

6 December 2022

Eyeopener

Poor sentiment in European services

Today, German factory orders
Services PMIs in Europe below expectations
Dollar stronger, zloty weaker, yields higher

This morning saw German industrial orders data, which rose by 0.8% m/m, more than expected. No major publications planned later in the day, the domestic market awaits tomorrow's MPC decision.

European services PMIs were slightly weaker than their preliminary readings. The index for Germany declined, mainly due to weaker inflows of new orders. Inflation-related indicators also decreased. The PMIs suggest a slowdown in economic activity and are consistent with a decline in the euro area GDP in 4Q22. Eurozone retail sales data also looked weak, suggesting a weaker private consumption reading. Weakness in consumption was also hinted at by 3Q real wage data in Czechia (down a record 9.8% y/y) and October retail sales in Hungary (slowing to 0.6% y/y from 3.0% y/y). In contrast, US industrial orders data were slightly better than expected, and services sentiment indices were mixed, with the PMI deteriorating and the ISM improving against October. Reports of China's loosening of local Covid restrictions had a positive impact on market sentiment.

ECB's Gabriel Makhoulouf (representing Ireland) suggested that the central bank would probably only raise interest rates by 50bp next week, although he indicated that in his view it was premature to discuss the target level of interest rate in the euro area at this point and was prepared to envisage even a scenario in which interest rates rise above 3%. At the same time, however, he stressed that the risk of a technical recession in the euro area is high. He also advocated an initially slower pace of ECB balance sheet reduction. **ECB's Francois Villeroy de Galhau** (Banque de France) also called for limiting the scale of the December rate hike to 50 bp.

Fitch rating agency has lowered its forecast for Poland's GDP growth in 2023 to 1.1% from 1.5%. This is still well above our forecast of nearly zero. Fitch expects inflation to peak at around 21% in early 2023 and then to decline to around 13% by the end of the year, with the MPC maintaining interest rates at the current level of 6.75% until the end of 2023.

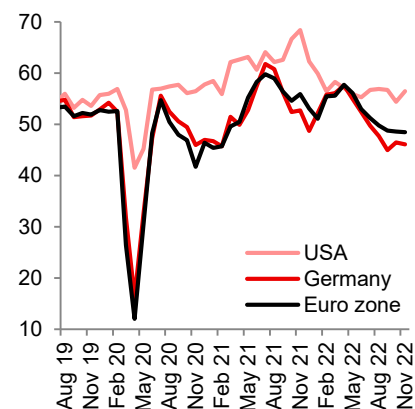
EURUSD ended the day around the opening levels of the European session, i.e. in the vicinity of 1.05, although in the first part of the day it tried to attack 1.06. Weak PMI and retail sales data from the euro area worked against the euro. In contrast, US data (ISM, durable goods orders and factory orders) were better than expected. Today's session starts with EURUSD descending towards 1.048.

EURPLN rose to 4.71 from around 4.67. The trigger for the weakening of the zloty was the strengthening of the dollar in the second half of Monday. Today, the day started with EURPLN still close to 4.71.

Other CEE currencies: the EURCZK fell to 24.30 from around 24.36. In Q3, real wages in the Czech Republic fell by 9.8% y/y. CNB head Ales Michl said that declines in global commodity prices signal a slowdown in the global economy, which should contribute to lower inflation. The EURHUF rose above 413 from around 407. MNB head Gyorgy Matolcsy stressed that the central bank will fight inflation "in every possible way". In his view, all price caps introduced by the government should be withdrawn immediately.

Debt market: The domestic yield curve, after strong declines last week, rebounded by around 26 bp on average. The impetus for the rebound was a correction in US yields following further better-than-expected US data. The German curve remained stable due to weaker data from Germany and the euro area and signals from the ECB of a similarly US-like slower pace of further rate hikes in the euro area.

PMI in services, pts



Source: S&P Global, Santander

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FX market

Today's opening

EURPLN	4.7125	CZKPLN	0.1935
USDPLN	4.4942	HUFPLN*	1.1321
EURUSD	1.0481	RUBPLN	0.0714
CHFPLN	4.7569	NOKPLN	0.4515
GBPPLN	5.4779	DKKPLN	0.6331
USDCNY	6.9946	SEKPLN	0.4305

*for 100HUF

Last session in the FX market 05/12/2022

	min	max	open	close	fixing
EURPLN	4.6679	4.7181	4.6687	4.7070	4.6898
USDPLN	4.4125	4.4880	4.4126	4.4847	4.4415
EURUSD	1.0488	1.0594	1.0583	1.0491	-

Interest rate market 05/12/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7.00	21
DS0727 (5Y)	6.92	27
DS0432 (10Y)	6.72	31

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.26	8	5.16	10	2.77	4
2L	6.72	20	4.70	14	2.87	4
3L	6.24	20	4.23	15	2.77	4
4L	5.96	19	3.96	13	2.69	3
5L	5.82	21	3.80	14	2.64	3
8L	5.72	21	3.58	11	2.59	2
10L	5.75	21	3.53	11	2.60	3

WIBOR rates

Term	%	Change (bps)
O/N	6.60	-13
T/N	6.73	-9
SW	6.87	-1
2W	6.90	-2
1M	7.00	4
3M	7.22	-2
6M	7.40	-2
1Y	7.57	-2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.22	0
3x6	7.22	6
6x9	7.10	11
9x12	6.78	18
3x9	7.34	5
6x12	7.17	14

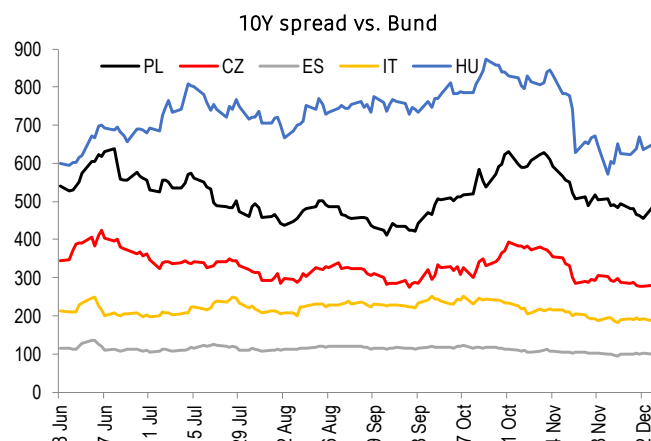
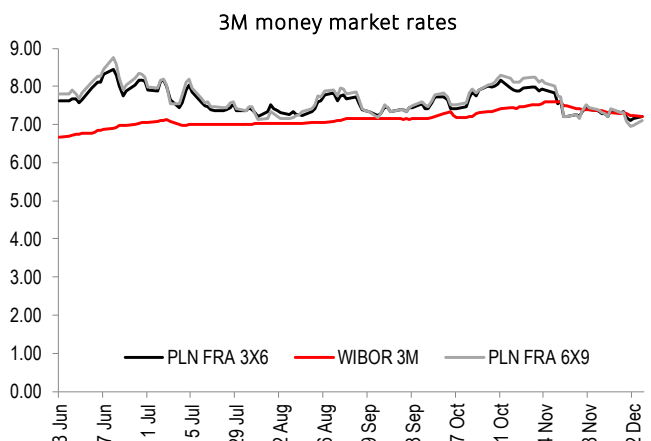
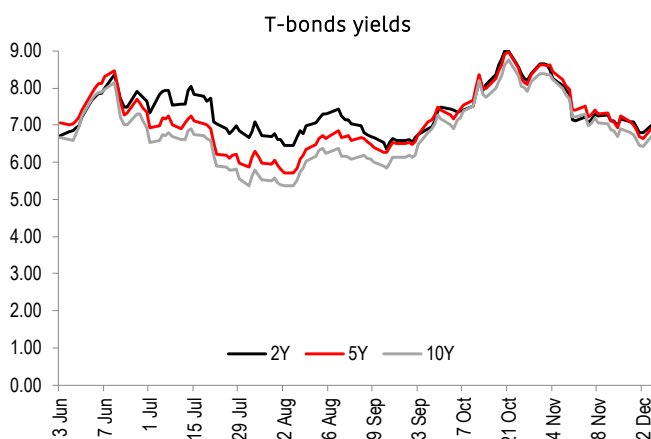
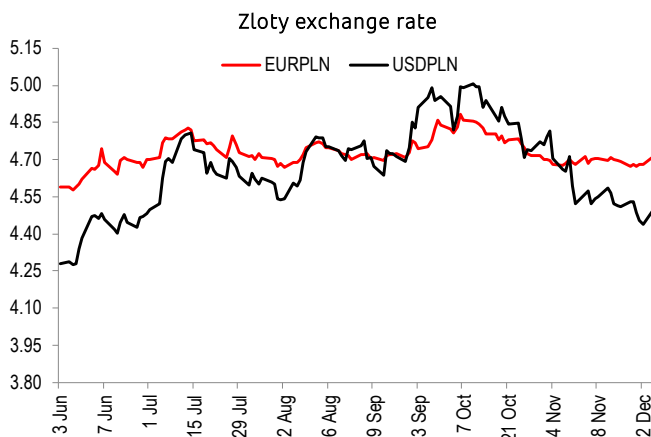
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	118	-7	485	29
France	15	0	44	-2
Hungary	207	-7	648	12
Spain	53	0	100	-1
Italy	53	0	187	-4
Portugal	37	0	93	-1
Ireland	17	0	44	-1
Germany	14	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 (2 December)								
08:00	DE	Exports SA	Oct	% m/m	-0.2		-0.6	-0.7
09:00	CZ	GDP SA	3Q	% y/y	1.6		1.7	1.6
14:30	US	Change in Nonfarm Payrolls	Nov	k	200		263	284
14:30	US	Unemployment Rate	Nov	%	3.7		3.7	3.7
MONDAY (5 December)								
02:45	CN	Caixin China PMI Services	Nov	pts	48.0		46.7	48.4
09:55	DE	Markit Germany Services PMI	Nov	pts	46.4		46.1	46.5
10:00	EZ	Eurozone Services PMI	Nov	pts	48.6		48.5	48.6
11:00	EZ	Retail Sales	Oct	% m/m	-		-1.8	0.8
16:00	US	Durable Goods Orders	Oct	% m/m	0.0		1.1	0.3
16:00	US	ISM services	Nov	pts	53.7		56.5	54.4
16:00	US	Factory Orders	Oct	% m/m	0.7		1.0	0.3
TUESDAY (6 December)								
08:00	DE	Factory Orders	Oct	% m/m	0.0		0.8	-4.0
WEDNESDAY (7 December)								
	PL	MPC decision		%	6.75	6.8	-	6.75
08:00	DE	Industrial Production SA	Oct	% m/m	-		-	0.6
09:00	CZ	Industrial Production	Oct	% y/y	-		-	8.3
09:00	HU	Industrial Production SA	Oct	% y/y	0.0		-	11.6
11:00	EZ	GDP SA	3Q	% y/y	-		-	2.1
THURSDAY (8 December)								
09:00	HU	CPI	Nov	% y/y	0.0		-	21.1
14:30	US	Initial Jobless Claims		k	235		-	225
15:00	PL	NBP president conference						
FRIDAY (9 December)								
14:00	PL	MPC minutes	Nov					
16:00	US	Michigan index	Dec	pts			-	56.8

Source: Santander Bank Polska. Bloomberg. Parkiet
* in the case of a revision the data is updated

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