

2 December 2022

Eyeopener

Slight rebound in Polish PMI

Today set of US labour market data

PMI for Polish manufacturing up, but German gauge below flash reading

Dollar much weaker, Polish monetary market pricing-in deeper rate cuts

Today the monthly US labour market report is due for release, with information on employment change, unemployment rate and wages. German export data has already come out in the morning and showed a decline slightly stronger than expected. By today, EU countries are expected to agree to new sanctions on Russia in the form of a cap on price of Russian oil reaching the EU by sea.

Germany's manufacturing PMI came in lower than its preliminary reading had suggested (46.2 points instead of 46.7 points) and the report highlighted weakening demand, sluggish capacity and lingering concerns about energy security, high inflation, difficult business financing conditions. The **euro zone industrial index** was also lower than the preliminary estimate and the report pointed to the emerging problem of excess inventories, which poses a risk to further activity in the sector and to employment. **Data from the US** included both a solid reading on consumer income growth and confirmation of expectations for a gentle decline in core PCE inflation (from 5.2% y/y to 5.0%), but also surprising weakness in the ISM manufacturing index and a more than fourfold y/y increase in planned layoffs according to the Challenger report. The market focused on the negatives.

Polish PMI index for manufacturing rebounded in November to 43.4pts from 42.0pts in October, with some improvement in output and new orders indices. Still, the survey results were not really optimistic, with companies reporting falling employment, declining backlog, and purchases. On the positive side, cost pressures declined to the lowest level in 2 years. We think that the Polish economy will be slowing down in the upcoming months, so it is too early to hope that this rebound in PMI is a harbinger of an upward trend.

MPC member Wiesław Janczyk said in an interview with "Super Biznes" that the current level of rates is appropriate and there is no information that would prompt a resumption of hikes.

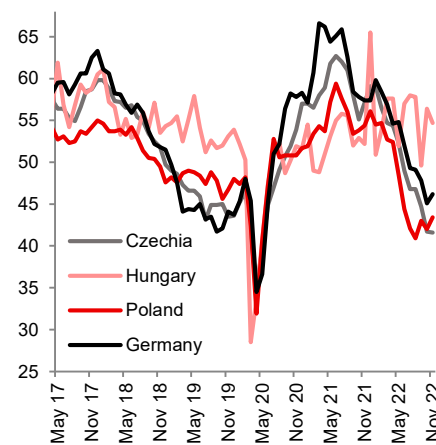
EURUSD rose to 1.05 from around 1.04. The U.S. currency was hurt by weaker-than-expected manufacturing PMI readings for November, most notably its price component (down from 46.6 to 43), and a lower reading of the Fed's favourite inflation indicator, core PCE inflation.

EURPLN from about 4.67 rose to 4.69. The zloty was hurt by the results of the PMI survey, which, despite the upward rebound of the index, in its breakdown clearly indicated signs of a clear slowdown in economic activity.

Other CEE currencies: EURCZK rose from near 24.33 to near 24.38. EURHUF rose to 412 from near 407. The region's currencies lost value under the influence of weak PMI readings in the Czech Republic and Hungary signalling a weakening economy.

Debt market: Domestic yield curve continued its decline for another day. On longer terms, interest rate level expectations in the FRA market fell strongly. The strengthening of debt was visible not only in Poland, but also clearly marked on the main markets. After Powell's dovish speech, a bundle of weaker PMI data further cemented the markets' belief that the coming economic slowdown will also reduce price pressures.

Manufacturing PMIs



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FX market

Today's opening

EURPLN	4.6857	CZKPLN	0.1918
USDPLN	4.4458	HUFPLN*	1.1275
EURUSD	1.0535	RUBPLN	0.0721
CHFPLN	4.7459	NOKPLN	0.4569
GBPPLN	5.4446	DKKPLN	0.6296
USDCNY	7.0396	SEKPLN	0.4315

*for 100HUF

Last session in the FX market 01/12/2022

	min	max	open	close	fixing
EURPLN	4.6672	4.7093	4.6742	4.6873	4.6892
USDPLN	4.4472	4.5149	4.4752	4.4656	4.4911
EURUSD	1.0391	1.0533	1.0444	1.0497	-

Interest rate market 01/12/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.81	-15
DS0727 (5Y)	6.68	-20
DS0432 (10Y)	6.45	-17

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.16	-10	5.06	-4	2.70	-2
2L	6.61	-18	4.55	-8	2.78	-4
3L	6.14	-20	4.09	-12	2.66	-4
4L	5.85	-19	3.83	-11	2.59	-5
5L	5.69	-21	3.68	-11	2.54	-12
8L	5.56	-21	3.48	-13	2.52	-12
10L	5.59	-18	3.44	-14	2.54	-6

WIBOR rates

Term	%	Change (bps)
O/N	6.78	2
T/N	6.76	-6
SW	6.89	0
2W	6.92	1
1M	7.03	9
3M	7.25	-3
6M	7.46	0
1Y	7.62	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.17	-4
3x6	7.11	-7
6x9	6.95	-14
9x12	6.57	-18
3x9	7.22	-9
6x12	7.02	-16

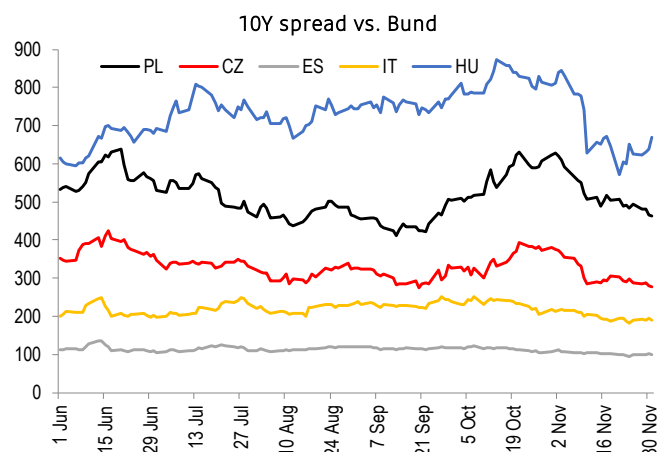
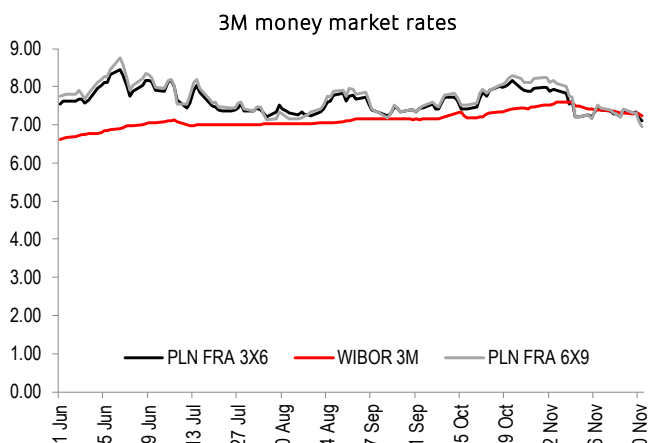
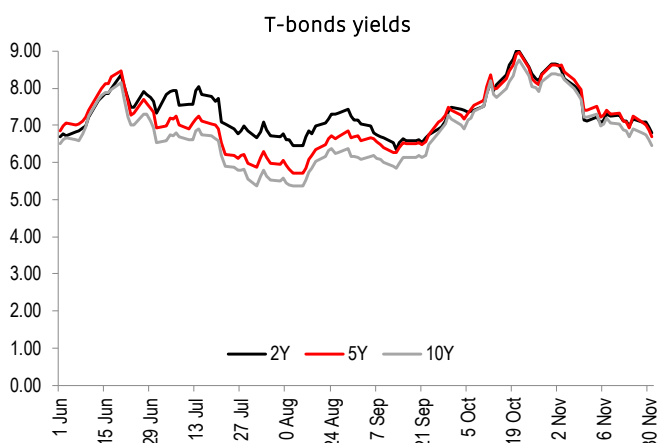
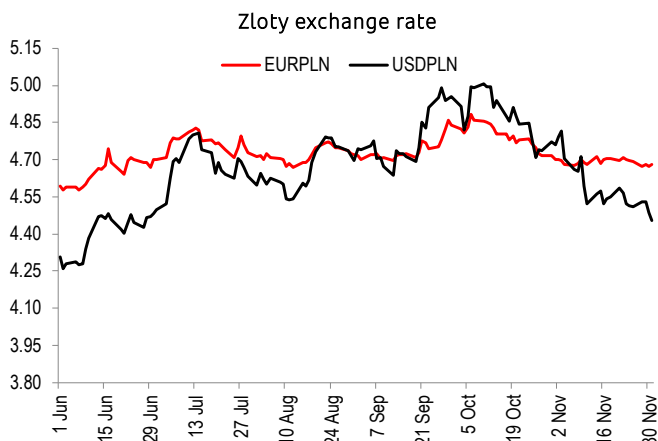
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	0	463	-4
France	15	0	45	-2
Hungary	214	-3	669	30
Spain	53	-3	101	-1
Italy	53	-3	191	-4
Portugal	38	-3	93	-3
Ireland	18	-3	43	-1
Germany	14	-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 (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	93.7	92.7
14:00	DE	HICP	Nov	% m/m	0.1	0.0	1.1
16:00	US	Consumer Conference Board	Nov	pts	100.0	100.2	102.2
WEDNESDAY (30 November)							
10:00	PL	CPI	Nov	% y/y	18.0	18.0	17.4
10:00	PL	GDP	3Q	% y/y	3.5	3.5	3.6
11:00	EZ	Flash HICP	Nov	% y/y	11.2	10.0	10.7
14:15	US	ADP report	Nov	k	195	127	239
14:30	US	GDP Annualized	3Q	% Q/Q	2.7	2.9	2.6
16:00	US	Pending Home Sales	Oct	% m/m	-5.2	-4.6	-8.7
THURSDAY (1 December)							
09:00	PL	Poland Manufacturing PMI	Nov	pts	43.0	43.0	43.4
09:00	HU	GDP	3Q	% y/y	4.0	4.0	6.5
09:55	DE	Germany Manufacturing PMI	Nov	pts	46.7	46.2	45.1
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	47.3	47.1	46.4
11:00	EZ	Unemployment Rate	Oct	%	6.6	6.5	6.6
14:30	US	Initial Jobless Claims	Nov.22	k	235	225	241
14:30	US	Personal Spending	Oct	% m/m	0.8	0.8	0.6
14:30	US	Personal Income	Oct	% m/m	0.4	0.7	0.4
14:30	US	PCE Deflator SA	Oct	% m/m	0.4	0.4	0.3
16:00	US	ISM manufacturing	Nov	pts	49.7	49.0	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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