

Eyeopener

MPC uninterested in larger rate hikes

Today US housing data

MPC voting results for September and October show little resistance vs. slower tightening

Lower export growth of Polish goods to the Eurozone in September

Zloty stable around 4.70 vs. the euro, Polish and core market bond yields slightly higher

Today US housing data. CPI inflation in Japan, released this morning, showed the highest level in 40 years, 3.7% y/y (with expectations at 3.6% y/y and last reading at 3.0%), while the Bank of Japan sticks to its rhetoric that inflation is temporary. In the EU, today the General Affairs Council is discussing Hungary's violation of EU values - an event that may show whether there has been a warming of relations.

HICP inflation in the euro area was revised slightly downwards from the preliminary reading, but still indicated broad upward price pressures. In contrast, US housing market data were better than expected, mainly due to a strong positive revision of historical data.

The results of the vote at the September MPC meeting showed that a 25bp hike was opposed only by Ludwik Kotecki. He and Przemyslaw Litwiniuk supported the motion for a 50bp hike. Kotecki also voted against the monetary policy guidelines for 2023. According to **the October results**, J. Tyrowicz, L. Kotecki and P. Litwiniuk voted in favour of a 50bp increase, and J. Tyrowicz also supported a 100bp move.

MPC's Gabriela Mastowska said that the decision to leave rates unchanged was justified and that they could remain at the current level for many months. In her view, further increases are possible, although unlikely, and would take place if GDP growth remains high and inflation continues to rise next year.

According to the GUS, **Poland's foreign trade balance in goods** amounted to -€2bn in September, €1.7bn less than a year earlier. Exports grew by 17.9% y/y (compared to 23.9% y/y in August), including exports to the euro zone by 14.9% y/y (the slowest in almost a year) and exports to developed countries outside the EU by 27.4% y/y. For another month, shipments to Ukraine (1.6 percentage point) made a relatively large contribution to total export growth (only the Czech Republic and Germany contributed more) with the US (1.1pp) also high on the list of export drivers. The decline in exports to Russia was around 50% y/y. Imports increased by 24.6% y/y (previously 27.0% y/y), including imports from the euro area by 12.6% y/y and from developing countries by 44.5% y/y. Imports from the USA (c. 122.6% y/y), South Korea (48% y/y) and China (35.8% y/y) grew dynamically and the value of imports from Russia fell by 42.3% y/y. It can be seen from the data that the weakening euro zone economy is already translating into the performance of Polish exports.

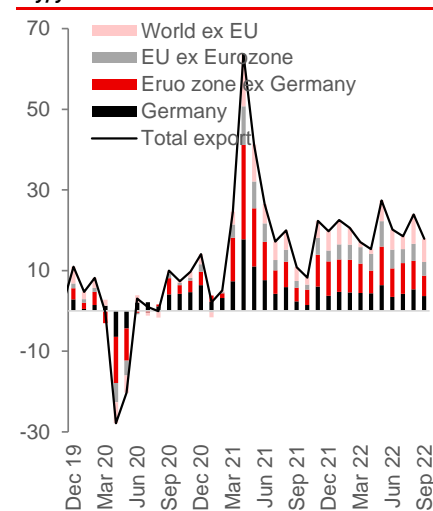
EURUSD oscillated in a range of 1.03 - 1.04. Fed members categorised as dovish (Charles Evans, Neel Kashkari) stressed that even the central bank's move to a softer monetary policy mode does not mean the end of the interest rate hike cycle. On the other hand, hawkish James Bullard identified a range of 5-5.25% as the minimum level of the rate to be reached according to the so-called Taylor rule in the current situation (he pointed to 7-7.5% as the top of the range).

EURPLN oscillated around 4.69 for most of the day, but eventually ended the day above 4.70. The zloty was hurt by declines on the Warsaw Stock Exchange.

Other CEE currencies: EURCZK rose from around 24.36 to 24.39. Markets in Czechia were closed due to a holiday. EURHUF oscillated around the 409 level. According to unofficial reports, the EC is willing to unblock funds for Hungary however, after the government meets a package of "serious" conditions.

Debt market: Domestic yield curve once again attempted an upward rebound for another day in a row. The rise came on the back of a rebound in the main markets and rising expectations for higher interest rates on longer-dated FRAs. The latter was boosted by a statement from Gabriela Maslowska of the MPC, who did not rule out a return to rate hikes next year.

Growth breakdown of Polish goods exports, %y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7049	CZKPLN	0.1925
USDPLN	4.5324	HUFPLN*	1.1319
EURUSD	1.0379	RUBPLN	0.0749
CHFPLN	4.7575	NOKPLN	0.4481
GBPPLN	5.3945	DKKPLN	0.6322
USDCNY	7.1212	SEKPLN	0.4277

*for 100HUF

Last session in the FX market 17.11.2022

	min	max	open	close	fixing
EURPLN	4.6849	4.7170	4.6935	4.7048	4.7039
USDPLN	4.5062	4.5728	4.5220	4.5517	4.5387
EURUSD	1.0303	1.0406	1.0379	1.0337	-

Interest rate market 17.11.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7.31	18
DS0727 (5Y)	7.42	15
DS0432 (10Y)	7.19	16

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.64	14	5.12	4	2.71	4
2L	7.37	21	4.75	10	2.87	5
3L	6.96	25	4.34	9	2.81	4
4L	6.67	28	4.10	8	2.76	5
5L	6.52	30	3.96	9	2.73	5
8L	6.39	31	3.76	10	2.73	5
10L	6.40	30	3.73	9	2.77	7

WIBOR rates

Term	%	Change (bps)
O/N	6.47	-5
T/N	6.76	9
SW	6.89	0
2W	6.92	-2
1M	6.93	-6
3M	7.39	-1
6M	7.59	-1
1Y	7.71	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.38	5
3x6	7.48	13
6x9	7.53	16
9x12	7.32	18
3x9	7.61	13
6x12	7.62	17

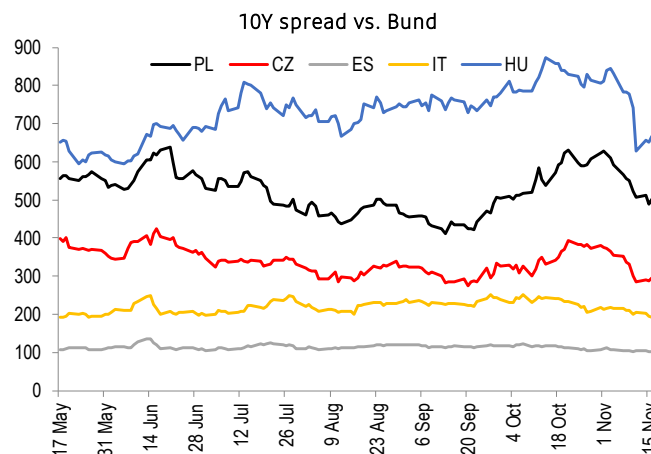
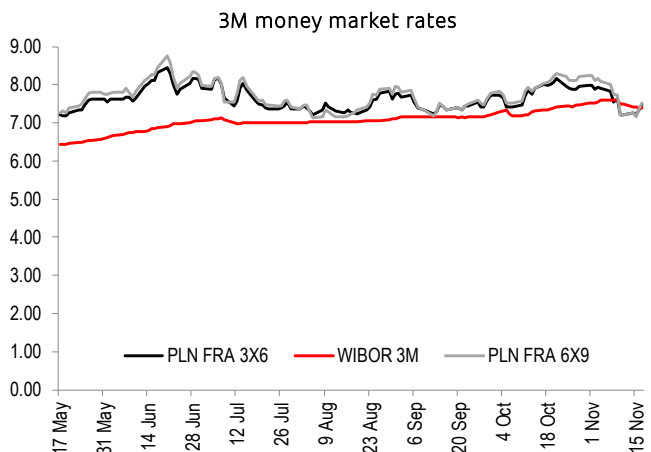
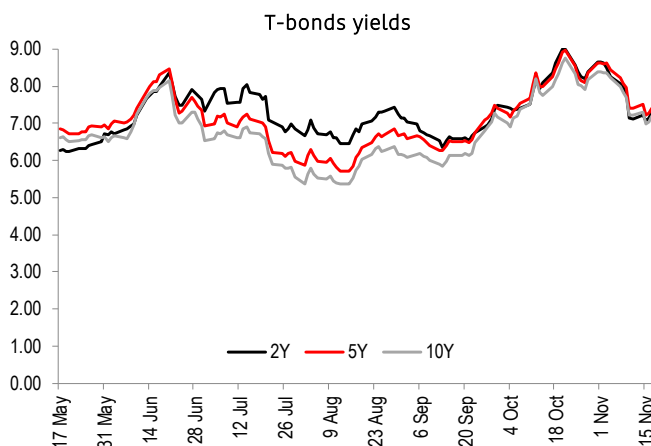
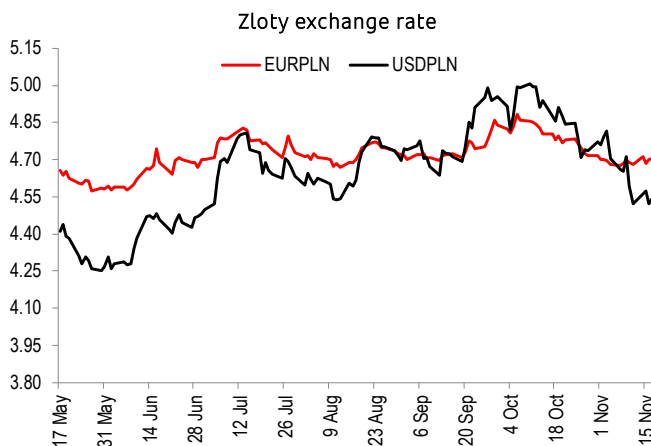
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	132	-5	503	13
France	15	0	48	-1
Hungary	221	-3	666	16
Spain	58	0	103	0
Italy	55	-3	193	-2
Portugal	43	0	98	0
Ireland	20	0	50	-3
Germany	15	-3	-	-

* 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			
THURSDAY (10 November)								
09:00	CZ	CPI	Oct	% y/y	17.9	-	15.1	18.0
14:30	US	CPI	Oct	% m/m	0.6	-	0.4	0.4
14:30	US	Initial Jobless Claims	Nov.22	k	220	-	225	218
FRIDAY (11 November)								
	PL	National holiday						
08:00	DE	HICP	Oct	% m/m	1.1	-	-	2.2
16:00	US	Michigan index	Nov	pts	59.5	-	-	59.9
MONDAY (14 November)								
11:00	EZ	Industrial Production SA	Sep	% m/m	0.3	-	0.9	2.0
14:00	PL	Current Account Balance	Sep	€mn	-2929	-2915	-1561	-3967
14:00	PL	Trade Balance	Sep	€mn	-1921	-2135	-2054	-2927
14:00	PL	Exports	Sep	€mn	27746	27422	28498	25358
14:00	PL	Imports	Sep	€mn	29667	29557	30552	28285
TUESDAY (15 November)								
09:00	HU	GDP	3Q	% y/y	-	-	3.5	6.5
10:00	PL	CPI	Oct	% y/y	17.9	17.9	17.9	17.2
10:00	PL	GDP	3Q	% y/y	3.4	3.5	3.5	5.8
11:00	EZ	GDP SA	3Q	% y/y	-	-	2.1	4.3
11:00	DE	ZEW Survey Current Situation	Nov	pts	-	-	-64.5	-72.2
WEDNESDAY (16 November)								
14:00	PL	CPI Core	Oct	% y/y	11.2	11.1	11.0	10.7
14:30	US	Retail Sales Advance	Oct	% m/m	0.9	-	1.3	0.0
15:15	US	Industrial Production	Oct	% m/m	0.0	-	-0.1	0.4
THURSDAY (17 November)								
11:00	EZ	HICP	Oct	% y/y	10.7	-	10.6	9.9
14:30	US	Housing Starts	Oct	% m/m	-2.0	-	-4.2	-1.3
FRIDAY (18 November)								
16:00	US	Existing Home Sales	Oct	% m/m	-7.0	-	-	-1.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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