

9 December 2022

# Eyeopener

## Interest rates at appropriate level

NBP president: interest rates are at appropriate level  
Today, MPC minutes, US data on PPI and Michigan index  
Zloty slightly stronger, yields declined again

**Today**, we will get to see the minutes of the November MPC meeting. We do not expect the document to shed new light on monetary policy. Also today US data: the University of Michigan consumer confidence index and PPI inflation. The latter may be particularly important, affecting market expectations about the Fed's policy outlook.

**November inflation in Hungary** came in at 22.5% y/y, slightly above expectations. This was probably not the end of the inflation rise in Hungary, it will be boosted in December by, among other things, the removal of the cap on fuel prices. Meanwhile, the National Bank of Hungary left the 1-day interest rate unchanged. It currently stands at 18%. The weekly data on the **US new jobless claims** was in line with expectations.

**NBP president Adam Glapiński** during the press conference sent a clear signal: the central bank thinks that the current interest rate level is adequate and is eagerly waiting for the right moment to announce that the tightening cycle is over. At the moment the cycle has been "suspended", not terminated. But the bar for additional rate hikes seems to be set very high. The NBP governor suggested that the MPC may discuss ending the cycle in March, before even seeing the February's CPI peak print, which means that the surprise from the data in the following months would have to be massive to change its position again. We think main interest rates in Poland will remain unchanged until the end of 2023, at least. We wrote more on that in the [Comment](#).

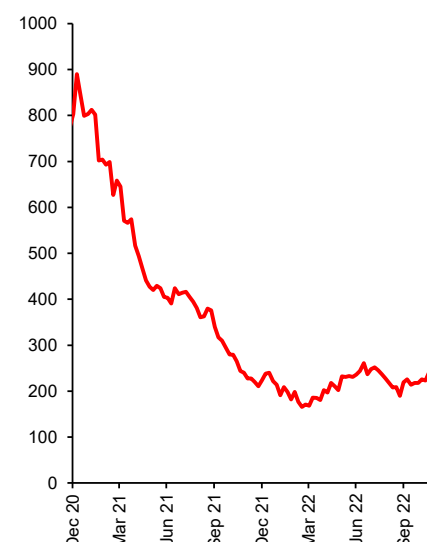
**EURUSD** rose from 1.05 to about 1.055. Today, the factor that is likely to further work against the dollar will be the publication of US producer inflation data, which may show a weakening of inflationary pressures overseas.

**EURPLN** moved closer to 4.68 from around 4.69. The press conference of the NBP president did not surprise markets. Further interest rate hikes are theoretically possible should inflation materially surprise upward relative to the NBP's projections. This prospect is distant enough that the zloty should remain under the dominant influence of global markets in the coming days.

**Other CEE currencies:** EURCZK remained close to the 24.30 level. CNB Deputy Chair Eva Zamrazilova believes that the current level of interest rates in the Czech Republic is sufficient, but she did not rule out further rate hikes after the new year, in case wage pressures grow stronger than the central bank's expectations. In her view, however, this is unlikely. In the baseline scenario, inflation should return to single-digit levels in 2Q and 3Q next year. EURHUF rose above 417 from around 410. A higher-than-expected reading of Hungary's main measure of inflation, inconsistent with trends seen in the region and the world, spooked investors. Markets are concerned that Hungary's key interest rate may be too low in this situation, all the more so in light of the fuel shortages the country has seen in recent days, which forced the government's express lifting of limits on its prices. This could further drive inflation upward in the months ahead.

**Debt market:** Domestic yield curve fell by around 5 bp on average. NBP governor Glapinski's conference did not significantly affect the perception of market, which was anticipating a dovish speech. In the core markets, yield curves remained stable, but if today's US producer inflation turns out to be significantly lower than a month earlier, the downward movement in yields observed in recent days may continue in both the US and Europe.

Weekly initial jobless claims, thousands



Source: Refinitiv Datastream, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
**Piotr Bielski** +48 691 393 119  
**Jarosław Kosatý** +48 887 842 480  
**Marcin Luzziński** +48 510 027 662  
**Grzegorz Ogonek** +48 609 224 857

## FX market

### Today's opening

EURPLN	4.6808	CZKPLN	0.1923
USDPLN	4.4270	HUFPLN*	1.1336
EURUSD	1.0570	RUBPLN	0.0711
CHFPLN	4.7395	NOKPLN	0.4449
GBPPLN	5.4257	DKKPLN	0.6291
USDCNY	6.9471	SEKPLN	0.4294

\*for 100HUF

### Last session in the FX market 08/12/2022

	min	max	open	close	fixing
EURPLN	4.6793	4.7001	4.6911	4.6843	4.6976
USDPLN	4.4320	4.4810	4.4682	4.4412	4.476
EURUSD	1.0488	1.0564	1.0502	1.0550	-

## Interest rate market 08/12/2022

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.76	-2
DS0727 (5Y)	6.61	-8
DS0432 (10Y)	6.48	-6

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	7.21	5.10	2.76
2L	6.60	4.61	2.83
3L	6.07	4.14	2.75
4L	5.76	3.89	2.64
5L	5.58	3.72	2.60
8L	5.45	3.50	2.53
10L	5.47	3.44	2.55

## WIBOR rates

Term	%	Change (bps)
O/N	6.69	2
T/N	6.78	2
SW	6.87	-1
2W	6.90	0
1M	6.99	-3
3M	7.18	-1
6M	7.33	-3
1Y	7.48	-5

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

Term	%	Change (bps)
1x4	7.17	4
3x6	7.18	7
6x9	7.03	3
9x12	6.68	5
3x9	7.31	3
6x12	7.12	5

## Measures of fiscal risk

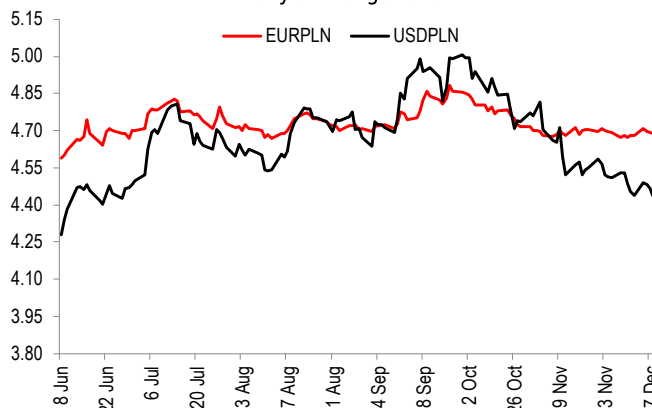
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	117	466
France	15	48
Hungary	204	706
Spain	53	101
Italy	53	188
Portugal	38	94
Ireland	17	46
Germany	14	-

\* 10Y treasury bonds over 10Y Bunds

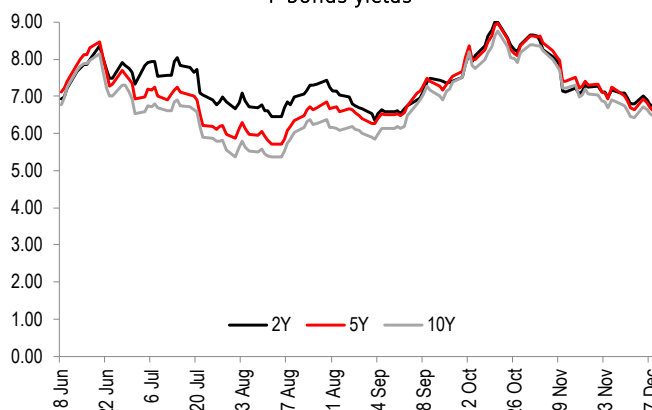
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

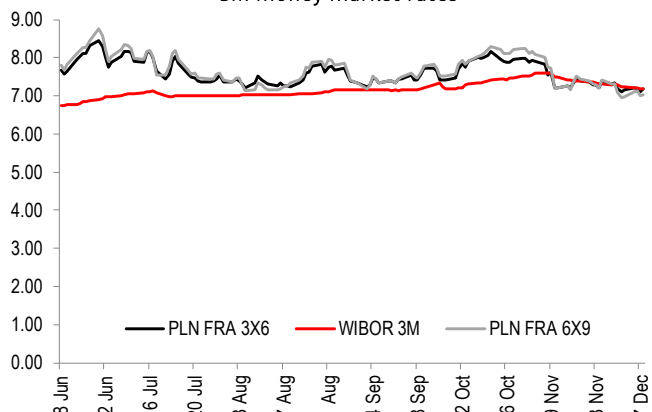
## Zloty exchange rate



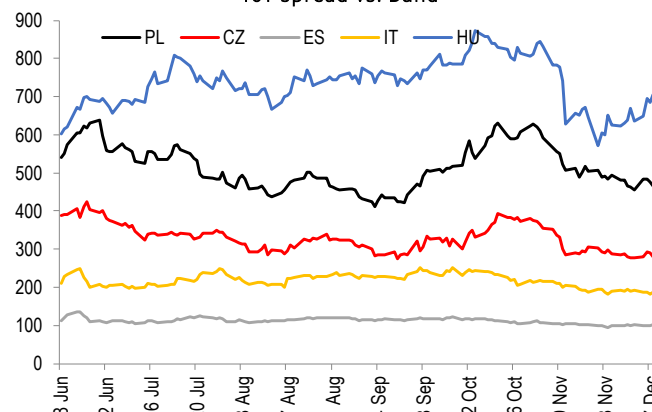
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
					MARKET	SANTANDER	VALUE	VALUE*
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		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	MPC decision		%	6.75	6.75	6.75	6.75
THURSDAY (8 December)								
09:00	HU	CPI	Nov	% y/y	22.1		22.5	21.1
14:30	US	Initial Jobless Claims		k	230		229	226
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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Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.