

12 January 2023

## Eyeopener

### Markets focused on US inflation

Today, US CPI inflation data

Czech inflation declined in December

Zloty gained slightly, EURUSD tried to break above 1.075

German bonds stronger again, Polish debt following

**Today**, we will get to know the December US inflation, crucial for market expectations of further Fed actions. The market expects a further marked decline in y/y CPI growth, but - even more importantly - for core inflation to fall below 6% y/y. In the case of core inflation, there has so far been no clear indication that a downward trend has already settled in. In a possible reading significantly below 6%, the market could see just such a signal.

**The Polish Sejm**, which started its next session yesterday, did not reject the bill on the Supreme Court in the first reading (which we feel would have been negative news for the zloty and Polish assets). However, this does not mean that the entire legislative process will be quick and calm, nor that the final version of the law will receive EU approval.

**Inflation in the Czech Republic** deviated down from the median of market forecasts, falling to 15.8% y/y from 16.2%. The fall was caused by a significant slowdown in fuel price growth (CPI growth in the transport category fell to 9.2% y/y from 13.6%) and a second consecutive significant drop in core inflation (to 13.3% y/y from 13.8% in November and 14.6% in October), while food price growth remained high. According to the Czech central bank, inflation will rise in the January reading due to changes in the government's measures to protect households from high energy prices, but in general the following months should already show a downward trend. The CNB assumes that a return to the 2% y/y target will take place in 1H24.

**MPC member Gabriela Mastowska** wrote in a column for Radio Maryja that the cycle of rate hikes has not formally ended, but that further rate increases seem unlikely. In her view, it is currently difficult to say when the cycle of rate cuts may begin, the next NBP projections will be important clues to answer this question.

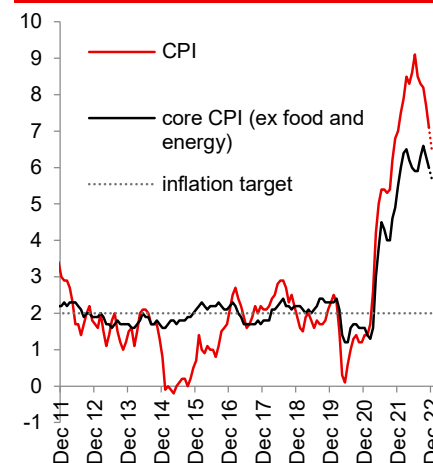
**EURUSD** tried to approach 1.08 but ended the day below 1.075. Today's CPI inflation reading from the USA may stimulate volatility in the exchange rate.

**EURPLN** fluctuated in the 4.67 - 4.70 range and ended the day around 4.68. The lack of significant domestic data meant that the exchange rate had no impetus to break out of the sideways trend.

**Other CEE currencies:** the EURCZK rose to 24.01 from around 23.96. A lower CPI inflation reading from the Czech Republic (15.8% y/y vs. consensus of 16.4% and the previous reading of 16.2%) lowered market expectations on the likelihood of a possible CNB interest rate hike, which weakened the koruna. The CNB highlighted that December inflation would have been 3.5% higher if not for the government's energy price caps, while food prices were much higher than the month before. However, the CNB signalled that inflation could rise again in January due to the expiry of the effect of limits on energy prices. The EURHUF again tried unsuccessfully to attack the 400 level, ending the day near the opening levels, i.e. 398.

**Debt market:** The domestic yield curve fell by around 9 bp on average. The 6% level proved to be a technically relevant point of gravity for the shorter and longer end of the curve. The belly of the curve was clearly below both ends of the curve, which signals that the market is not pricing in a "hard landing" of the economy in the coming years.

US CPI inflation, % y/y



Source: Bloomberg, Santander

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**FX market**

**Today's opening**

EURPLN	4.6880	CZKPLN	0.1948
USDPLN	4.3575	HUFPLN*	1.1600
EURUSD	1.0760	RUBPLN	0.0642
CHFPLN	4.6668	NOKPLN	0.4352
GBPPLN	5.2875	DKKPLN	0.6302
USDCNY	6.7627	SEKPLN	0.4156

\*for 100HUF

**Last session in the FX market 11/01/2023**

	min	max	open	close	fixing
EURPLN	4.6752	4.6918	4.6898	4.6857	4.6871
USDPLN	4.3415	4.3695	4.3631	4.3624	4.3639
EURUSD	1.0724	1.0776	1.0746	1.0739	-

**Interest rate market 11/01/2023**

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.98	-13
DS0727 (5Y)	5.87	-7
DS0432 (10Y)	5.95	-10

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.91	-6	5.06	0	3.14	-7
2L	6.23	-5	4.46	-4	3.19	-9
3L	5.68	-5	4.01	-7	3.02	-9
4L	5.38	-7	3.78	-5	2.90	-11
5L	5.25	-5	3.66	-5	2.84	-12
8L	5.18	-6	3.49	-6	2.78	-13
10L	5.22	-7	3.47	-6	2.79	-13

**WIBOR rates**

Term	%	Change (bps)
O/N	6.53	-5
T/N	6.69	2
SW	6.84	0
2W	6.88	2
1M	6.92	-2
3M	6.95	-4
6M	7.06	-1
1Y	7.13	0

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

Term	%	Change (bps)
1x4	6.91	-2
3x6	6.94	-1
6x9	6.74	-9
9x12	6.26	-9
3x9	6.92	-7
6x12	6.67	-12

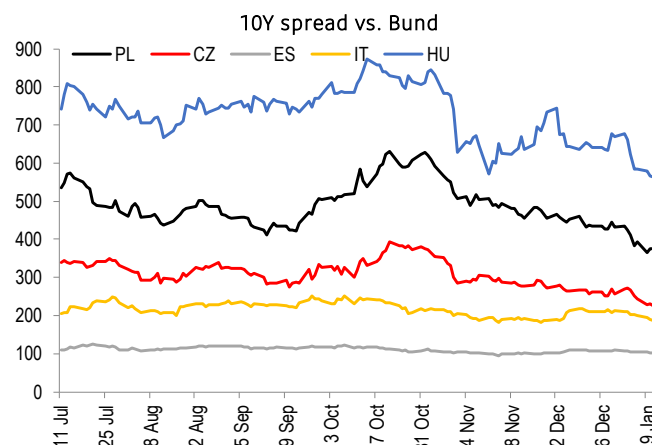
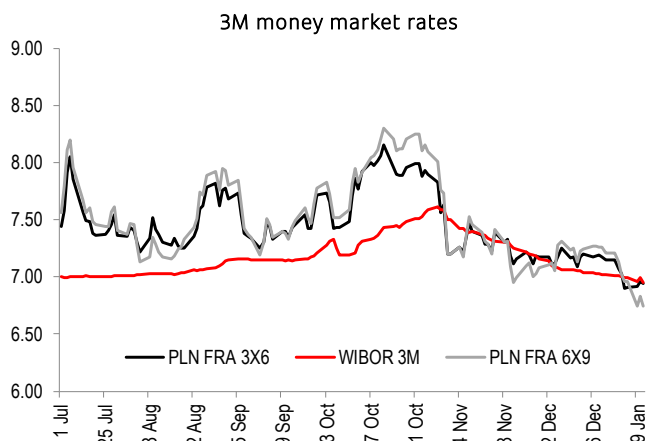
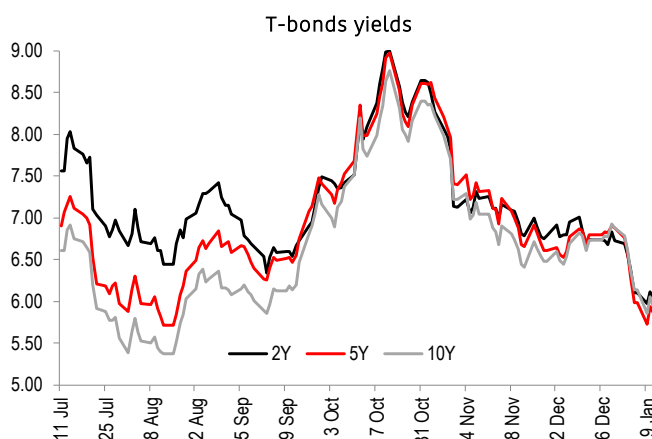
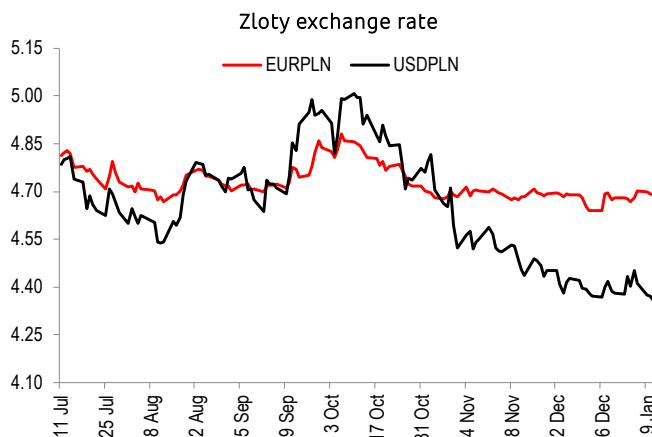
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	0	377	1
France	13	-2	49	0
Hungary	211	-3	564	-3
Spain	50	-2	101	-2
Italy	48	-2	186	-5
Portugal	35	-2	94	-2
Ireland	20	-2	44	-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



## 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	15.8	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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