

Eyeopener

Polish MPC decides on rates today

Today MPC decision, services PMIs
 German inflation much below forecasts
 Zloty lost somewhat, as did the euro, domestic bond yields kept falling

Today, locally the most important event is the MPC meeting, but it is not expected to be particularly interesting, with analysts unanimously assuming that interest rates will remain unchanged. In December, the NBP president suggested that changes in the Council's approach might occur after the March projection, which means wait-and-see type of stance for the time being. It is worth noting that at the March meeting, however, the MPC will not yet know the February reading, which is likely to mark the peak of inflation for the year, so it will not see a drop in CPI inflation either. The MPC has reverted to a two-day meeting mode and we hope that this will result in rate decisions being announced earlier than in previous months.

Abroad, **services PMI indices** for the major economies are due today, the ISM index for US manufacturing and the FOMC minutes from the December meeting.

Inflation in Germany declined markedly in December and was below forecasts. CPI fell to 8.6% y/y from 10.0% y/y and HICP to 9.6% y/y from 11.3% y/y. Goods, especially the energy-related ones, were mainly responsible for the decline, but at the same time prices for services rose faster, and core inflation was also up.

After 11 months of the year, **local government** units recorded a surplus of PLN14.2bn, slightly lower than after September (PLN14.9bn). We expect that in the last month of the year, this surplus will still decrease significantly and the sector will close the year with a result of around PLN5bn. We estimate the deficit of the entire general government sector for 2022 at 2.6% of GDP.

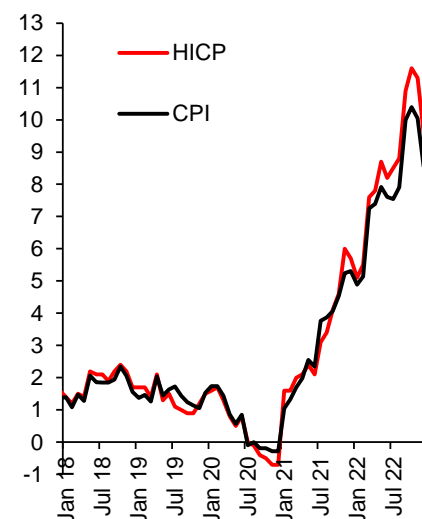
Low inflation data from Germany weakened the euro against the dollar, so that the **EURUSD** exchange rate decreased during the day to 1.052. Later, there was a slight rebound and the currency pair ended the day in the vicinity of 1.055. Today, important for the exchange rate may be data on services PMI and ISM indicators and the minutes of the December FOMC meeting.

EURPLN rose slightly on Tuesday and broke through 4.68. The zloty was hurt by the strengthening of the dollar against the euro. However, at the end of the day, the zloty strengthened slightly and the exchange rate ended the session in the vicinity of 4.675. We do not expect the MPC meeting to have an impact on the zloty; Thursday's inflation data and the conference of the NBP president are likely to be more important.

Other CEE currencies: the **Czech koruna** strengthened, with the EURCZK exchange rate falling from around 24.15 to 24.07. The **forint**, in turn, weakened against the euro during the day, but eventually the EURHUF exchange rate ended the session at 400 - below the opening level. The Hungarian National Bank left the 1-day deposit rate unchanged (18.00%).

The strong fall in German inflation was positive for the global **debt market**, including the Polish yield curve. Polish government bond yields fell by around 20 basis points along the curve. A further impulse for the domestic debt market could come on Thursday.

Inflation in Germany, % y/y



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.6750	CZKPLN	0.1928
USDPLN	4.4212	HUFPLN*	1.1688
EURUSD	1.0578	RUBPLN	0.0619
CHFPLN	4.7340	NOKPLN	0.4404
GBPPLN	5.3064	DKKPLN	0.6281
USDCNY	6.8878	SEKPLN	0.4197

*for 100HUF

Last session in the FX market 03.01.2023

	min	max	open	close	fixing
EURPLN	4.6653	4.6866	4.6655	4.6766	4.68
USDPLN	4.3732	4.4548	4.3772	4.4285	4.4373
EURUSD	1.0518	1.0667	1.0662	1.0556	-

Interest rate market 03.01.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.56	-13
DS0727 (5Y)	6.59	-17
DS0432 (10Y)	6.62	-17

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.22	-4	5.09	-3	3.18	-1
2L	6.79	-11	4.65	-5	3.30	-4
3L	6.32	-11	4.24	-5	3.18	-6
4L	6.10	-11	4.02	-10	3.09	-7
5L	5.99	-11	3.90	-11	3.05	-7
8L	5.89	-18	3.73	-10	2.99	-8
10L	5.95	-17	3.68	-15	2.99	-8

WIBOR rates

Term	%	Change (bps)
O/N	6.63	9
T/N	6.70	7
SW	6.84	-1
2W	6.85	0
1M	6.90	-2
3M	7.01	0
6M	7.13	-1
1Y	7.22	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.95	-1
3x6	7.08	-8
6x9	7.14	-8
9x12	6.89	-18
3x9	7.15	-9
6x12	7.10	-15

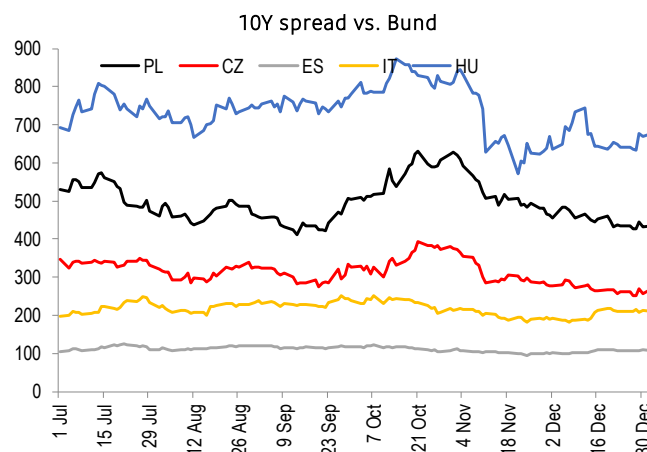
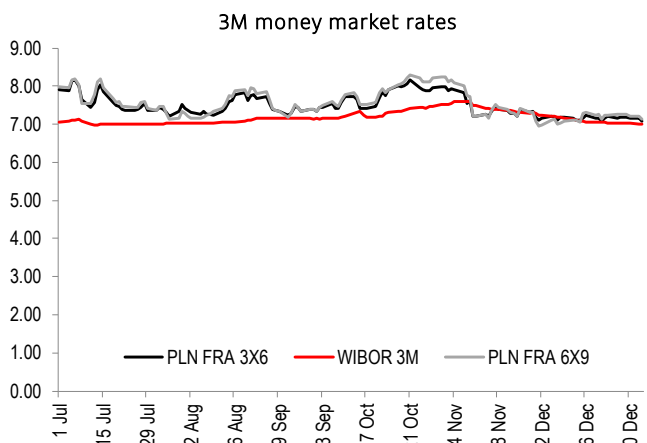
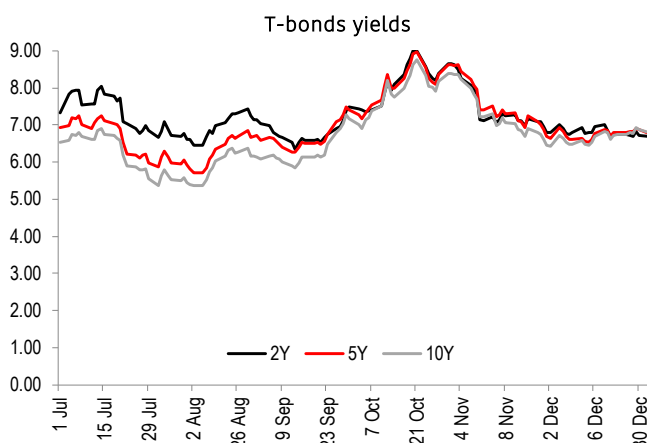
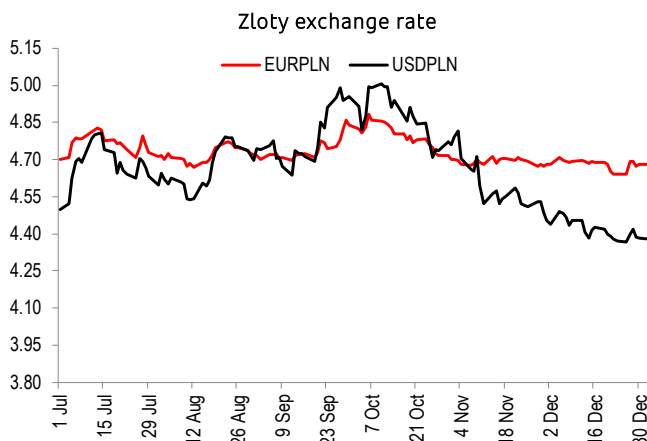
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	0	434	3
France	15	0	54	0
Hungary	202	0	678	10
Spain	55	0	108	-1
Italy	55	0	212	-2
Portugal	40	0	103	-1
Ireland	23	0	52	-4
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



Kalendarz wydarzeń i publikacji

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (30 December)								
No important data								
MONDAY (2 January)								
09:00	PL	PMI manufacturing	Dec	pts	44.0	43.7	45.6	43.4
09:55	DE	PMI manufacturing	Dec	pts	47.4	-	47.1	46.2
10:00	EZ	PMI manufacturing	Dec	pts	47.8	-	47.8	47.1
TUESDAY (3 January)								
14:00	DE	HICP inflation	Dec	% m/m	-0.5	-	-1.2	0.0
WEDNESDAY (4 January)								
	PL	MPC decision		%	6.75	6.75		6.75
09:55	DE	PMI services	Dec	pts	49.0	-		46.1
10:00	EZ	PMI services	Dec	pts	49.1	-		48.5
16:00	US	ISM manufacturing	Dec	pts	48.5	-		49.0
20:00	US	Minutes FOMC	14.12.2022					
THURSDAY (5 January)								
02:45	CN	PMI services	Dec	pts	46.8	-		46.7
08:00	DE	Export	Nov	% m/m	-0.5	-		0.8
10:00	PL	CPI inflation	Dec	% y/y	17.4	17.2		17.5
14:00	PL	MPC minutes	Dec					
14:15	US	ADP report	Dec	k	140	-		127.0
15:00	PL	NBP president's press conference						
FRIDAY (6 January)								
	PL	National holiday						
08:00	DE	Factory orders	Nov	% m/m	-0.5	-		0.8
08:00	DE	Retail sales	Nov	% m/m	1.5	-		-2.7
09:00	CZ	Industrial output	Nov	% y/y	-1.4	-		2.9
11:00	EZ	HICP flash	Dec	% y/y	9.6	-		10.0
11:00	EZ	Retail sales	Nov	% m/m	0.6	-		-1.8
11:00	EZ	ESI	Dec	pts	94.5	-		93.7
14:30	US	Non-farm payrolls	Dec	k	200	-		263.0
14:30	US	Unemployment rate	Dec	%	3.7	-		3.7
16:00	US	ISM services	Dec	pts	55.0	-		56.5
16:00	US	Factory orders	Nov	% m/m	-0.8	-		1.0

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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