

Eyeopener

MPC will not change rates, but will it change tone?

Today, MPC decision, industrial production in Germany, GDP in euro zone
Unemployment rate unchanged in November
CEE currencies stable, bond yields lower

Today the Monetary Policy Council makes its decision. We expect the Council to keep interest rates unchanged, as they did in October and November. Since the MPC did not raise rates in the previous two months, when inflation was still rising and the new CPI projection turned out to be clearly higher than the previous one, it will not do it now, after some positive signals about the inflation outlook (CPI below forecasts, decelerating domestic demand and wages), and expectations of a dovish turn in monetary policy increased on global markets. At the conference on Thursday, the NBP president will no doubt emphasise that the imminent pause in rate hikes he has signalled since July was justified in light of the incoming data recently. The most interesting issue from a market perspective will be the possible forward-looking statements. Firstly, whether there will be any firmer suggestion that the door to further rate hikes is closing (so far Głapiński has been saying that this is a pause, not the end of the cycle), and secondly, whether suggestions from July on the possible start of rate cuts before the end of 2023 will be revived (recently, signals of this kind have appeared, for example, from MPC member Ireneusz Dąbrowski, whom we consider close to the views of the NBP President). The market has already started to price in such a scenario quite strongly. In addition, today's agenda includes industrial production data in Germany (already published, turned out to be better than forecast), in Czech Republic and Hungary, GDP data in the euro area.

According to the Ministry of Labour, the **registered unemployment rate** stood at 5.1% in November, unchanged for the third month in a row. However, the number of the unemployed increased slightly by 5.5k. In our view, unemployment will increase in the coming months in line with the seasonal pattern and, in the longer term, also due to the weaker economy.

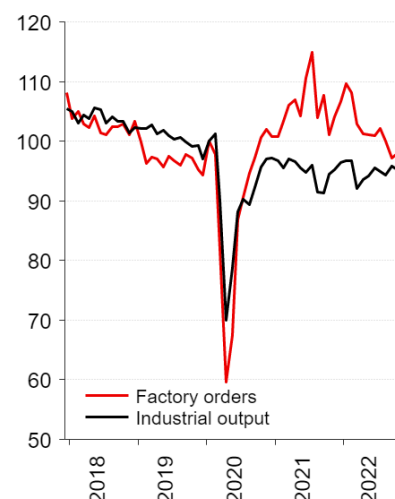
EURUSD fluctuated around the level of 1.05. In favour of the common currency were data on industrial orders from Germany published in the morning, against comments from ECB chief economist Philip Lane, who signalled that although further rate hikes will still be needed, the Eurozone's inflation peak is close. The statement supported market expectations for a smaller scale of rate hikes at the upcoming ECB meeting.

EURPLN has dropped below 4.69 from around 4.71. The rise in expectations of a smaller scale of rate hikes in the Eurozone has supported the zloty. Today's decision by the MPC to keep rates unchanged should not affect the zloty, which has been moving primarily in the rhythm of global financial market sentiment recently.

Other CEE currencies: EURCZK oscillated around the 24.30 level. Jan Frait of the CNB's board of directors said that the pressure on the weakening of the koruna is diminishing. He did not rule out further rate hikes, as he believes that fewer rate hikes in the main markets means a slower easing of inflationary pressures globally. EURHUF fluctuated around the 412 level. The forint's focus remains on the issue of EU funds. Reports regarding the course of these negotiations are increasing volatility in the Hungarian currency market. Hungary's decision to continue blocking the EU financial aid to Ukraine and no agreement to the minimum level of corporate tax set within the OECD suggests that it is still a long way off until the EU funds will be unfrozen. The forint is so far reacting calmly to Hungary's deepening fuel crisis - last night the government unexpectedly lifted the maximum price of fuel, which had begun to run out at gas stations.

Debt market: Domestic yield curve fell by about 10 bps on average. Today's MPC decision regarding no change in interest rate levels may further reinforce these trends. In the main markets, yields also fell, influenced by rising expectations of further declines in inflation.

Industrial production and orders in Germany, January 2020=100



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.6926	CZKPLN	0.1925
USDPLN	4.4853	HUFPLN*	1.1246
EURUSD	1.0460	RUBPLN	0.0711
CHFPLN	4.7622	NOKPLN	0.4465
GBPPLN	5.4422	DKKPLN	0.6306
USDCNY	6.9836	SEKPLN	0.4299

*for 100HUF

Last session in the FX market 06/12/2022

	min	max	open	close	fixing
EURPLN	4.6867	4.7202	4.7052	4.6954	4.6995
USDPLN	4.4538	4.5032	4.4845	4.4717	4.4787
EURUSD	1.0474	1.0532	1.0492	1.0494	-

Interest rate market 06/12/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.89	-11
DS0727 (5Y)	6.83	-9
DS0432 (10Y)	6.63	-9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.27	0	5.12	-4	2.73	-3
2L	6.71	-1	4.66	-4	2.83	-4
3L	6.21	-3	4.19	-5	2.71	-5
4L	5.93	-3	3.91	-4	2.63	-6
5L	5.77	-5	3.75	-5	2.58	-6
8L	5.66	-6	3.51	-7	2.52	-6
10L	5.68	-7	3.46	-7	2.54	-6

WIBOR rates

Term	%	Change (bps)
O/N	6.70	10
T/N	6.71	-2
SW	6.87	0
2W	6.91	1
1M	6.99	-1
3M	7.20	-2
6M	7.38	-2
1Y	7.55	-2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.18	-4
3x6	7.19	-2
6x9	7.13	3
9x12	6.80	2
3x9	7.33	-1
6x12	7.20	3

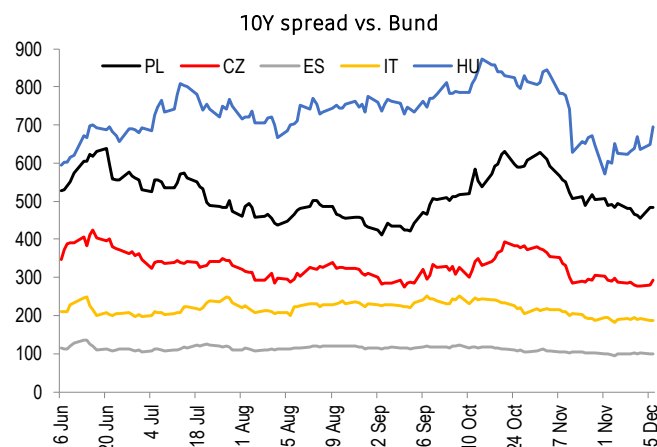
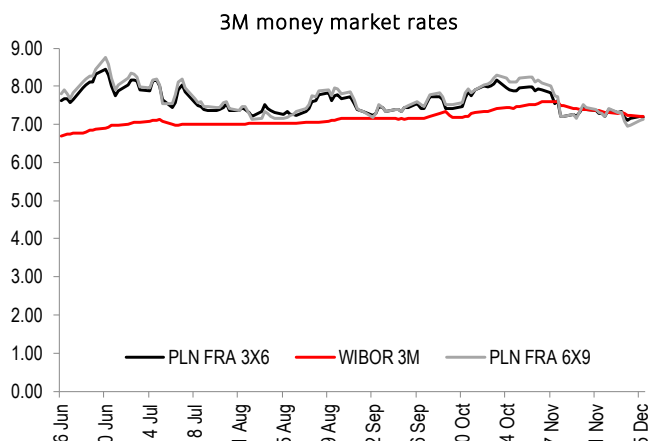
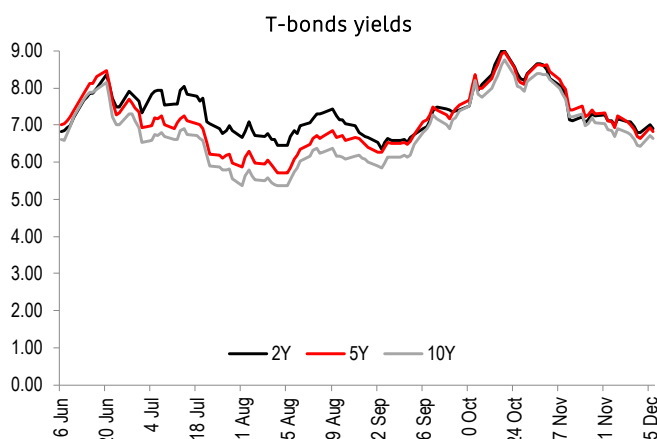
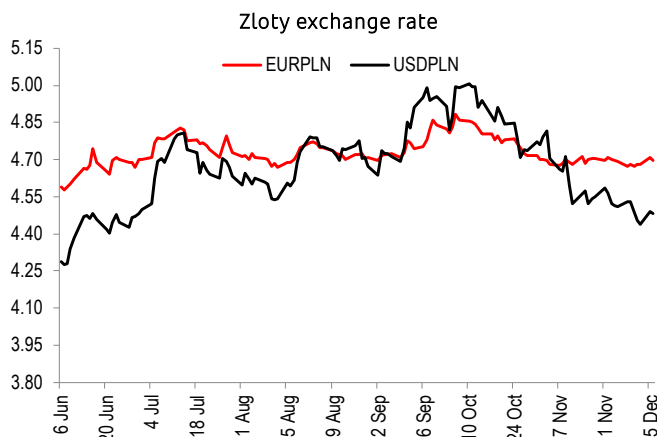
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	120	2	483	-1
France	15	0	45	1
Hungary	209	2	696	48
Spain	53	0	100	0
Italy	53	0	186	-1
Portugal	38	0	93	0
Ireland	18	0	46	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	-2.9
WEDNESDAY (7 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	-0.6		-0.1	0.6
09:00	CZ	Industrial Production	Oct	% y/y	7.2		-	8.3
09:00	HU	Industrial Production SA	Oct	% y/y	9.4		-	11.6
11:00	EZ	GDP SA	3Q	% y/y	2.1		-	4.3
	PL	MPC decision		%	6.75	6.75	-	6.75
THURSDAY (8 December)								
09:00	HU	CPI	Nov	% y/y	22.1		-	21.1
14:30	US	Initial Jobless Claims		k	230		-	225
15:00	PL	NBP president's press conference						
FRIDAY (9 December)								
14:00	PL	MPC minutes	Nov					
16:00	US	Michigan index	Dec	pts	56.9		-	56.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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