

10 January 2023

Eyeopener

Domestic bond yields below 6%

Speeches by several central bankers today, US small business sentiment EURUSD broke above 1.07 but it was not enough for the zloty to strengthen Further serious decline in domestic yields

No key data releases **today**. In the US, there will be the December reading of the small business sentiment index, NFIB - market expects a small m/m decline (ISM indexes, covering large industrial and service companies, showed a decline in December to the lowest levels since mid-2020). The event that could make markets move will be the conference on central bank independence organised by the Swedish central bank. The heads of the Fed, the Bank of England, the Bank of Canada will speak there, and the ECB will be represented by Isabel Schnabel.

Among yesterday's data, **Hungarian industrial production** surprised by its inability to rebound after August's 3.6% m/m slump. As a result, its annual growth rate dropped from 5.0% to just 0.8%. The negative surprise was reinforced by the fact that the Hungarian manufacturing PMI had been growing the fastest of any such index in the world in recent months. The **unemployment rate in the euro area** remained at 6.5% in November - the lowest level recorded since these data have been collected (April 1998). The number of the unemployed was also the lowest ever. In contrast, the number of employed people was the highest on record. Signs of any weakness of the euro area labour market can only be traced so far to the meagre employment growth in 3Q22 (the smallest increase since 1Q21).

Ministry of Finance reported that the degree of pre-financing of the budget's gross borrowing needs for 2023, at the end of December, was 44%, and the balance of funds in budget accounts at the end of 2022 amounted to PLN118.4bn. A debt of PLN128.4bn remains to be redeemed in 2023, consisting of wholesale bonds worth PLN78bn, retail bonds worth PLN20.5bn and loans on foreign markets worth PLN29.2bn.

EURUSD rose to 1.075 from just above 1.06, continuing the upward trend that crystallised in the second half of Friday, a few hours after the US labour market data. Despite better-than-expected US employment data, markedly weaker wage data dispelled market expectations of a slower pace of inflation decline overseas and thus a higher Fed rate target.

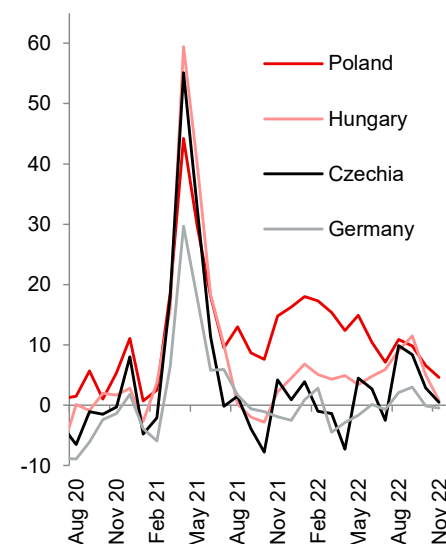
EURPLN rose slightly, but remains in the 4.67 - 4.70 zone. The exchange rate remains suspended between improving sentiment on European markets and falling interest rate expectations on the domestic FRA market.

Other CEE currencies: EURHUF rose from around 394 to around 396. The forint was hurt by weaker-than-expected industrial production data signalling a faster economic slowdown.

EURCZK rose to 23.99 from around 23.97.

Debt market: Domestic curve continued to decline along its entire length. Particularly strong shifts, by nearly 30bp, occurred in its middle part and also at the longer end. The domestic market remains under the dominant influence of the latest Polish inflation reading, which was significantly lower than the market consensus. The data encouraged investors to be bolder in pricing rate cuts into the longer end of the FRA market. This occurred despite the MPC's cautious stance on the issue.

Industrial output, % y/y



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4,6902	CZKPLN	0,1950
USDPLN	4,3722	HUFPLN*	1,1733
EURUSD	1,0727	RUBPLN	0,0629
CHFPLN	4,7386	NOKPLN	0,4403
GBPPLN	5,3083	DKKPLN	0,6305
USDCNY	6,7848	SEKPLN	0,4203

*for 100HUF

Last session in the FX market 09.01.2023

	min	max	open	close	fixing
EURPLN	4,6786	4,7015	4,6812	4,6971	4,697
USDPLN	4,3641	4,4048	4,3849	4,3657	4,401
EURUSD	1,0658	1,0760	1,0677	1,0757	-

Interest rate market 09.01.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5,98	-13
DS0727 (5Y)	5,73	-26
DS0432 (10Y)	5,85	-29

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6,88	-6	5,05	-5	3,19	3
2L	6,13	-16	4,47	-7	3,24	0
3L	5,55	-24	4,03	-4	3,07	0
4L	5,26	-28	3,79	-4	2,97	0
5L	5,09	-32	3,66	-4	2,91	1
8L	5,04	-29	3,48	-5	2,85	1
10L	5,08	-30	3,45	-5	2,86	0

WIBOR rates

Term	%	Change (bps)
O/N	6,50	-5
T/N	6,63	-11
SW	6,84	0
2W	6,85	0
1M	6,94	5
3M	6,96	-3
6M	7,08	-3
1Y	7,13	-6

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6,88	-1
3x6	6,92	1
6x9	6,74	-22
9x12	6,20	-13
3x9	6,93	-13
6x12	6,64	-39

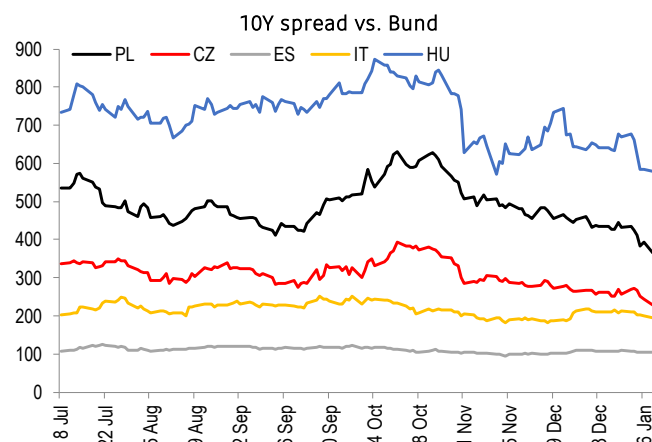
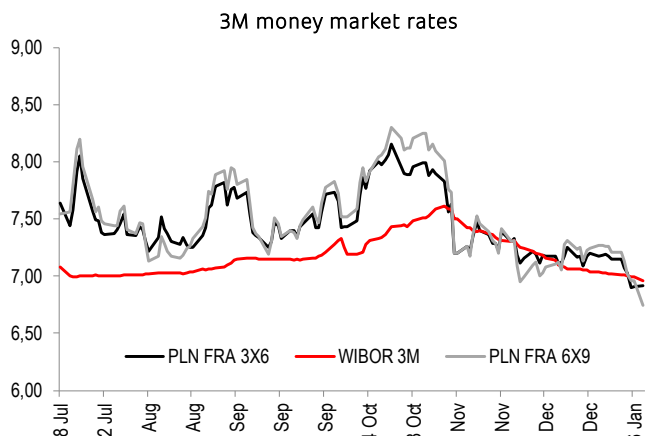
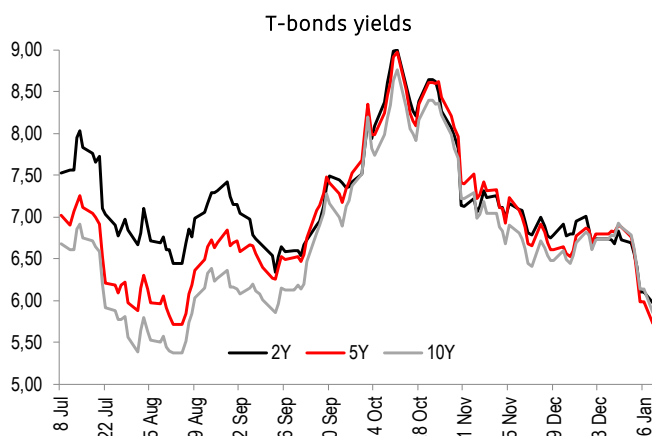
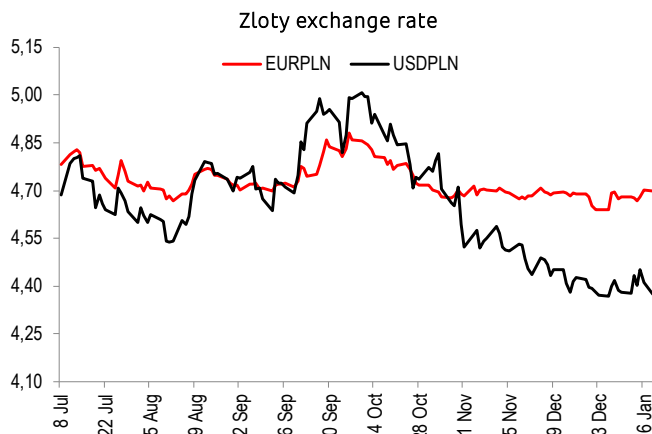
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	0	364	-30
France	15	0	50	-1
Hungary	214	0	580	-5
Spain	53	0	104	-1
Italy	50	-3	195	-5
Portugal	38	0	98	-4
Ireland	23	0	51	0
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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (6 January)								
08:00	DE	Factory Orders	Nov	% m/m	-0.5		-5.3	0.6
08:00	DE	Retail Sales	Nov	% m/m	1.5		1.1	-2.8
09:00	CZ	Industrial Production	Nov	% y/y	-1.5		0.5	2.9
11:00	EZ	Flash HICP	Dec	% y/y	9.5		9.2	10.1
11:00	EZ	Retail Sales	Nov	% m/m	0.5		0.8	-1.5
11:00	EZ	ESI	Dec	pct.	94.5		95.8	94.0
14:30	US	Change in Nonfarm Payrolls	Dec	k	200		223	256
14:30	US	Unemployment Rate	Dec	%	3.7		3.5	3.6
16:00	US	Durable Goods Orders	Nov	% m/m	-2.1		-2.1	-2.1
16:00	US	ISM services	Dec	pts	55.0		49.6	56.5
16:00	US	Factory Orders	Nov	% m/m	-1.0		-1.8	0.4
MONDAY (9 January)								
08:00	DE	Industrial Production SA	Nov	% m/m	0.3		0.2	-0.4
08:30	HU	Industrial Production SA	Nov	% y/y	4.1		0.8	5.0
09:00	CZ	GDP SA	3Q	% y/y	1.7		1.5	1.7
11:00	EZ	Unemployment Rate	Nov	%	6.5		6.5	6.5
TUESDAY (10 January)								
No key events or releases								
WEDNESDAY (11 January)								
09:00	CZ	CPI	Dec	% y/y	-		-	16.2
THURSDAY (12 January)								
14:30	US	CPI	Dec	% m/m	0.04		-	0.1
FRIDAY (13 January)								
08:30	HU	CPI	Dec	% y/y	-		-	22.5
10:00	PL	CPI	Dec	% y/y	16.6	16.6	-	17.5
11:00	EZ	Industrial Production SA	Nov	% m/m	-		-	-2.0
14:00	PL	Current Account Balance	Nov	€mn	-973.0	-486.0	-	-549.0
14:00	PL	Trade Balance	Nov	€mn	-2263.0	-2343.0	-	-2277.0
14:00	PL	Exports	Nov	€mn	29870.0	29995.0	-	28677.0
14:00	PL	Imports	Nov	€mn	32057.0	32338.0	-	30954.0
16:00	US	Michigan index	Jan	pts	60.25		-	59.7

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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