

11 January 2023

## Eyeopener

### Rebound in domestic debt market

Today, Czech inflation, Sejm session begins  
 World Bank trimmed economic growth forecasts for Poland and global economy  
 Zloty stable, EURUSD waiting for US inflation data  
 Polish bond yields rebounded

**Today**, the new session of the Polish Sejm is set to begin, during which work is due to start on a bill on the Supreme Court, crucial for unblocking EU funding for the Polish recovery plan. For a while in December, it seemed that the Polish authorities were determined to close the topic quickly. However, it turned out that the law negotiated with the EC does not have the support within the ruling coalition and, above all, from the President. Therefore, we are not currently counting on a fast track-type legislative effort and a positive resolution of this issue. Also today, there will be the December inflation reading in the Czech Republic - similarly to Poland, the last big slippage was due to the inclusion in the CPI of government sheltering measures against energy-related price increases. This time the market is split half-and-half on the direction of Czech inflation move.

**Sentiment among small businesses in the US** deteriorated markedly in December, as did that of large companies. The worse assessment of revenues and sales went hand in hand with a clear retreat in the price indices (describing current and planned own prices). Nevertheless, employment and wage indices improved slightly. **ECB's Isabel Schnabel** pointed out that inflation will not decrease on its own and a significant increase in interest rates, delivered at a steady pace, is still needed.

**The World Bank** revised its 2023 global GDP growth forecast to 1.7% from the 3.0% it had expected last June, with the caveat that the economic situation is fragile and little is needed to push the global economy into recession. The bank sees growth of 0.5% instead of 2.2% in the US this year, but left the forecast for the Eurozone at 1.9%. The GDP forecast for Poland was cut to 0.7% from 3.6%, and the forecast for 2024 was also trimmed (to 2.2% from 3.7%).

**MPC's Ludwik Kotecki** assessed that it is far too early to announce the end of interest rate rises, and that in the event of only a mild slowdown in Poland and the resulting continued price pressure, further monetary policy tightening may be needed. In his view, in addition to rate hikes, savings bonds issued by the NBP would come into play as a measure to tighten the policy. The MPC member stressed that the Council is not to be credited for the recently observed decline in inflation, as it influences with its decisions the core inflation - which has been on the rise.

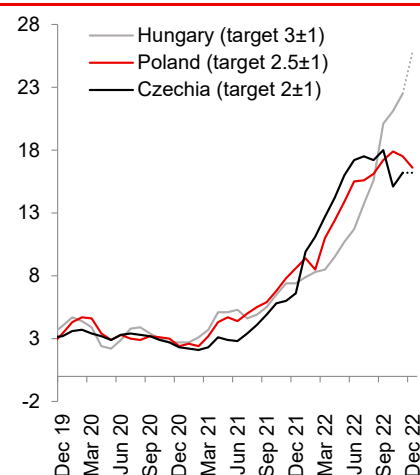
**EURUSD** held above the 1.07 level, support for the euro was provided by, among other things, ECB's I.Schnabel's comment on the need for further rate hikes. The exchange rate is waiting for Thursday's publication of the US CPI for December.

**EURPLN** fluctuated around the level of 4.69. The lack of major macroeconomic data publications from both the country and the world did not support the volatility of the exchange rate.

**Other CEE currencies:** EURHUF has been trying to return to the 400 area in recent days. EURCZK has fallen from around 23.99 to around 23.95. The focus of the Czech currency market is today's inflation publication. CNB Deputy Chair Eva Zamrazilova tried to downplay the importance of price inflation, pointing out that, while it is true that the central bank may resume rate hikes, the signal to do so may come primarily not from price increases themselves, but from convincing evidence of growing wage pressures in the Czech Republic. However, keeping rates at elevated levels for an extended period she considered as the most likely scenario.

**Debt market:** After a sharp strengthening of domestic debt, the domestic yield curve rebounded upward in the belly and long end, averaging about 22 bps. 10-year yields returned above the 6% level. Some upward unwinding also occurred at the longer end of the FRA curve. At this stage, the unwinding appears to be purely technical, as there were no new data releases that could significantly change the optics of the market.

CPI inflation, % y/y



Source: Bloomberg, Santander

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**FX market**

**Today's opening**

EURPLN	4.6906	CZKPLN	0.1953
USDPLN	4.3612	HUFPLN*	1.1648
EURUSD	1.0754	RUBPLN	0.0624
CHFPLN	4.7358	NOKPLN	0.4371
GBPPLN	5.3095	DKKPLN	0.6306
USDCNY	6.7720	SEKPLN	0.4189

\*for 100HUF

**Last session in the FX market 10/01/2023**

	min	max	open	close	fixing
EURPLN	4.6825	4.7006	4.6901	4.6902	4.6981
USDPLN	4.3540	4.3825	4.3673	4.3693	4.372
EURUSD	1.0710	1.0758	1.0741	1.0734	-

**Interest rate market 10/01/2023**

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.11	14
DS0727 (5Y)	5.94	21
DS0432 (10Y)	6.05	20

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.97	9	5.05	1	3.21	2
2L	6.28	14	4.50	2	3.27	3
3L	5.73	17	4.07	4	3.10	3
4L	5.45	19	3.83	4	3.01	4
5L	5.30	21	3.71	5	2.96	5
8L	5.24	20	3.56	8	2.91	6
10L	5.29	21	3.53	8	2.92	6

**WIBOR rates**

Term	%	Change (bps)
O/N	6.58	8
T/N	6.67	4
SW	6.84	0
2W	6.86	1
1M	6.94	0
3M	6.99	3
6M	7.07	-1
1Y	7.13	0

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

Term	%	Change (bps)
1x4	6.93	4
3x6	6.96	4
6x9	6.83	9
9x12	6.35	15
3x9	6.99	6
6x12	6.79	15

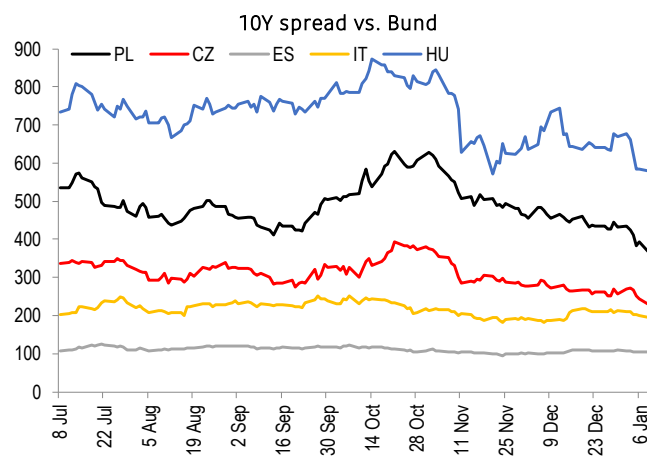
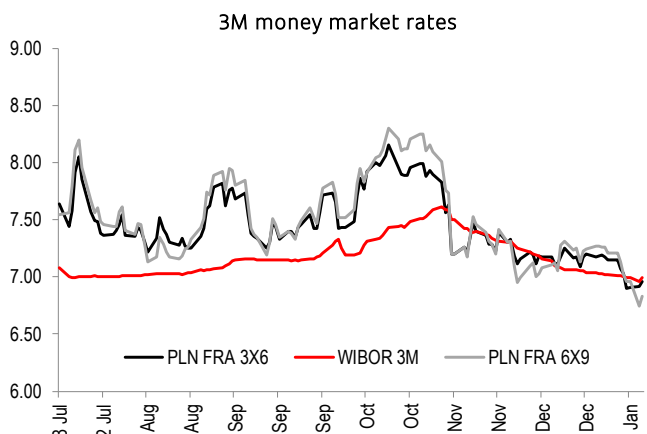
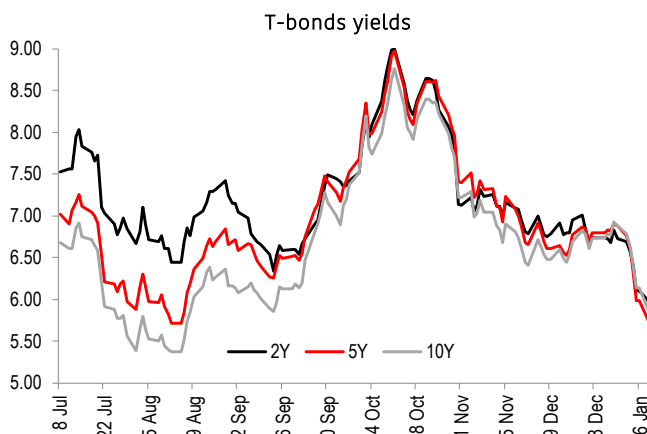
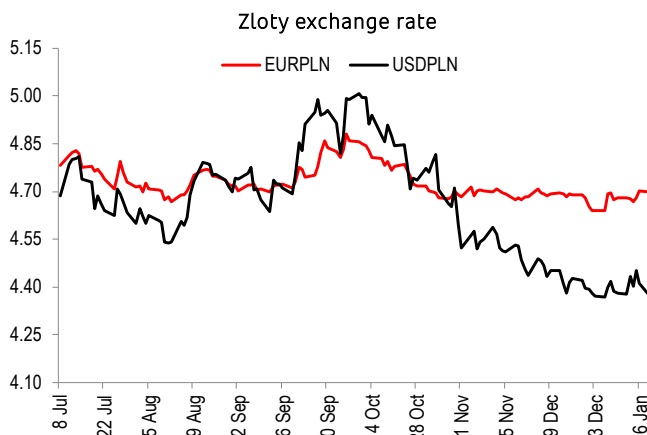
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	0	375	11
France	15	0	50	0
Hungary	214	0	567	-13
Spain	53	0	103	-2
Italy	50	0	191	-4
Portugal	38	0	96	-2
Ireland	23	0	48	-2
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		
<b>FRIDAY (6 January)</b>							
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
<b>MONDAY (9 January)</b>							
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
<b>TUESDAY (10 January)</b>							
No key events or releases							
<b>WEDNESDAY (11 January)</b>							
09:00	CZ	CPI	Dec	% y/y	16.2	-	16.2
<b>THURSDAY (12 January)</b>							
14:30	US	CPI	Dec	% m/m	-0.1	-	0.1
<b>FRIDAY (13 January)</b>							
08:30	HU	CPI	Dec	% y/y	-	-	22.5
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Dec</b>	<b>% y/y</b>	<b>16.6</b>	<b>16.6</b>	<b>17.5</b>
11:00	EZ	Industrial Production SA	Nov	% m/m	-	-	-2.0
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Nov</b>	<b>€mn</b>	<b>-973</b>	<b>-486</b>	<b>-549</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Nov</b>	<b>€mn</b>	<b>-2263</b>	<b>-2343</b>	<b>-2277</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Nov</b>	<b>€mn</b>	<b>29870</b>	<b>29995</b>	<b>28677</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Nov</b>	<b>€mn</b>	<b>32057</b>	<b>32338</b>	<b>30954</b>
16:00	US	Michigan index	Jan	pts	60.3	-	59.7

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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