Friday that he currently sees no determination on the part of the MPC to fight "seriously" against inflation, which is highly likely to exceed 20% in January-February, and today on TVN24 he said openly that rates should be at a higher level, and at what level is suggested by core inflation near 10%. According to another member, **Joanna Tyrowicz**, the strongly negative real rates, the still rising inflation with the real economy still in fairly good shape plus expansionary mode in fiscal policy dictate further rate hikes. Apparently different views are currently clashing within the MPC. In our view, the outlook presented by I. Dąbrowski and H. Wnorowski (both nominated by the president) is much closer to the views of NBP governor Adam Glapiński and represent majority in the Council, in contrast to the hawkish views of the Senate nominees (Kotecki, Tyrowicz). We assume that the MPC will raise interest rates by 25bp once more in October, but if the preliminary CPI reading for September surprises with a decline, the Council may decide to pause.

The GUS **survey of labour demand** in 2Q showed a 6.7% y/y decline in newly created jobs (vs -1.0% y/y in 1Q). In turn, the job destruction intensified on an annual basis: number of liquidated workplaces increased by 12.6% y/y (previously by 16.7% y/y). At the end of 2Q, 149.3k vacancies were recorded, as compared to 142.8k in 2Q21 and 151.8k in 2Q19.

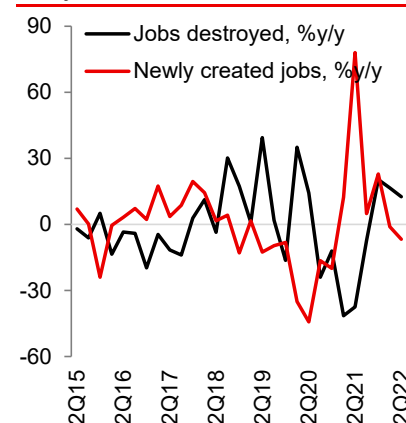
EURUSD once again approached parity after trying to attack the 1.01 level. The common currency was temporarily supported by information reported by the Financial Times about the start of discussions within the ECB about a possible balance sheet reduction. A decision would be made before the end of the year. Later in Friday's session, however, sentiment slipped again as concerns grew over further developments in the European gas market and the results of the weekend's emergency EU energy summit.

EURPLN fluctuated on Friday in a range of 4.70 - 4.74. The weekend saw a downward move and the zloty starts this week slightly below 4.70. In addition to global factors, important for the zloty this week will be the publication of domestic balance of payments data for August.

Other CEE currencies: EURCZK rose to 24.55 from near 24.51. EURHUF fluctuated around the 396 level on Friday in anticipation of the results of the EU energy summit.

Debt market: Domestic yield curve moved down by about 5 bps on average, and the IRS curve also moved down in a marginally larger scale. The situation in the domestic debt market contrasts sharply with the trends seen in the German and U.S. markets, which, in view of the Fed's and ECB's increasing determination to fight inflation, even at the expense of a more pronounced slowdown, are pushing yields there to ever higher levels. In the case of the German market, the news of the increasing likelihood of a decision to reduce the ECB's balance sheet in the coming months is an additional factor in the weakening of debt. This week, the domestic market will be closely watching Wednesday's release of US inflation data. A high reading could reinforce beliefs about the persistence of global inflationary pressures and indirectly stimulate increases in expectations for rate hikes in the domestic FRA market as well.

Job dynamics in Poland



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.6935	CZKPLN	0.1907
USDPLN	4.6454	HUFPLN*	1.1746
EURUSD	1.0106	RUBPLN	0.0764
CHFPLN	4.8599	NOKPLN	0.4702
GBPPLN	5.4044	DKKPLN	0.6305
USDCNY	6.9240	SEKPLN	0.4390

*for 100HUF

Last session in the FX market 09/09/2022

	min	max	open	close	fixing
EURPLN	4.6960	4.7310	4.6960	4.7007	4.7098
USDPLN	4.6516	4.7066	4.6600	4.6799	4.6599
EURUSD	1.0030	1.0112	1.0071	1.0044	-

Interest rate market 09/09/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0722 (2Y)	6.66	-3
DS0727 (5Y)	6.40	-7
DS0432 (10Y)	6.02	-7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.45	0	4.00	4	2.00	6
2L	7.04	-5	3.89	4	2.26	2
3L	6.57	-7	3.69	3	2.31	2
4L	6.31	-7	3.56	1	2.31	0
5L	6.17	-8	3.48	1	2.35	0
8L	5.98	-8	3.37	-1	2.44	0
10L	5.96	-7	3.37	-1	2.51	0

WIBOR rates

Term	%	Change (bps)
O/N	6.65	-1
T/N	6.82	-3
SW	6.94	2
2W	6.96	4
1M	7.00	-5
3M	7.15	-1
6M	7.35	0
1Y	7.49	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.23	-1
3x6	7.34	-2
6x9	7.35	-3
9x12	7.19	4
3x9	7.48	-2
6x12	7.47	-4

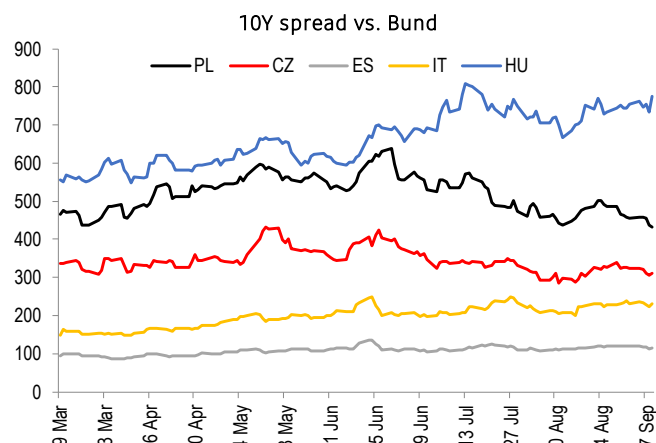
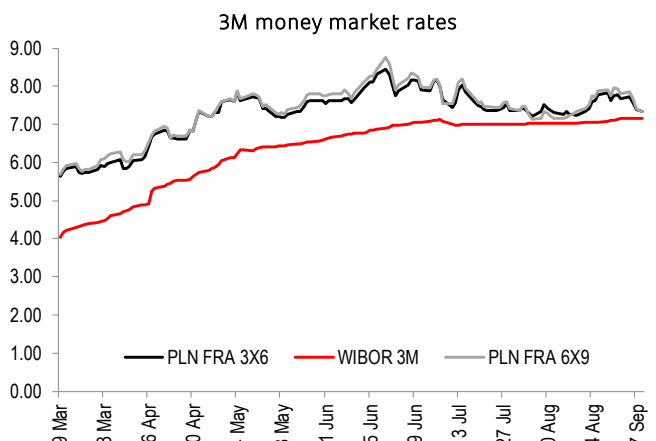
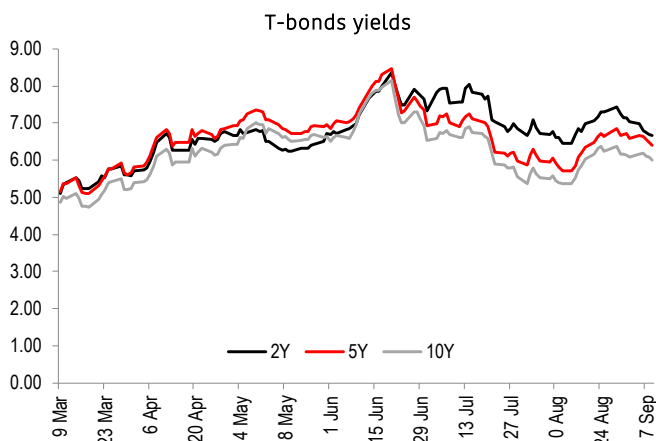
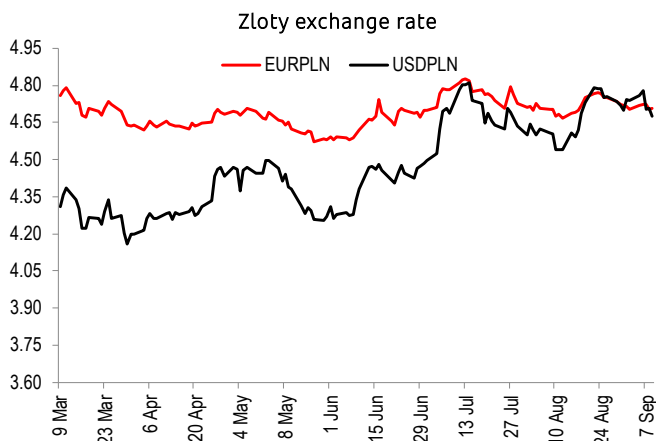
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	145	0	431	-6
France	13	0	57	2
Hungary	196	0	775	41
Spain	53	0	116	4
Italy	70	0	231	8
Portugal	41	0	107	3
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		
MONDAY (12 September)								
09:00	CZ	CPI	Aug	% y/y	17.7		-	17.5
TUESDAY (13 September)								
08:00	DE	HICP	Aug	% m/m	0.4		-	0.4
11:00	DE	ZEW Survey Current Situation	Sep	pts	-50.1		-	-47.6
14:00	PL	Current Account Balance	Jul	€mn	-1490	-1861	-	-1468
14:00	PL	Trade Balance	Jul	€mn	-1320	-1330	-	-849
14:00	PL	Exports	Jul	€mn	26708	25905	-	28076
14:00	PL	Imports	Jul	€mn	28080	27235	-	28925
14:30	US	CPI	Aug	% m/m	-0.1		-	0.0
WEDNESDAY (14 September)								
11:00	EZ	Industrial Production SA	Jul	% m/m	-0.7		-	0.7
THURSDAY (15 September)								
	PL	Central Budget Cumul.	Aug	mn PLN	-	-	-	34660
10:00	PL	CPI	Aug	% y/y	16.1	16.1	-	15.6
14:30	US	Initial Jobless Claims		k	235.0		-	222.0
14:30	US	Retail Sales Advance	Aug	% m/m	0.0		-	0.0
15:15	US	Industrial Production	Aug	% m/m	0.2		-	0.56
FRIDAY (16 September)								
11:00	EZ	HICP	Aug	% y/y	9.1		-	8.6
14:00	PL	CPI Core	Aug	% y/y	9.8	9.9	-	9.3
16:00	US	Michigan index	Sep	pts	59.3		-	58.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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