

Eyeopener

Increase in COVID-19 cases in China

No important data today

Kochalski: hikes possible if CPI did not converge to target on monetary policy horizon

COVID-19 cases increase in China

EURPLN stabilized around the 4.70 level, yields fell

No important data due today. China's central bank left interest rates unchanged in line with expectations. The 1-year bank lending rate for companies remained at 3.65% and the 5-year benchmark mortgage rate at 4.30%. On the other hand, the following days of the week will see a lot of statistics from Poland, including industrial and construction production, retail sales, the labour market, business climate indicators, PPI inflation, company results. Abroad preliminary PMIs will be the highlight of the week. According to Deputy Finance Minister Artur Soboń, details of the modification of the Anti-Inflation Shield may be published this week.

Friday's US housing market data were slightly better than expected, but showed a further contraction in the market. The **Conference Board leading indicator of business climate** surprised to the downside. The indicator suggests a further downturn in the US economy in the coming quarters.

The number of foreigners registered with the Social Security Authority (ZUS) exceeded 1.060 million in October, compared to 1.045 million in September. Since December 2021, the number of foreigners in ZUS has grown by 185k (21%), so the growth rate was higher this year than in 2021, despite slowing economic growth.

MPC's Cezary Kochalski expects strong disinflationary processes, but the higher inflation trajectory of recent months is increasingly putting off discussion about rate cuts, including in 2023. In his view, the current level of NBP rates is appropriate if the NBP's baseline macroeconomic scenario is to materialise. Rate hikes are still possible if CPI inflation does not converge towards the target within the monetary policy horizon.

The number of new cases of COVID-19 in China is increasing. Official figures showed an increase of around 27k, which is the highest figure in seven months. The authorities have asked residents of the capital district of Beijing to stay indoors. Schools have also been closed. A five-day lockdown was ordered in one district of the southern Chinese city of Guangzhou, a city of 19 million.

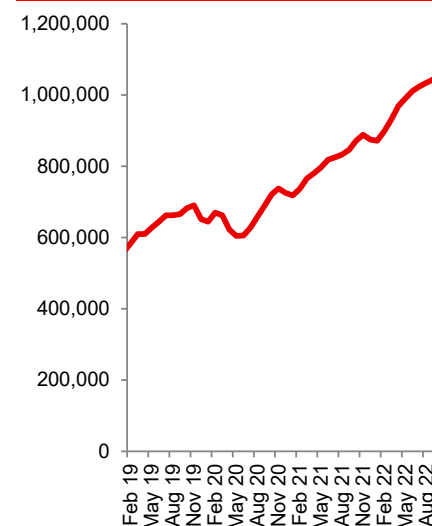
EURUSD moved closer to the lower border of the trading channel 1.03-1.04. The dollar was supported by statements from Fed members assuring that further rate hikes would be necessary under any variant of the monetary policy implemented. On the ECB's side, there have been statements on the need to slow down the pace of rate hikes (Klaas Knot) at the price of a faster pace of ECB balance sheet reduction. This week, the minutes of the latest FOMC meeting will be in focus. This morning, the exchange rate fell to the vicinity of 1.025.

EURPLN stabilised around 4.70. If domestic data this week show a gradual weakening of price and wage pressures in the economy, the exchange rate will attempt to move upwards.

Other CEE currencies: **EURCZK** fell from around 24.39 to 24.36 as local investors returned to the Czech market after the state holiday. **EURHUF** from around 411 fell below 407. The forint was helped by reports of an imminent agreement on EU funds with the European Commission.

Debt market: Domestic yield curve fell by around 11bp on average across the curve. Expectations of a rate hike in the FRA market also fell on longer terms. The German curve remained relatively stable, while the US curve continued to unwind after recent statements by Fed members.

Foreigners registered in Polish Social Security



Source: GUS, Santander

Economic Analysis Department:

aL. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: santander.pl/en/economic-analysis

Piotr Bielski +48 691 393 119

Jarostaw Kosaty +48 887 842 480

Marcin Luziński +48 510 027 662

Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4,7027	CZKPLN	0,1924
USDPLN	4,5811	HUFPLN*	1,1442
EURUSD	1,0264	RUBPLN	0,0755
CHFPLN	4,7620	NOKPLN	0,4457
GBPPLN	5,4039	DKKPLN	0,6312
USDCNY	7,1608	SEKPLN	0,4270

*for 100HUF

Last session in the FX market 18.11.2022

	min	max	open	close	fixing
EURPLN	4,6921	4,7114	4,7039	4,6997	4,7067
USDPLN	4,5227	4,5600	4,5371	4,5422	4,5337
EURUSD	1,0324	1,0395	1,0370	1,0346	-

Interest rate market 18.11.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7,24	-8
DS0727 (5Y)	7,31	-11
DS0432 (10Y)	7,05	-14

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,59	-5	5,19	7	2,70	0
2L	7,29	-8	4,84	8	2,87	0
3L	6,88	-8	4,44	10	2,80	-1
4L	6,60	-7	4,20	10	2,76	1
5L	6,43	-9	4,05	9	2,75	1
8L	6,30	-9	3,84	8	2,73	0
10L	6,31	-9	3,79	6	2,77	0

WIBOR rates

Term	%	Change (bps)
O/N	6,49	2
T/N	6,81	5
SW	6,87	-2
2W	6,92	0
1M	7,02	9
3M	7,40	1
6M	7,58	-1
1Y	7,71	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7,38	0
3x6	7,40	-7
6x9	7,46	-7
9x12	7,27	-6
3x9	7,57	-4
6x12	7,55	-7

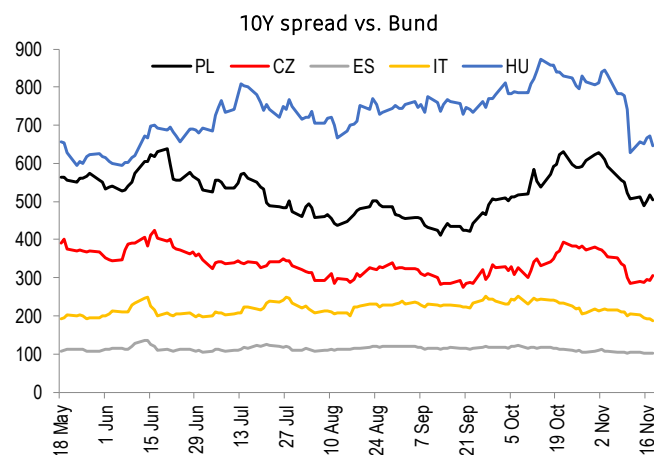
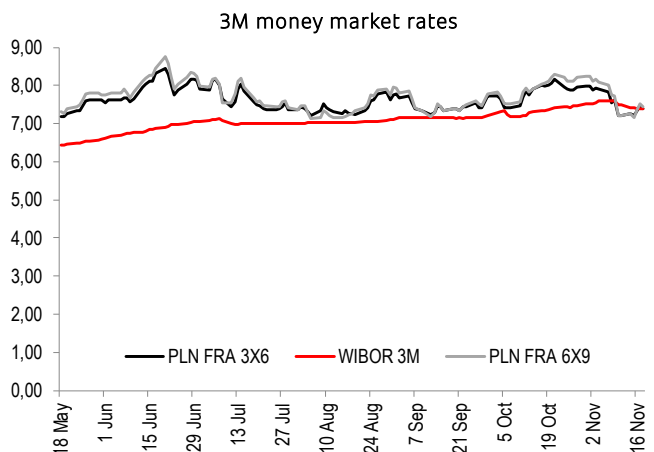
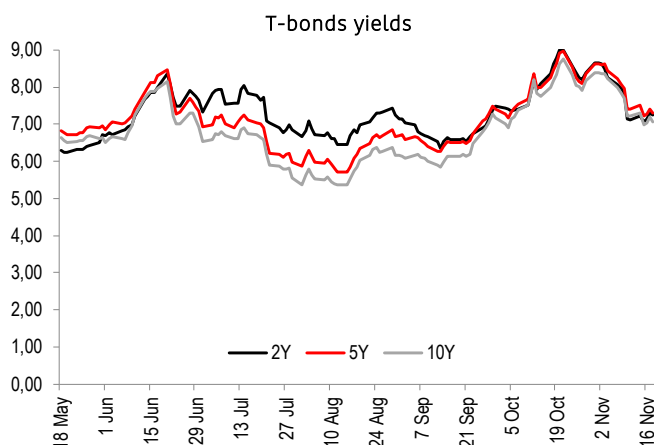
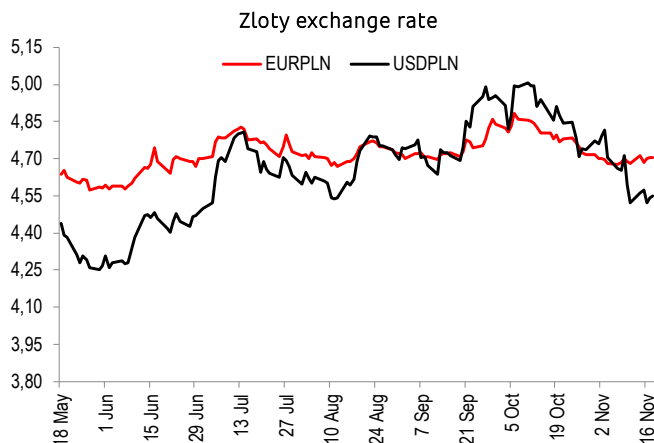
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	132	0	503	-14
France	15	0	47	-1
Hungary	219	-2	647	-25
Spain	58	0	101	-2
Italy	55	0	187	-6
Portugal	43	0	96	-2
Ireland	20	0	45	0
Germany	15	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 (18 November)							
16:00	US	Existing Home Sales	Oct	% m/m	-6.6	-	-1.5
MONDAY (21 November)							
No key events							
TUESDAY (22 November)							
10:00	PL	Employment in corporate sector	Oct	% y/y	2.2	2.2	- 2.3
10:00	PL	Sold Industrial Output	Oct	% y/y	7.8	6.7	- 9.8
10:00	PL	PPI	Oct	% y/y	23.5	23.5	- 24.6
10:00	PL	Average Gross Wages	Oct	% y/y	13.9	14.3	- 14.5
14:00	HU	Central Bank Rate Decision	Nov.22	%	13.0	-	13.0
WEDNESDAY (23 November)							
09:30	DE	Germany Manufacturing PMI	Nov	pts	45.0	-	45.1
09:30	DE	Markit Germany Services PMI	Nov	pts	46.2	-	46.5
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	46.0	-	46.4
10:00	EZ	Eurozone Services PMI	Nov	pts	48.0	-	48.6
10:00	PL	Construction Output	Oct	% y/y	-0.8	-2.1	- 0.3
10:00	PL	Retail Sales Real	Oct	% y/y	3.1	2.9	- 4.1
14:30	US	Durable Goods Orders	Oct	% m/m	0.5	-	0.4
14:30	US	Initial Jobless Claims	Nov.22	k	225	-	222.0
16:00	US	Michigan index	Nov	pts	55.5	-	54.7
16:00	US	New Home Sales	Oct	% m/m	-4.6	-	-10.9
20:00	US	FOMC minutes					
THURSDAY (24 November)							
10:00	DE	Ifo Business Climate	Nov	pts	85.0	-	84.3
13:30	EZ	ECB minutes					
14:00	PL	Money Supply M3	Oct	% y/y	7.5	7.3	- 7.7
FRIDAY (25 November)							
08:00	DE	GDP WDA	3Q	% y/y	1.2	-	1.2
10:00	PL	Unemployment Rate	Oct	%	5.1	5.1	- 5.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.