

29 November 2022

Eyeopener

Inflation in Germany today

Today ESI business cycle indicators, flash inflation in Germany

MPC's Dąbrowski: rate cuts possible in 2023

EURPLN down to 4.68, Polish yields also lower

Today, the European Commission will publish November's ESI indicators describing sentiment in business sectors and among consumers. In this round of the survey, companies additionally reported on their investment plans for next year. In addition, Germany will show preliminary inflation calculations for November. Its October reading was a big upward surprise (annual growth rose by 0.7 pp when the market expected stabilisation). This time, HICP inflation is expected to fall to 11.4% y/y from 11.6% and, in general, euro zone inflation more or less now should already set the highest level in this cycle. Meanwhile, in a speech to the European Parliament yesterday, ECB chief Christine Lagarde said that she would be surprised if inflation had already peaked. The first reading from a German land (Nordrhein-Westfalen) fell to 10.4% y/y from 11.0% y/y.

MPC's Ireneusz Dąbrowski told Bloomberg yesterday that the first rate cuts are already possible in 2023, in line with what the market is pricing in. When communicating the pause to rate hikes, the Council suggested a longer period of keeping rates unchanged, rather than moving more quickly to cuts. Dąbrowski's statement stands out against this backdrop. In his remarks, he also voiced criticism of the idea of further large rate rises because they would hit growth hard.

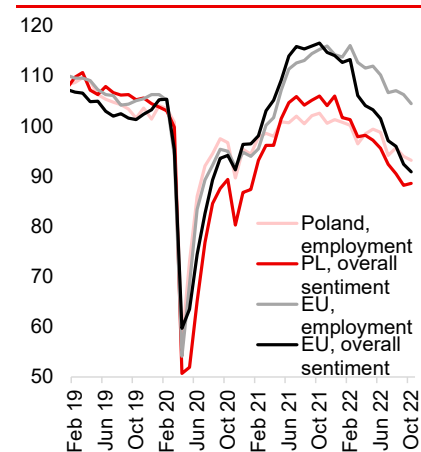
EURUSD started the week close to 1.04 and attacked 1.05 during the day, but fell below 1.035 by the end of the European session. The single currency initially gained ground under the influence of comments by ECB chief Christine Lagarde, but by the end of the day the dollar began to strengthen under the impact of growing recessionary fears and reports of further turmoil in the cryptocurrency markets.

EURPLN oscillated in the 4.69 - 4.70 zone, ending Monday slightly closer to 4.68. Until tomorrow's publication of domestic inflation and 3Q GDP data, the zloty's quotations against the euro are unlikely to change much.

Other CEE currencies: EURHUF slipped from near 407.5 to 406. the EURCZK settled around 24.33. Oldřich Dedeck of the CNB board said that rates should no longer rise, but that inflation expectations in the Czech Republic are so well anchored that any rate cuts should not be rushed.

Debt market: Domestic yield curve fell by about 10bp on average. Expectations of rate hikes in the longer-dated FRA market also fell after Dąbrowski's words about rate cuts. In the main markets, yield curves remained stable.

Selected ESI indicators



Source: European Commission, Santander

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FX market

Today's opening

EURPLN	4.6831	CZKPLN	0.1923
USDPLN	4.5180	HUFPLN*	1.1366
EURUSD	1.0364	RUBPLN	0.0737
CHFPLN	4.7653	NOKPLN	0.4531
GBPPLN	5.4209	DKKPLN	0.6298
USDCNY	7.1691	SEKPLN	0.4294

*for 100HUF

Last session in the FX market 28/11/2022

	min	max	open	close	fixing
EURPLN	4.6697	4.6969	4.6909	4.6746	4.6835
USDPLN	4.4583	4.5339	4.5321	4.5007	4.4827
EURUSD	1.0346	1.0496	1.0350	1.0383	-

Interest rate market 28/11/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7.10	-6
DS0727 (5Y)	7.08	-15
DS0432 (10Y)	6.81	-10

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.46	-5	5.15	-2	2.77	0
2L	7.09	-6	4.75	-3	2.92	1
3L	6.64	-8	4.32	-2	2.83	1
4L	6.34	-7	4.06	-3	2.76	1
5L	6.18	-7	3.90	-2	2.72	1
8L	6.02	-6	3.68	-2	2.68	1
10L	6.01	-8	3.64	-1	2.69	1

WIBOR rates

Term	%	Change (bps)
O/N	6.46	-3
T/N	6.78	4
SW	6.88	0
2W	6.92	-2
1M	6.94	-1
3M	7.30	-1
6M	7.49	-1
1Y	7.66	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.27	-6
3x6	7.31	-9
6x9	7.31	-11
9x12	7.10	-4
3x9	7.48	-4
6x12	7.40	-11

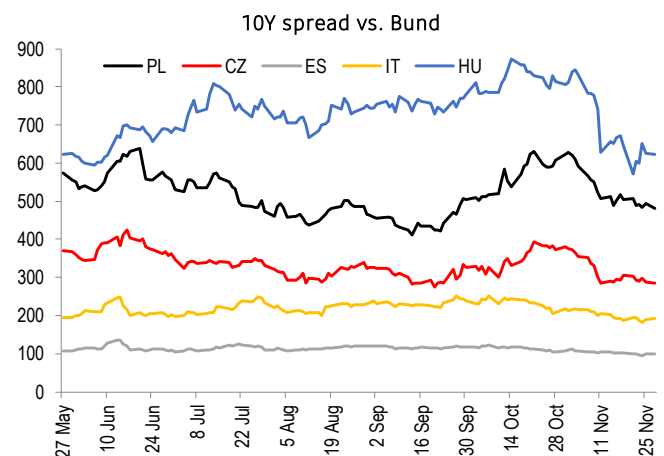
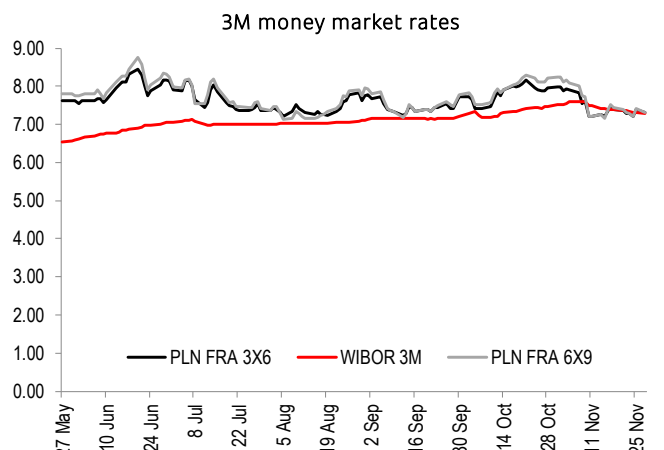
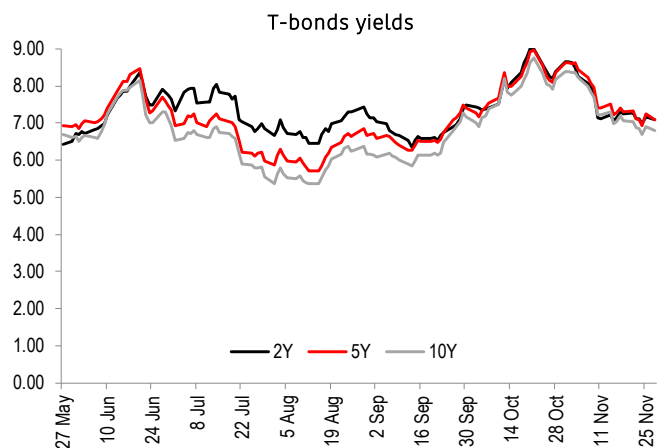
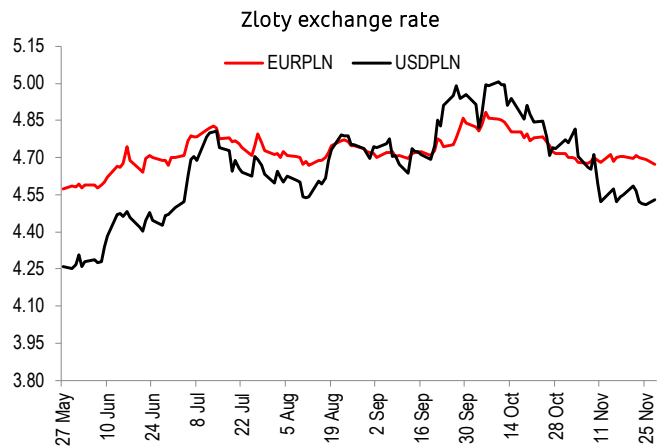
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	133	0	481	-12
France	15	0	63	16
Hungary	214	0	623	-2
Spain	55	0	100	1
Italy	55	0	192	3
Portugal	40	0	95	1
Ireland	20	0	44	1
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 (25 November)							
08:00	DE	GDP WDA	3Q	% y/y	1.2	1.3	1.2
10:00	PL	Unemployment Rate	Oct	%	5.1	5.1	5.1
MONDAY (28 November)							
No key events							
TUESDAY (29 November)							
11:00	EZ	ESI	Nov	pct.	93.5	-	92.5
14:00	DE	HICP	Nov	% m/m	1.9	-	1.1
16:00	US	Consumer Conference Board	Nov	pts	100.0	-	102.5
WEDNESDAY (30 November)							
10:00	PL	CPI	Nov	% y/y	18.0	18.0	-
10:00	PL	GDP	3Q	% y/y	3.5	3.5	-
11:00	EZ	Flash HICP	Nov	% y/y	11.2	-	10.7
14:15	US	ADP report	Nov	k	195.0	-	239.0
14:30	US	GDP Annualized	3Q	% Q/Q	2.7	-	2.6
16:00	US	Pending Home Sales	Oct	% m/m	-5.15	-	-10.17
THURSDAY (1 December)							
09:00	PL	Poland Manufacturing PMI	Nov	pts	-	43.0	-
09:00	HU	GDP	3Q	% y/y	-	-	4.0
09:55	DE	Germany Manufacturing PMI	Nov	pts	46.7	-	45.1
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	47.3	-	46.4
11:00	EZ	Unemployment Rate	Oct	%	6.6	-	6.6
14:30	US	Initial Jobless Claims	Nov.22	k	225.0	-	240.0
14:30	US	Personal Spending	Oct	% m/m	0.8	-	0.6
14:30	US	Personal Income	Oct	% m/m	0.4	-	0.4
14:30	US	PCE Deflator SA	Oct	% m/m	0.4	-	0.3
16:00	US	ISM manufacturing	Nov	pts	49.8	-	50.2
FRIDAY (2 December)							
08:00	DE	Exports SA	Oct	% m/m	0.0	-	-0.6
09:00	CZ	GDP SA	3Q	% y/y	-	-	1.6
14:30	US	Change in Nonfarm Payrolls	Nov	k	200.0	-	261.0
14:30	US	Unemployment Rate	Nov	%	3.7	-	3.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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