

8 December 2022

# Eyeopener

## Interest rates unchanged

MPC kept interest rates unchanged, NBP governor's conference today

Today, inflation in Hungary and US labour market data

FX markets stable, yield curve moved lower again

**Today**, the domestic market will await the conference of the NBP president. Besides, we will get data on Hungarian inflation and the US labour market.

Yesterday, **Vladimir Putin** again threatened to use nuclear weapons. However, this had no impact on trading. The **Bank of Canada** raised interest rates by 50bp, the main rate is now 4.25%. **ECB** chief economist Phillip Lane said that inflation in the Eurozone was already close to its peak and that the central bank had already done a lot in its fight against inflation. In contrast, François Villeroy, a member of the ECB's Governing Council, said that the bank would continue to raise rates, but more slowly and flexibly. The market interpreted these statements as dovish. **Czech industrial production** was noticeably weaker than expected, with the m/m decline being the largest since April 2020; production was dragged down primarily by weak performance in the automotive and energy sectors. Production in Hungary also looked worse than forecast

**Polish MPC kept interest rates on hold** for the third time in a row, as expected (reference rate at 6.75%). The decision was again very late (17:55 CET). The official statement was virtually unchanged versus the previous one, at least in the key fragments, which signals absolutely no change in the Council's stance. Frankly, the statement ceased to be a key communication tool of the central bank long time ago. NBP governor's conference later today (15:00 CET) may be more informative. We expect more dovish tone than last month, emphasising that recent signals from local economy and from abroad were supportive for expectations of disinflation. We would not rule out that Mr. Glapiński, encouraged by the recent data, may signal that chances for further hikes are negligible and that the easing cycle may start even before the end of 2023 – actually this is the scenario currently priced-in by the financial market. We are quite sceptical about chances of this scenario's materialisation as in our view the disinflation in 2023 will simply be not fast enough to trigger policy easing. But at the same time the bar for restarting monetary tightening certainly hangs very high. Therefore, we expect the main interest rates to remain on hold at 6.75% at least until the end of 2023.

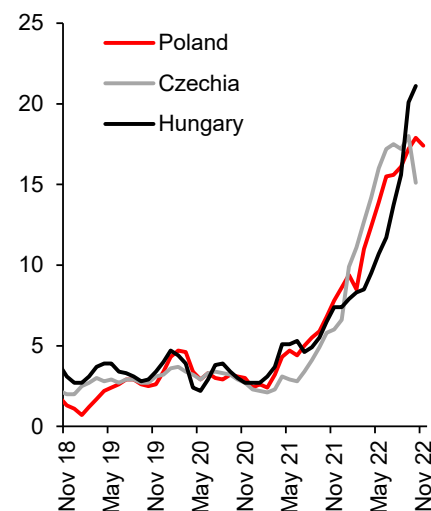
**EURUSD** continued to fluctuate around 1.05, although attempts to resume the upward trend were visible. The single currency was supported by better German industrial production data for October, an upward revision of 3Q euro zone GDP data and a marked downward revision of US unit labour cost data for the last quarter (from 3.5% to 2.4% q/q) suggesting weakening inflationary pressures overseas.

**EURPLN** fluctuated around 4.69. The MPC's decision to leave interest rates unchanged due to the expected economic slowdown made no impression on the zloty, which was supported by a weak dollar.

**Other CEE currencies:** EURHUF oscillated around 410. The market welcomed the Hungarian government's decision to immediately lift price caps on fuel, due to shortages at the petrol stations. Today, Hungary's CPI data for November will be published, which is likely to show another increase in inflation. EURCZK remained around 24.30.

**Debt market:** the domestic yield curve recorded another day of declines, falling by around 12 bps on average. Interest rate expectations in the FRA market also fell, correcting the previous days' slight increases, helped by expectations of a dovish stance from the MPC and a weaker economic outlook. In the main markets, yield curves also fell, mainly influenced by a downward revision of US 3Q unit labour cost data.

Inflation in the CEE region, % y/y



Source: Refinitiv Datastream, Santander

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**FX market**

Today's opening			
EURPLN	4.6916	CZKPLN	0.1928
USDPLN	4.4582	HUFPLN*	1.1336
EURUSD	1.0527	RUBPLN	0.0709
CHFPLN	4.7377	NOKPLN	0.4459
GBPPLN	5.4400	DKKPLN	0.6306
USDCNY	6.9712	SEKPLN	0.4298

\*for 100HUF

Last session in the FX market						07/12/2022
	min	max	open	close	fixing	
EURPLN	4.6847	4.7059	4.6868	4.6903	4.6968	
USDPLN	4.4525	4.4934	4.4786	4.4650	4.4834	
EURUSD	1.0441	1.0549	1.0466	1.0502	-	

**Interest rate market** 07/12/2022

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.78	-11
DS0727 (5Y)	6.69	-14
DS0432 (10Y)	6.54	-9

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.17	-10	5.08	-4	2.69	-5
2L	6.60	-11	4.57	-9	2.80	-2
3L	6.09	-12	4.09	-10	2.69	-2
4L	5.79	-15	3.80	-11	2.61	-2
5L	5.64	-14	3.64	-10	2.56	-2
8L	5.52	-14	3.42	-9	2.52	-1
10L	5.55	-14	3.37	-9	2.54	0

**WIBOR rates**

Term	%	Change (bps)
O/N	6.67	-3
T/N	6.76	5
SW	6.88	1
2W	6.90	-1
1M	7.02	3
3M	7.19	-1
6M	7.36	-2
1Y	7.53	-2

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	7.13	-5
3x6	7.11	-8
6x9	7.00	-13
9x12	6.63	-17
3x9	7.28	-5
6x12	7.07	-13

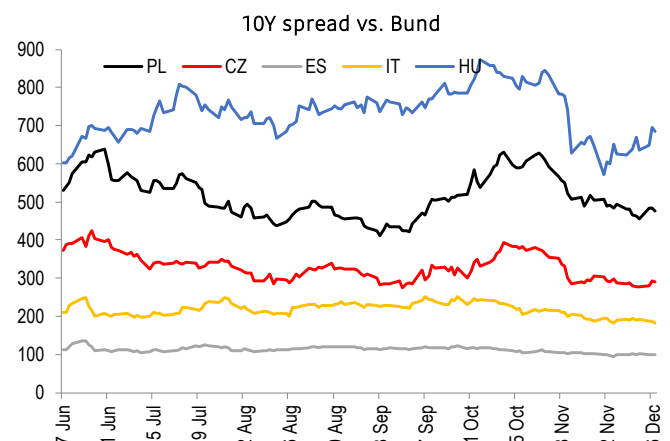
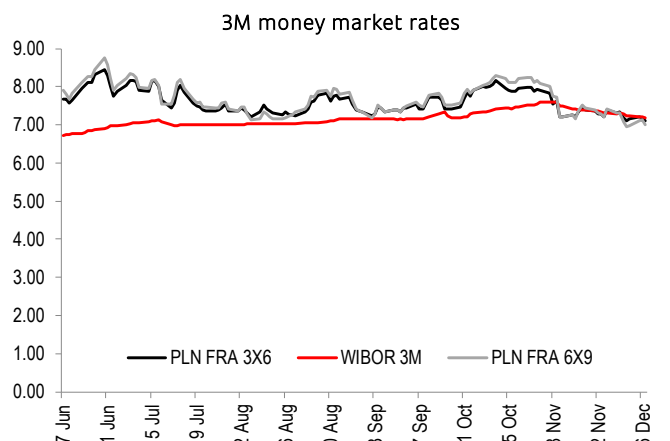
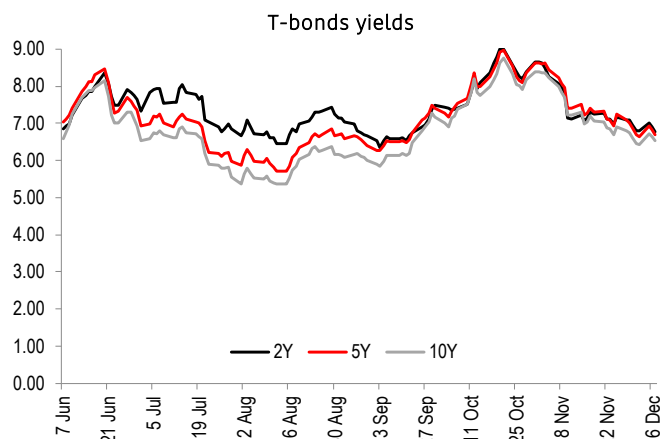
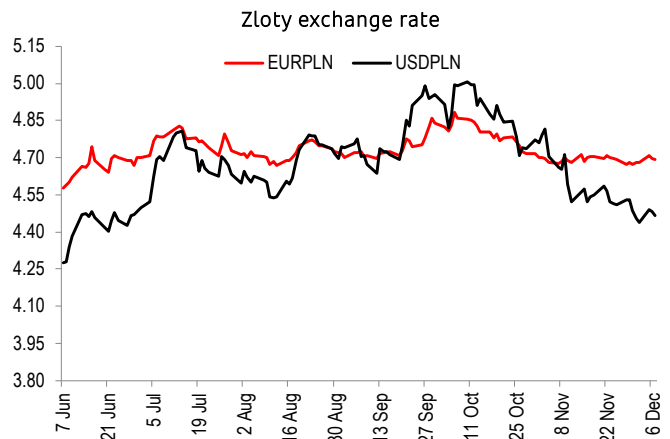
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	120	0	475	-8
France	15	0	46	0
Hungary	208	0	685	-11
Spain	50	-2	99	-1
Italy	50	-2	183	-4
Portugal	38	0	91	-1
Ireland	18	0	45	0
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		
<b>FRIDAY (2 December)</b>							
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
<b>MONDAY (5 December)</b>							
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
<b>TUESDAY (6 December)</b>							
08:00	DE	Factory Orders	Oct	% m/m	0.0	0.8	-2.9
<b>WEDNESDAY (7 December)</b>							
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	3.1	8.3
09:00	HU	Industrial Production SA	Oct	% y/y	9.4	5.9	11.6
11:00	EZ	GDP SA	3Q	% y/y	2.1	2.3	4.2
	PL	<b>MPC decision</b>		%	<b>6.75</b>	<b>6.75</b>	<b>6.75</b>
<b>THURSDAY (8 December)</b>							
09:00	HU	CPI	Nov	% y/y	22.1	-	21.1
14:30	US	Initial Jobless Claims		k	230	-	225
15:00	PL	<b>NBP president's press conference</b>					
<b>FRIDAY (9 December)</b>							
14:00	PL	<b>MPC minutes</b>	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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