

Eyeopener

Bank of England intervened

Today inflation from Germany and Spain, ESI indicators, CNB decision
Further modifications undermining the Stabilising Spending Rule
Bank of England purchased British T-bonds in order to calm markets
Zloty still losing

Today we will be flooded with inflation reports from the German states for September. The first one reported an increase from 8.1% y/y to 10.1% y/y, and in general inflation for Germany as a whole is expected to rise strongly in September, probably above 10% y/y in HICP terms. Spain will also show inflation data. Also today, the Czech central bank will decide on rates (no one in the market expects a rate hike) and the Hungarian counterpart will set the weekly deposit rate. Also, we will see ESI indicators for EU countries.

Yesterday, **the Bank of England** decided to enter the bond market and bought long-end UK government papers to stabilise the prices. This also helped calm the British pound and triggered, among others, a drop in yields and a slight rebound in European stock markets. It seemed that after the major central banks went into firm rate hike mode, a return to asset purchases was no longer possible. However, the destabilization of the markets caused by the announcement of the so-called UK mini-budget apparently changed the rules for conducting monetary policy in a stagflationary environment.

Data from the US on the number of pending home sales showed a further rapid decline in August. The indicator is already at historic lows.

Inside the draft bill on protection of energy consumers one can find a paragraph changing the **stabilising spending rule**, crucial for controlling public finances. The proposed amendment changes the scope of entities whose spending is covered by the fiscal rule - it excludes state special purpose funds. The funds were included in the rule a year ago in order to increase transparency in public finances. Recently, the government changed the formulas used to calculate the spending cap (indexation by expected inflation with adjustment for forecast errors from previous years was introduced instead of indexation by the inflation target of 2.5%), with the result that of generating additional fiscal space in 2023 of more than 3% of GDP, according to our estimates. Such an action signalling that the government is preparing space for further fiscal easing could be dangerous for the zloty and Polish bonds given how badly the pound and UK bonds have suffered in recent days following the announcement of strong fiscal stimulus in that country.

The head of the EC has unveiled **new sanctions on Russia** in connection with the recent pseudo-referenda in Ukraine. The sanctions are to include a price cap on Russian oil, a new ban on the export of products, a ban on EU companies providing services to Russia, a ban on EU citizens from sitting in Russian state companies, and personnel sanctions. To take effect, the sanctions require unanimous approval by EU countries.

Minister of State Assets Jacek Sasin said that the 50% **tax on excess margins** will still be discussed in the government for 2-3 weeks, in particular, it is not yet clear which entities it would cover.

Sejm has put forward candidates for **two vacancies on the MPC**: Gabriela Mastowska (she had already been interviewed for the job, but resigned at the time) and Iwona Duda.

S&P agency lowered its forecast for Poland's GDP growth from 4.5% to 4.0% for this year and from 2.1% to 1.2% for next year. Inflation forecasts went up: 2022 from an average of 12.0% to 13.3% and 2023 from 10.0% to 11.5%.

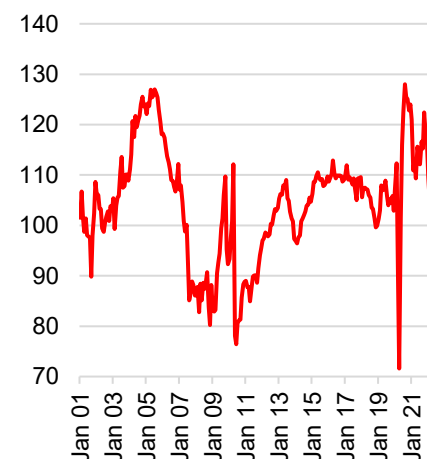
EURUSD rebounded after 6 days of declines. The rate rose above 0.97 from levels just below 0.96. The pretext for the rebound was the BoE's intervention actions.

EURPLN rose from around 4.79 to around 4.81. Even before the BoE interventions, the rate was attacking 4.83.

Other CEE currencies: EURCZK from around 24.68 fell to 24.64. Today's CNB meeting, which is likely to leave rates unchanged. EURHUF rose from around 407 to around 413. The forint lost on markets' fears that the end of the MNB's rate hike cycle may have been premature.

Debt market: Domestic yield curve rose by about 15 bps on average. In the main markets, yields fell thanks to improved sentiment following the BoE's interventions.

US pending home sales index, SA, 2001=100



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.8247	CZKPLN	0.1953
USDPLN	4.9930	HUFPLN*	1.1544
EURUSD	0.9659	RUBPLN	0.0868
CHFPLN	5.0873	NOKPLN	0.4611
GBPPLN	5.3807	DKKPLN	0.6487
USDCNY	7.1968	SEKPLN	0.4410

*for 100HUF

Last session in the FX market 28/09/2022

	min	max	open	close	fixing
EURPLN	4.7852	4.8313	4.7887	4.8107	4.8147
USDPLN	4.9693	5.0593	5.0154	4.9693	5.0381
EURUSD	0.9534	0.9688	0.9549	0.9678	-

Interest rate market 28/09/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7.12	17
DS0727 (5Y)	7.28	14
DS0432 (10Y)	7.04	14

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.61	1	4.49	-7	2.48	-7
2L	7.43	1	4.43	-12	2.94	-12
3L	7.13	5	4.23	-16	3.00	-12
4L	6.97	5	4.07	-21	3.04	-9
5L	6.90	5	3.99	-18	3.05	-9
8L	6.80	8	3.81	-17	3.06	-6
10L	6.79	9	3.76	-15	3.09	-5

WIBOR rates

Term	%	Change (bps)
O/N	6.58	6
T/N	6.81	18
SW	6.96	2
2W	7.02	1
1M	7.07	1
3M	7.17	1
6M	7.32	0
1Y	7.46	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.27	1
3x6	7.43	0
6x9	7.47	-4
9x12	7.41	-2
3x9	7.53	-5
6x12	7.62	-4

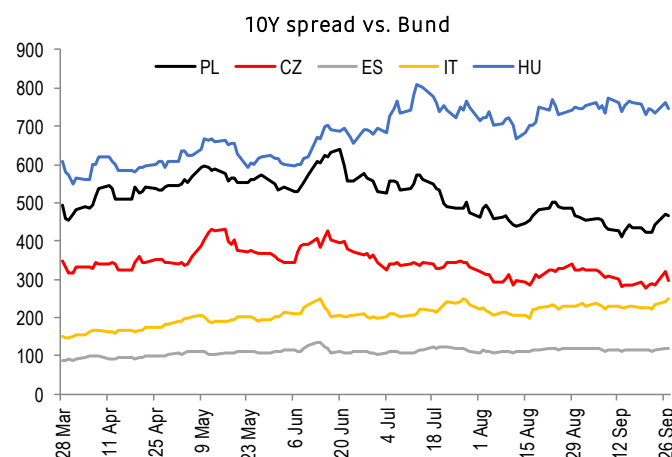
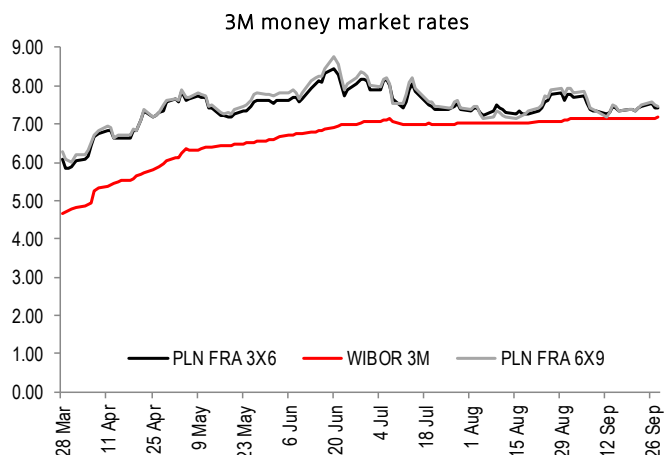
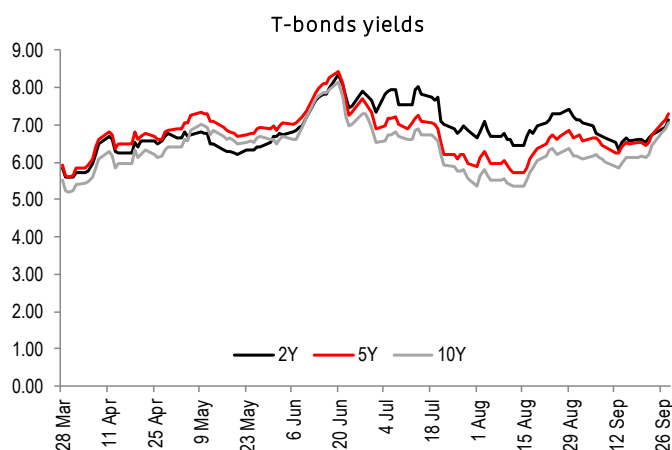
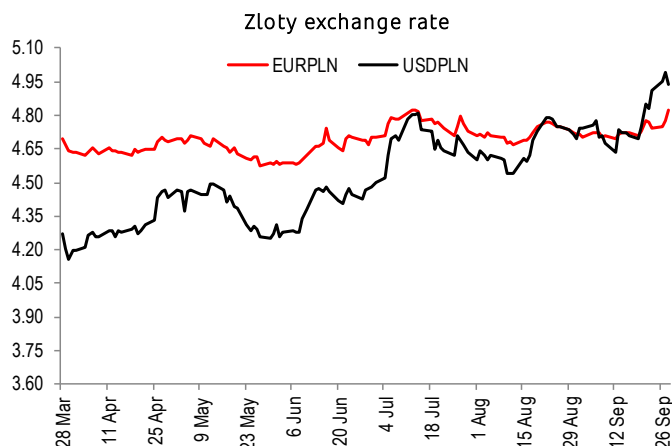
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	140	5	465	-6
France	20	3	61	1
Hungary	227	24	746	-17
Spain	63	0	120	2
Italy	80	0	251	9
Portugal	51	0	111	2
Ireland	23	3	60	-3
Germany	17	1	-	-

* 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 (23 September)							
09:30	DE	Germany Manufacturing PMI	Sep	pts	48.25	48.3	49.1
09:30	DE	Markit Germany Services PMI	Sep	pts	47.2	45.4	47.7
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	48.75	48.5	49.6
10:00	EZ	Eurozone Services PMI	Sep	pts	49.05	48.9	49.8
10:00	PL	Unemployment Rate	Aug	%	4.9	4.8	4.9
MONDAY (26 September)							
10:00	DE	IFO Business Climate	Sep	pts	87.0	84.3	88.6
TUESDAY (27 September)							
14:00	HU	Central Bank Rate Decision	Sep.22	%	12.75	13.00	11.75
14:30	US	Durable Goods Orders	Aug	% m/m	-0.3	-0.2	-0.1
16:00	US	Consumer Conference Board	Sep	pts	104.5	108.0	103.6
16:00	US	New Home Sales	Aug	% m/m	-2.2	28.8	-8.6
WEDNESDAY (28 September)							
16:00	US	Pending Home Sales	Aug	% m/m	-1.5	-2.0	-0.6
THURSDAY (29 September)							
11:00	EZ	ESI	Sep	pct.	95.0	-	97.6
14:00	DE	HICP	Sep	% m/m	1.5	-	0.4
14:30	US	GDP Annualized	2Q	% Q/Q	-0.6	-	-0.6
14:30	US	Initial Jobless Claims	Sep.22	k	220	-	213
14:30	CZ	Central Bank Rate Decision	Sep.22		7.0	-	7.0
FRIDAY (30 September)							
09:00	CZ	GDP SA	2Q	% y/y	3.7	-	3.7
10:00	PL	CPI	Sep	% y/y	16.4	16.6	16.1
11:00	EZ	Flash HICP	Sep	% y/y	9.7	-	9.1
11:00	EZ	Unemployment Rate	Aug	%	6.6	-	6.6
14:30	US	Personal Spending	Aug	% m/m	0.2	-	0.1
14:30	US	Personal Income	Aug	% m/m	0.3	-	0.2
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	-	-0.1
16:00	US	Michigan index	Sep	pts	59.5	-	59.5

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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