

Eyeopener

ECB decision today

No local data releases today, abroad ECB decision and US GDP data
 MPC's Dąbrowski: inflation will fall, rate hikes made so far were sufficient
 Polish bonds and zloty stronger again

Today, no data from Poland. The ECB decision is the key event of the day. A 75bp rate hike is expected, but the ECB's communication about future outlook will be the most important. Recent weaker economic data and suggestions that the Fed may be softening its approach to tightening, have also lowered expectations for the scale of tightening in the euro area. In addition, the US will publish data on durable goods orders and 3Q22 GDP.

Yesterday's **US new home sales** data for September came in slightly better than expected, but August's figures were revised downwards. The **Bank of Canada** raised interest rates by 50 basis points to 3.75%, less than expected.

MPC member Ireneusz Dąbrowski said in an interview with Super Express that inflation is already "at or near its maximum point", although in a pessimistic scenario it cannot be ruled out that it will break through 20%. In his view, inflation will start falling in 2023 and will stabilise "near the target" in 2024, although "it does not have to be exactly this range". According to Dąbrowski, the rate hikes delivered so far have been sufficient and are correctly influencing inflation expectations. In our view, it may take longer to bring inflation down to the target, especially if the central bank is no longer willing to raise rates significantly, and CPI growth may still remain in double-digits in 2024.

In August, the **number of nights spent in hotels** by domestic tourists decreased by 3.6% y/y, the second consecutive decline. In our view, this may reflect weakening domestic demand in the face of high price increases. The number of night spent by foreign tourists, on the other hand, was 44.7% higher than a year ago, but still around 20% lower than in 2019.

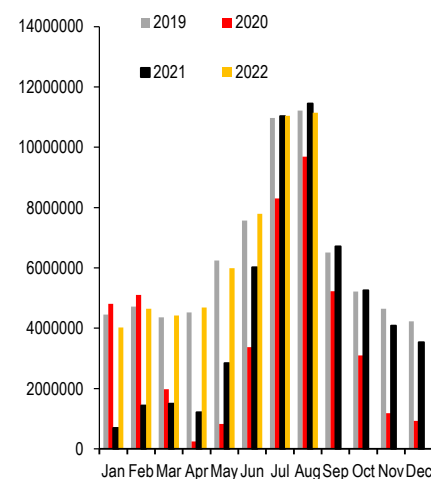
EURUSD rose from just below parity to near 1.01. The dollar weakened under the influence of the upcoming ECB meeting and growing expectations of a slower pace of Fed rate hikes. Today, the ECB meeting and GDP data from the US will be key for further behaviour of the rate.

EURPLN went from around 4.76 down to 4.75, and late in the evening even below. The zloty was helped by speculation about a possible slowdown in the pace of monetary policy tightening by major central banks.

Other CEE currencies: EURCZK rose to 24.51 from around 24.49, with CNB board member Tomáš Holub saying that the rate hikes so far have been necessary to anchor inflation expectations. EURHUF fell below 409 from around 414. The forint was helped by the MNB's declaration to maintain the 18% interest rate on O/N deposits "for as long as necessary".

Debt market: The domestic yield curve fell by about 9 bps on average. The IRS curve fell by about 4 bps on average. In the main markets, the strengthening of debt also continued. According to Mary Daly of the Fed, the US economy is showing signs of deceleration by which "the time has come to talk about slowing the pace of rate hikes."

Nights spent by domestic tourists in tourist establishments



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7485	CZKPLN	0.1934
USDPLN	4.7184	HUFPLN*	1.1584
EURUSD	1.0066	RUBPLN	0.0766
CHFPLN	4.7789	NOKPLN	0.4594
GBPPLN	5.4743	DKKPLN	0.6383
USDCNY	7.2072	SEKPLN	0.4333

*for 100HUF

Last session in the FX market 26/10/2022

	min	max	open	close	fixing
EURPLN	4.7386	4.7744	4.7644	4.7505	4.7723
USDPLN	4.7090	4.7883	4.7864	4.7180	4.7538
EURUSD	0.9950	1.0080	0.9953	1.0066	-

Interest rate market 26/10/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	8.26	-12
DS0727 (5Y)	8.15	-10
DS0432 (10Y)	8.00	-5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.14	0	4.96	-5	2.49	-4
2L	8.10	0	4.74	-10	2.83	-6
3L	7.79	-1	4.48	-9	2.85	-4
4L	7.55	-2	4.32	-9	2.87	-5
5L	7.42	-4	4.22	-8	2.89	-3
8L	7.30	-4	4.04	-11	2.93	-3
10L	7.27	-5	4.01	-10	2.97	-3

WIBOR rates

Term	%	Change (bps)
O/N	6.46	-3
T/N	6.60	1
SW	6.87	-4
2W	6.97	0
1M	7.09	0
3M	7.43	-2
6M	7.65	0
1Y	7.79	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.58	-2
3x6	7.89	-1
6x9	8.12	1
9x12	8.08	3
3x9	8.08	-1
6x12	8.28	-3

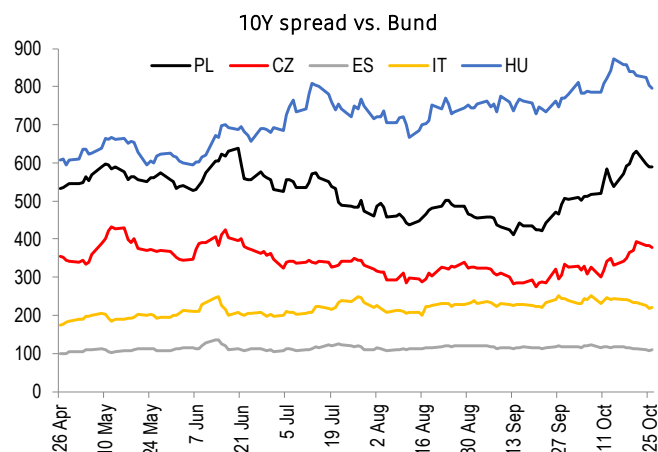
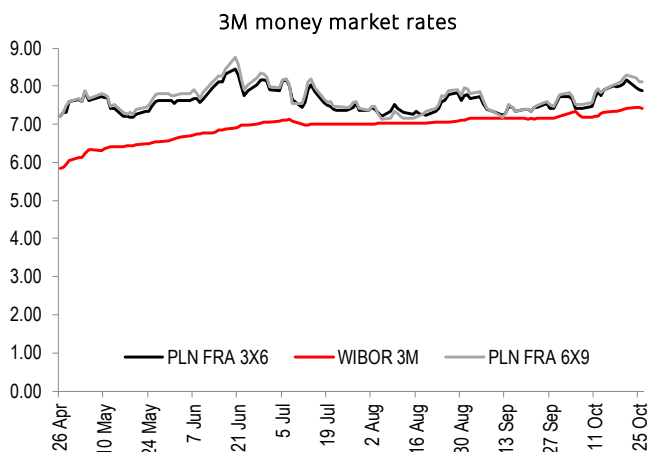
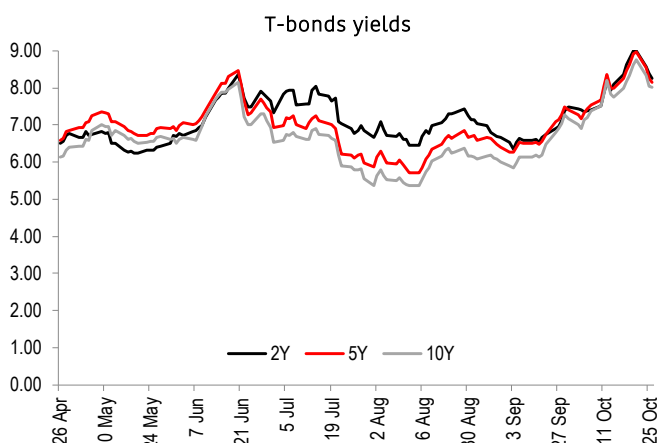
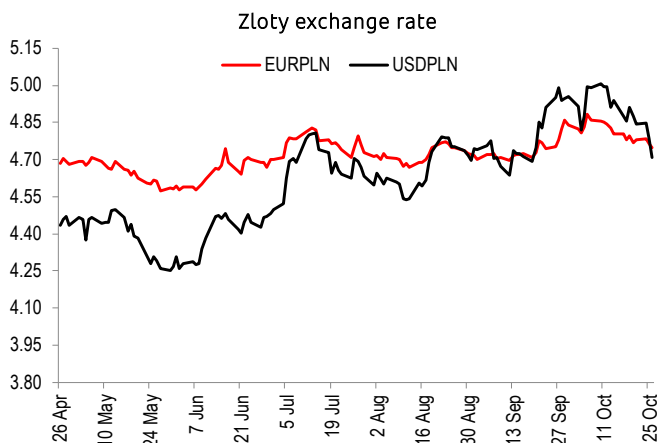
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	150	0	589	0
France	20	0	53	1
Hungary	258	0	795	-9
Spain	63	0	109	1
Italy	65	0	221	2
Portugal	48	0	103	2
Ireland	23	0	48	1
Germany	21	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 (21 October)								
10:00	PL	Construction output	IX	% r/r	6.5	9.2	0.3	6.1
10:00	PL	Retail sales	IX	% r/r	4.5	3.5	4.1	4.2
MONDAY (24 October)								
09:30	DE	PMI manufacturing	X	pkt	47.1		45.7	47.8
09:30	DE	PMI services	X	pkt	45.1		44.9	45.0
10:00	EZ	PMI manufacturing	X	pkt	48.0		46.6	48.4
10:00	EZ	PMI services	X	pkt	48.5		48.2	48.8
14:00	PL	M3 money supply	IX	% r/r	7.6	7.7	7.7	7.4
TUESDAY (25 October)								
10:00	DE	Ifo	X	pkt	83.8		84.3	84.4
10:00	PL	Unemployment rate	IX	%	4.8	4.8	5.1	5.2
14:00	HU	Central bank decision		%	13.0		13.0	13.0
16:00	US	Conference Board	X	pkt	105.0		102.5	108.0
WEDNESDAY (26 October)								
16:00	US	New home sales	IX	% m/m	-12.4		-10.9	24.7
THURSDAY (27 October)								
14:15	EZ	ECB decision		%	2.0			1.3
14:30	US	Durable goods orders	IX	% m/m	0.6			-0.2
14:30	US	GDP	III kw.	% k/k	2.1			-0.6
FRIDAY (28 October)								
10:00	DE	GDP WDA	III kw.	% r/r	0.8			1.7
11:00	EZ	ESI	X	pkt	0.0			93.7
14:00	DE	HICP inflation	X	% m/m	0.4			2.2
14:30	US	Personal spending	IX	% m/m	0.3			0.4
14:30	US	Personel incomes	IX	% m/m	0.3			0.3
14:30	US	PCE price index	IX	% m/m	0.3			0.3
16:00	US	Michigan	X	pkt	59.5			59.8
16:00	US	Pending home sales	IX	% m/m	-5.0			-2.0
	PL	Moody's rating review						

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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