

13 December 2022

Eyeopener

US inflation in the spotlight today

Today US CPI inflation for November, session of Polish lower chamber of parliament starts
Higher-than-expected Czech CPI triggered yield rise in the CEE region
Zloty stable, domestic yields higher

No significant domestic data **today**. Abroad, in the morning we got to see the final German HICP inflation reading for November, which, however, failed to surprise as compared to the preliminary reading (the first decline in y/y inflation since June, to 11.3% from 11.6%). Later in the day, the ZEW index from Germany and the euro zone is due for release, and then, with the start of US trading, the November CPI inflation reading, the moves of which have been one of the key factors in setting trends on global debt markets in recent months. US CPI inflation has been declining since the middle of the year and market expectations clearly point to a further decline. More important for markets may be whether core inflation falls for a second time in a row in y/y terms. Also today, the EU General Affairs Council is scheduled to hold its annual rule of law debate, including a look at the situation in Poland. Domestically, the Sejm is set to start its session, where, among other things, a no-confidence motion against Justice Minister Zbigniew Ziobro is to be voted on (according to the plan, the vote will be held at 21:45 CET).

The **European Commission has signed the operational arrangements for the Polish Recovery Plan**. These set out the evidence needed to demonstrate that the various milestones and intermediate targets have been achieved and how cooperation with each Member State will look to monitor the implementation of each Recovery Plan. This is the next step towards the disbursement of funds from the Recovery Fund. Formally it is necessary to submit a payment claim, but certain conditions must still be met in order for Poland to receive the funds. According to the Ministry of Funds and Regional Policy, only changes in the wind farm law condition remains to be met to make Poland eligible for the first disbursement of €4bn. The government can actually work on amending this law today, and the Sejm session starting also today provides an opportunity for a quick enactment.

MPC member Cezary Kochalski told Biznes 24 tv station that he considers the current level of rates to be adequate, and that the Council sees signs that the already applied rate hikes are starting to reduce inflation. In his view, rate cuts are already on the horizon, but given the high current inflation, this should be a background issue for now.

Office of Electronic Communications (UKE) has announced the start of the consultation process for the auction documentation of one of the 5G network bands for 20 December. Finalising this process in the form of an auction could be an additional source of state budget revenue.

EURUSD fluctuated in the 1.05 - 1.06 zone eventually ending the day closer to its lower ceiling. The sentiment worsened after reports that COVID-19 cases are on the rise in China.

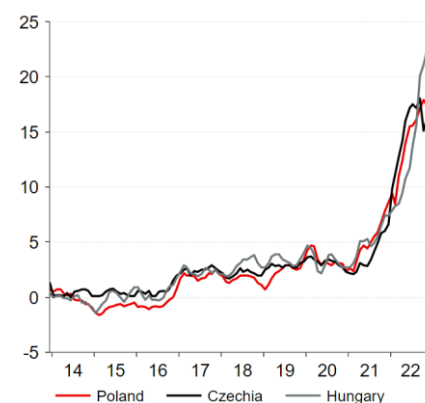
EURPLN continues to consolidate in the 4.68 - 4.70 zone, a situation that may continue at least until tomorrow's conference by Fed chief Jarome Powell. On the way, there are still potentially important political events (domestically, a vote of no confidence in the minister of justice, signals of convergence of the positions of Poland and the EC on the disbursement of funds for the implementation of the national recovery plan).

Other CEE currencies: EURCZK rose from 24.29 to around 24.31. The Czech koruna weakened after a higher-than-expected inflation reading. Despite a significant increase in the headline index, core inflation fell from 14% y/y to 13.8% y/y. According to the CNB, this is the result of gradually weakening pressure from foreign producer prices and demand. According to the central bank's forecasts, inflation in Czechia may still rise in the coming months before peaking in 1Q23. Without administrative price-cutting measures, the headline CPI would have been 3.6 percentage points higher. **EURHUF** fell to 415 from around 416, but tried to test the 420 area during the day. The forint's high volatility is a result of market speculation about the final battle for EU funds, both from the national recovery plan and the EU budget perspective.

Debt market: Domestic yield curve rebounded by about 10 bps (the middle of the curve moved to a lesser extent). Expectations in the longer-dated FRA market also rose. The pretext for the unwinding was a higher-than-expected inflation reading in Czechia. US yields also rose, after Friday's University of Michigan consumer sentiment reading proved higher than expected.

We have published **MACROscope** – "2023 Outlook: Running down that hill" in which we cover key economic and market issues regarding next year and present our new forecasts.

Inflation in CEE3 (% y/y)



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4.6862 | CZKPLN | 0.1924 |
| USDPLN | 4.4392 | HUFPLN* | 1.1174 |
| EURUSD | 1.0557 | RUBPLN | 0.0705 |
| CHFPLN | 4.7510 | NOKPLN | 0.4450 |
| GBPPLN | 5.4631 | DKKPLN | 0.6294 |
| USDCNY | 6.9776 | SEKPLN | 0.4305 |

*for 100HUF

Last session in the FX market 12.12.2022

| | min | max | open | close | fixing |
|--------|--------|--------|--------|--------|--------|
| EURPLN | 4.6822 | 4.6983 | 4.6853 | 4.6908 | 4.6912 |
| USDPLN | 4.4319 | 4.4639 | 4.4563 | 4.4477 | 4.4424 |
| EURUSD | 1.0507 | 1.0579 | 1.0514 | 1.0543 | - |

Interest rate market 12.12.2022

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| PS1024 (2Y) | 6.92 | 13 |
| DS0727 (5Y) | 6.65 | 4 |
| DS0432 (10Y) | 6.60 | 12 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 7.29 | 7 | 5.14 | 2 | 2.81 | 4 |
| 2L | 6.75 | 10 | 4.67 | 3 | 2.92 | 5 |
| 3L | 6.21 | 12 | 4.21 | 3 | 2.85 | 9 |
| 4L | 5.85 | 11 | 3.97 | 3 | 2.77 | 7 |
| 5L | 5.67 | 11 | 3.83 | 2 | 2.70 | 4 |
| 8L | 5.50 | 10 | 3.62 | 3 | 2.62 | 2 |
| 10L | 5.51 | 9 | 3.58 | 2 | 2.62 | 1 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 6.56 | -7 |
| T/N | 6.68 | -11 |
| SW | 6.87 | -1 |
| 2W | 6.90 | 1 |
| 1M | 6.98 | -1 |
| 3M | 7.14 | -2 |
| 6M | 7.27 | -3 |
| 1Y | 7.40 | -3 |

FRA rates on the interbank market**

| Term | % | Change (bps) |
|------|------|--------------|
| 1x4 | 7.13 | -3 |
| 3x6 | 7.17 | 0 |
| 6x9 | 7.11 | 3 |
| 9x12 | 6.85 | 2 |
| 3x9 | 7.28 | 0 |
| 6x12 | 7.24 | -2 |

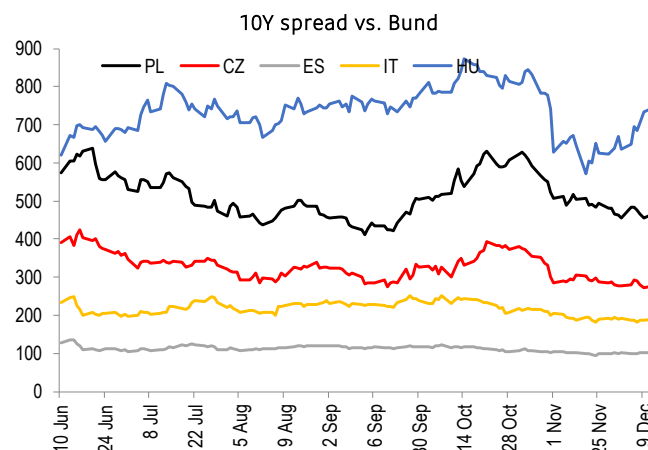
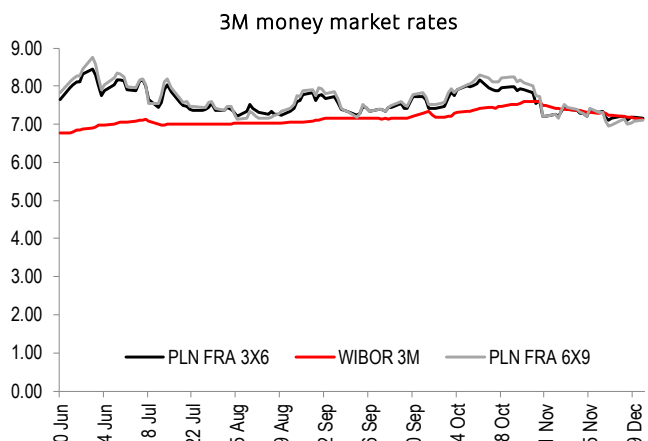
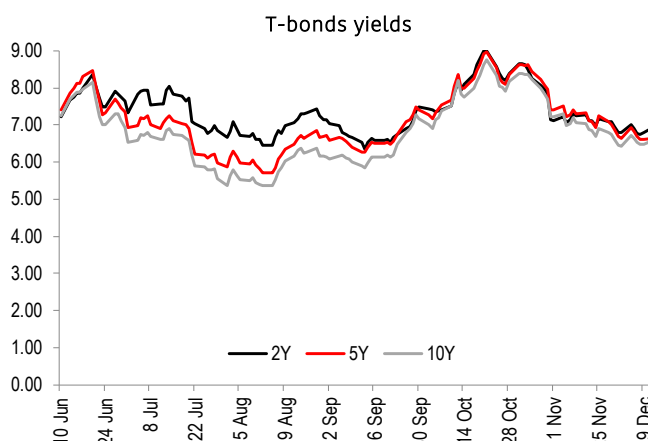
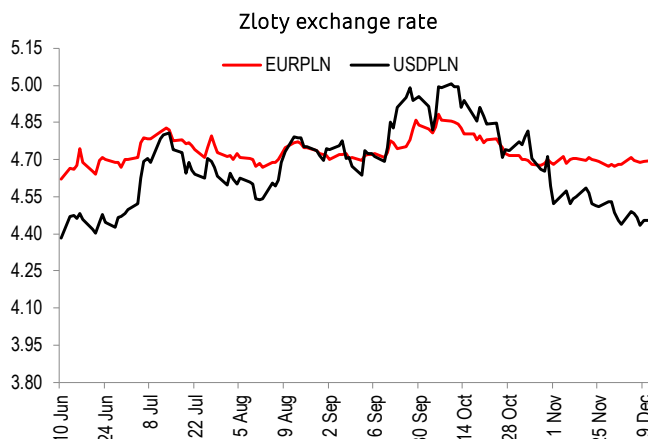
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 117 | 0 | 466 | 11 |
| France | 15 | 0 | 47 | 1 |
| Hungary | 202 | -2 | 744 | 10 |
| Spain | 53 | 0 | 103 | 1 |
| Italy | 53 | 0 | 189 | 1 |
| Portugal | 38 | 0 | 94 | 1 |
| Ireland | 19 | 1 | 47 | 1 |
| Germany | 15 | 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 | | |
| MONDAY (12 December) | | | | | | | |
| 09:00 | CZ | CPI | Nov | % y/y | 15.5 | 16.2 | 15.1 |
| TUESDAY (13 December) | | | | | | | |
| 08:00 | DE | HICP | Nov | % m/m | 0.0 | 0.0 | 1.1 |
| 11:00 | DE | ZEW Survey Current Situation | Dec | pts | -57.5 | - | -64.5 |
| 14:30 | US | CPI | Nov | % m/m | 0.3 | - | 0.4 |
| WEDNESDAY (14 December) | | | | | | | |
| 11:00 | EZ | Industrial Production SA | Oct | % m/m | -1.2 | - | 0.9 |
| 14:00 | PL | Current Account Balance | Oct | €mn | -796 | -1578 | -1561 |
| 14:00 | PL | Trade Balance | Oct | €mn | -2316 | -2599 | -2054 |
| 14:00 | PL | Exports | Oct | €mn | 28072 | 28264 | 28498 |
| 14:00 | PL | Imports | Oct | €mn | 30392 | 30863 | 30552 |
| 20:00 | US | FOMC decision | | | 4.50 | - | 4.00 |
| THURSDAY (15 December) | | | | | | | |
| 10:00 | PL | CPI | Nov | % y/y | 17.4 | 17.4 | 17.9 |
| 14:15 | EZ | ECB Main Refinancing Rate | | % | 2.50 | - | 2.00 |
| 14:30 | US | Initial Jobless Claims | week | k | 230 | - | 230 |
| 14:30 | US | Retail Sales Advance | Nov | % m/m | 0.0 | - | 1.3 |
| 15:15 | US | Industrial Production | Nov | % m/m | 0.2 | - | -0.1 |
| FRIDAY (16 December) | | | | | | | |
| 09:30 | DE | Germany Manufacturing PMI | Dec | pts | 46.2 | - | 46.2 |
| 09:30 | DE | Markit Germany Services PMI | Dec | pts | 46.3 | - | 46.1 |
| 10:00 | EZ | Eurozone Manufacturing PMI | Dec | pts | 47.1 | - | 47.1 |
| 10:00 | EZ | Eurozone Services PMI | Dec | pts | 48.5 | - | 48.5 |
| 11:00 | EZ | HICP | Nov | % y/y | 10.0 | - | 10.6 |
| 14:00 | PL | CPI Core | Nov | % y/y | 11.3 | 11.2 | 11.0 |

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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