

13 September 2022

Eyeopener

Balance of payments data today

Today, balance of payments in Poland, ZEW in Germany, CPI in USA
Kochalski, Wnorowski: interest rates may be on hold in October
EURUSD above 1.01; EURPLN below 4.70
Bond yields lower in Poland and abroad

Today, we will get to see balance of payments data for July. We are expecting a further deepening of the current account deficit. Moreover, US inflation and German ZEW index are due for release.

Czech inflation data, contrary to market expectations, fell in August to 17.2% y/y from 17.5% y/y in July. This is the first decline in annual price growth in the Czech Republic since June 2021.

MPC member Cezary Kochalski said in an interview with PAP that the room for further rate hikes has decreased significantly and the probability of no change in October has increased. According to Kochalski, interest rate cuts are possible in 2023. Moreover, **Henryk Wnorowski** reiterated on Radio Białystok his opinion expressed during the weekend that the September's hike could be the last, provided that the CPI reading in September is lower than in August. The recent media activity of MPC members confirms, in our view, that the Council is moving towards the end of the tightening cycle, and a condition for this will be a decrease of inflation in the following months.

Deputy infrastructure minister Marek Gróbarczyk said that **water and sewage rates should not increase** in the coming year and that "Wody Polskie [company responsible for water management] will be very strict in assessing the applications submitted". According to PAP, Wody Polskie has already received more than 400 applications for tariff changes, of which 150 have been rejected.

According to Reuters, the European Commission is working on a **plan to introduce windfall tax for power producers**. Power plants that are not powered by gas would be expected to pay the excess of their revenues to support consumers. Polish government spokesman said that this week the government will present a package of support measures for the energy-intensive sectors and for individuals.

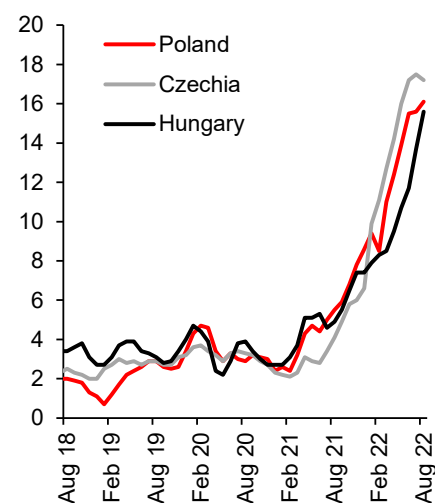
EURUSD rose above the level of 1.01. In the first hours of the European session, the rate tried to attack even the level of 1.02, but by the end of the day it had retreated. The single currency was supported both by the news of the imminent start of discussions in the ECB regarding balance sheet reduction, and by some signals from the institution about a possible increase in rates in the Eurozone even to the 2% level. ECB Vice President Luis de Guindos, on the other hand, said he "does not know to what level rates will rise," but stressed that the German economy is adapting very well to energy shocks.

EURPLN started Monday at levels lower than the Friday's close, but during the day, despite attempts to test the level of 4.68, it rose to around 4.70. The zloty was negatively affected by falling expectations of the target level of rates in the FRA market, which were reinforced by statements by comments of MPC's dovish members, suggesting an imminent end to the cycle of rate hikes - possibly as early as October. In turn, reports of Ukraine's success in the counteroffensive against Russia were a supportive factor. Today's publication of the Polish current account data for July and the global sentiment (the latter may worsen today under the influence of news of the outbreak of armed clashes between Armenia and Azerbaijan) will affect the zloty behaviour in the near term.

Other CEE currencies: EURCZK from the level of 24.52 recorded at the end of the last week, fell to 24.20. The lower inflation reading for August did not hurt the Czech koruna, as it was quickly countered by a statement by CNB Deputy Chairman Mark Mora, who advocated further rate hikes of more than 25 bps - not ruling out even 100 bps. He also expressed his doubts about whether the August drop in CPI meant that inflation had already peaked. The EURHUF rose to 397 from around 394, with the Forint losing ground on falling expectations for further interest rate increases in Hungary.

Debt market: Domestic yield curve continued its decline after the MPC meeting. Statements by members of the dominant dovish wing of the Council, suggesting the imminent end of NBP rate hikes, probably further strengthened declines. The German and US curves also fell. A factor that may work in favour of their renewed rises in the coming days is the nascent unwinding in energy commodity markets.

Inflation in CEE region, % y/y



Source: Refinitiv, Santander

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FX market

Today's opening

EURPLN	4.6905	CZKPLN	0.1906
USDPLN	4.6237	HUFPLN*	1.1823
EURUSD	1.0147	RUBPLN	0.0766
CHFPLN	4.8604	NOKPLN	0.4701
GBPPLN	5.4159	DKKPLN	0.6306
USDCNY	6.9214	SEKPLN	0.4417

*for 100HUF

Last session in the FX market 12/09/2022

	min	max	open	close	fixing
EURPLN	4.6888	4.7136	4.6908	4.6956	4.7113
USDPLN	4.6035	4.6546	4.6530	4.6383	4.6225
EURUSD	1.0076	1.0197	1.0076	1.0124	-

Interest rate market 12/09/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0722 (2Y)	6.54	-12
DS0727 (5Y)	6.27	-14
DS0432 (10Y)	5.89	-12

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.37	-8	4.02	2	2.00	0
2L	6.86	-18	3.89	0	2.27	1
3L	6.39	-18	3.70	1	2.27	-3
4L	6.11	-20	3.57	2	2.29	-1
5L	5.98	-19	3.50	1	2.33	-2
8L	5.80	-18	3.41	3	2.40	-4
10L	5.78	-18	3.41	4	2.46	-5

WIBOR rates

Term	%	Change (bps)
O/N	6.56	-9
T/N	6.72	-10
SW	6.89	-5
2W	6.91	-5
1M	7.00	0
3M	7.15	0
6M	7.33	-2
1Y	7.48	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.20	-3
3x6	7.25	-9
6x9	7.19	-15
9x12	6.99	-20
3x9	7.38	-10
6x12	7.31	-15

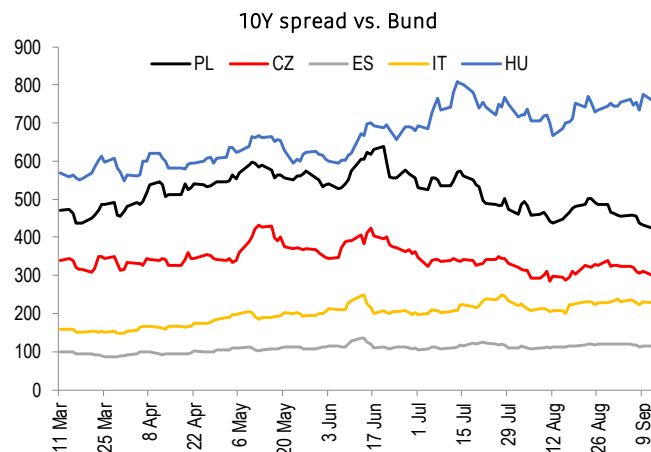
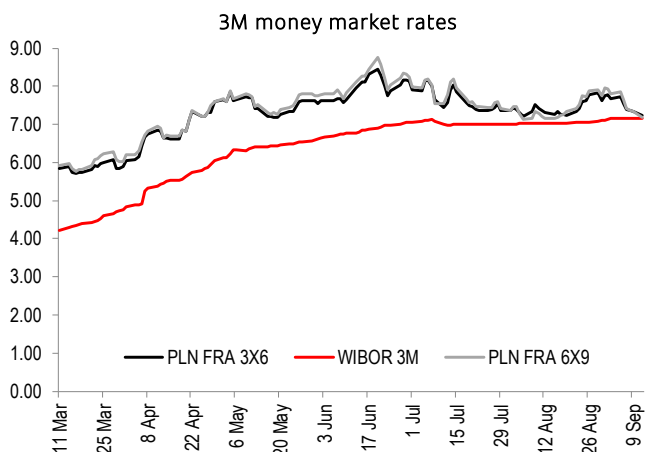
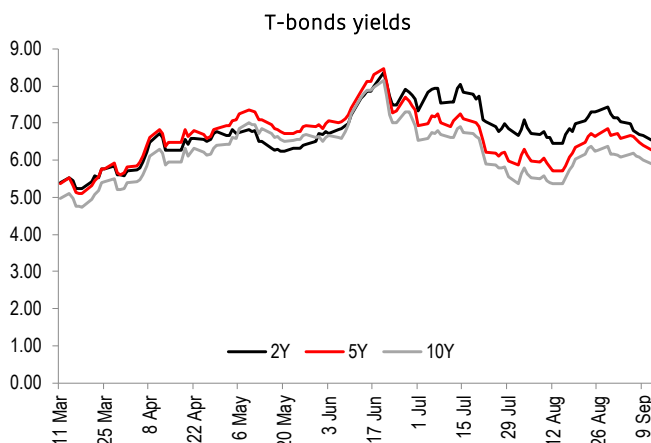
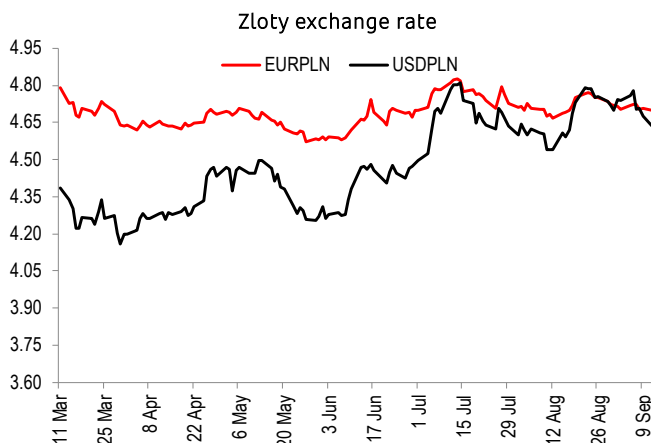
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	140	-5	425	-6
France	13	0	57	0
Hungary	184	-12	761	-14
Spain	53	0	115	0
Italy	68	-3	230	-1
Portugal	40	0	107	-1
Ireland	14	0	61	0
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	17.2	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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