

14 December 2022

Eyeopener

Time for the move by Fed

Today Polish Balance of payments data, Eurozone industrial output, FOMC decision
US CPI inflation fell more than had been expected in November
Zloty remained stable, domestic yields went down

Today a set of October data from Poland and the euro area. We will get to see Polish current account data (we expect a significantly larger deficit than consensus), including data on exports and imports. From abroad, Eurozone industrial production will be published before noon and in the evening, the main event of the day will be held: the Fed meeting and the press conference of Jerome Powell, with new forecasts and a new iteration of the so-called dot plot showing the FOMC members' rate forecasts for the coming years. We expect the key interest rate to be raised by 50bp and the Fed to signal its willingness to continue monetary tightening, but at a slower pace than 75bp applied at previous meetings, due to signs of gradually waning inflationary pressures. Powell is likely to stress, however, that the fight against inflation is not over yet.

Yesterday the **Sejm** rejected a motion of no confidence against the minister of justice, a staunch critic of the EU. At the same time, a draft of a new law on the Supreme Court has emerged, apparently in line with what is required by the European Commission to recognise that Poland has met the requirements for the Recovery Fund disbursement. The adoption of this law by the parliament and the president's signature will be a major step towards unlocking EU payments for Poland's Recovery Plan.

US CPI inflation fell in November to 7.1% y/y vs expected of 7.3% and 7.7% previously in October. Core inflation fell to 6%, against expectations of 6.1% and 6.3% y/y a month earlier. The main reason for the further retreat in inflation was the fall in energy commodity prices (-1.6% m/m vs. +1.8% m/m a month earlier), which also translated into other components including fuel prices, transport, cost of living. Services prices excluding energy rose by 6.8% y/y, much more than core inflation (6%), which was the highest rate since June 1982. In our view, this indicates that the Fed will need to tighten monetary policy further to cool consumption.

The **German ZEW** analysts' sentiment index rose in December to -23.3 pts against expectations of -26.4 pts and -36.7 pts recorded previously. The ZEW index for the euro area rebounded to -23.6 pts from -38.7 pts. The short-term interest rate expectations measured in the survey fell to their lowest level since March this year, while long-term rate expectations rose slightly from the November reading.

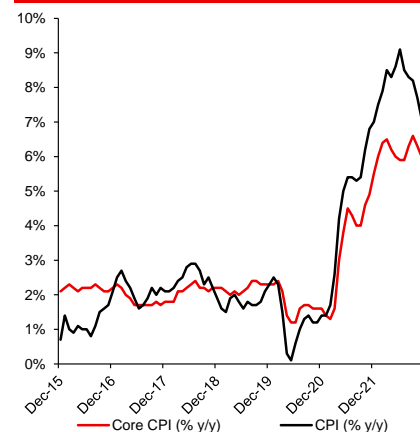
EURUSD broke out above the 1.06 level from the area closer to 1.05. The weaker-than-expected US inflation reading had a downward effect on expectations for US rate hikes, which clearly moved away from the 5% area near which it had been oscillating in recent weeks.

EURPLN continued to remain in the 4.68 - 4.70 zone, albeit moving closer to lower levels after weaker inflation data from the US. For a more pronounced strengthening of the zloty, not only an even weaker dollar is needed, but also positive signals on the prospects of the EC unblocking the Polish Recovery Plan-related payments.

Other CEE currencies: EURHUF fell below 411 from around 415. The forint was helped by news that Hungary withdrew its opposition to a minimum corporate tax and aid to Ukraine, which the market read as part of a possible agreement with the EC on the RRF and EU funds. EURCZK fell from around 24.31 to below the 24.30 level. CNB's Oldřich Džedek stated that a recession in Czechia is certain and the only question is how deep it will be. It is too early, however, to talk about rate cuts. In his view, inflation is already close to its peak, but a gradual decline in core inflation is a condition for no rate changes at the next February meeting.

Debt market: Domestic yield curve fell by about 11 bps on average. The signal for debt strengthening came from abroad. A lower CPI inflation reading from the US, reversed attempts by domestic yields to rebound after recent inflation readings from Hungary and Czechia, which surprised with renewed increases in November.

CPI inflation in the USA (% y/y)



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.6978	CZKPLN	0.1924
USDPLN	4.4232	HUFPLN*	1.1352
EURUSD	1.0623	RUBPLN	0.0699
CHFPLN	4.7540	NOKPLN	0.4510
GBPPLN	5.4597	DKKPLN	0.6294
USDCNY	6.9540	SEKPLN	0.4315

*for 100HUF

Last session in the FX market 13.12.2022

	min	max	open	close	fixing
EURPLN	4.6823	4.7003	4.6877	4.6849	4.6945
USDPLN	4.3936	4.4592	4.4439	4.4067	4.4527
EURUSD	1.0526	1.0673	1.0550	1.0627	-

Interest rate market 13.12.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.78	-14
DS0727 (5Y)	6.56	-9
DS0432 (10Y)	6.49	-11

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.18	-11	5.03	-11	2.77	-3
2L	6.66	-9	4.52	-15	2.88	-4
3L	6.12	-9	4.08	-13	2.79	-6
4L	5.79	-7	3.83	-14	2.72	-5
5L	5.61	-6	3.70	-13	2.68	-1
8L	5.44	-6	3.52	-10	2.62	0
10L	5.46	-6	3.47	-10	2.63	1

WIBOR rates

Term	%	Change (bps)
O/N	6.55	-1
T/N	6.63	-5
SW	6.86	-1
2W	6.89	-1
1M	6.99	1
3M	7.10	-4
6M	7.24	-3
1Y	7.38	-2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.10	-3
3x6	7.12	-5
6x9	7.12	1
9x12	6.81	-4
3x9	7.22	-7
6x12	7.17	-7

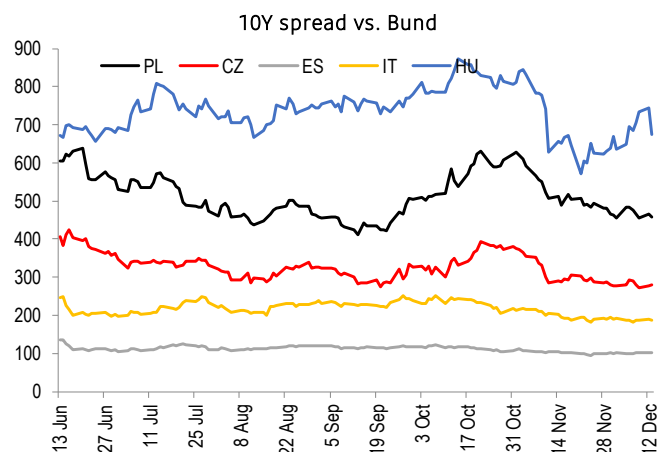
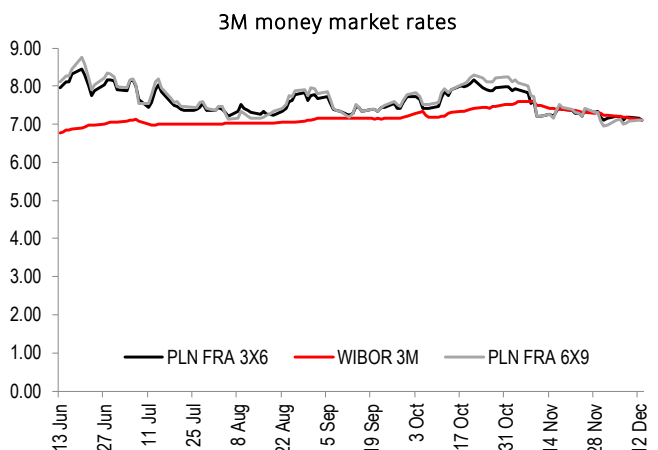
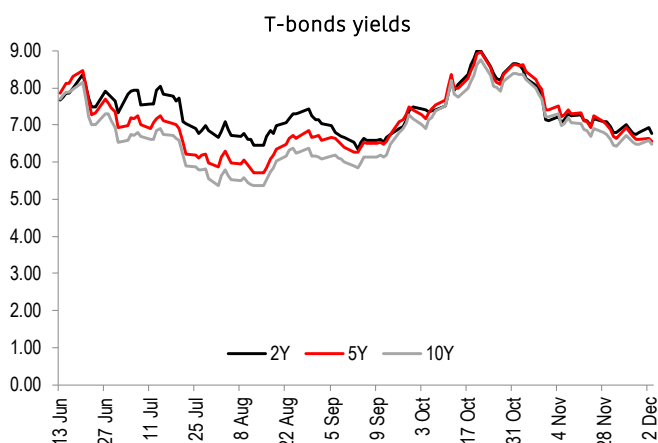
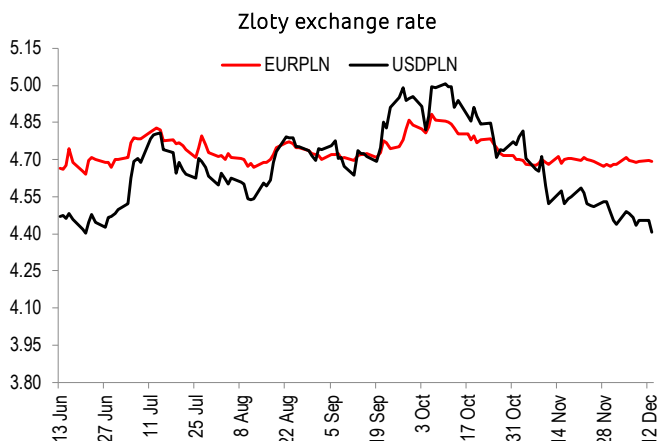
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	117	0	458	-8
France	15	0	49	2
Hungary	202	0	674	-70
Spain	53	0	102	-1
Italy	53	0	188	-1
Portugal	38	0	93	-1
Ireland	19	0	48	1
Germany	15	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		
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		-61.4	-64.5
14:30	US	CPI	Nov	% m/m	0.3		0.1	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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