

26 January 2023

Eyeopener

Orders in industry tumbled

Today 4Q22 advance GDP in USA

Strong decline of new orders in Polish industry in December

According to Ifo, business climate in Germany improved in January

EURUSD higher, zloty stable, yields slightly lower

Today (and tomorrow), markets' attention will focus on publications from the US, including durable goods orders (preliminary data for December) and the advance estimate of economic growth in 4Q2022 (the market is assuming a deceleration to 2.6% q/q ann. from 3.2%). In the evening, the Sejm is expected to work on the 2023 budget bill, which must be enacted by the end of January.

Canada's central bank raised its main rate by 25bp to 4.5%, and intends to maintain that level and look at the effects of the increases already made, leaving the door open to another hike if needed. Canada began raising rates in February 2022 from 0.25%. The market is pricing in cuts of 25bp each at the last two meetings of 2023 (in October and December).

The Ifo index describing German business sentiment rose slightly, in line with expectations, reaching the highest level since June last year. There was no change in the assessment of current business conditions. Better expectations were responsible for the improvement in the main indicator.

The Global Trade Monitor's **Global Trade Volume Index** fell by 2.5% in November, following a 1.4% decline in October. This may be related to China remaining in lockdown at the time (the loosening of zero-covid policy took place in December).

MPC's Ludwik Kotecki said that while he would like to see small rate hikes this year as core inflation continues to rise, the majority of the Council will not support this as the focus is on falling overall inflation. The latter, in his opinion, may be already at 12-13% y/y in the middle of the year, but it will not allow to think about rate cuts already in 2023.

Industrial orders in December were the most interesting data among those published yesterday in the Statistical Bulletin. It turned out that they registered a sharp decline at the end of the year: to -8.9% y/y from 13.7% y/y in November, decreasing by 17% m/m. In the case of export orders, the reduction was even more spectacular: to -6.5% y/y from 23.1% y/y in November and by 20.3% m/m. While this measure may herald a further slowdown in industrial production (which rose by just 1% y/y in December, while it started the year at almost 20% y/y), a deeper analysis of the orders data does not suggest that it has significant predictive power for production.

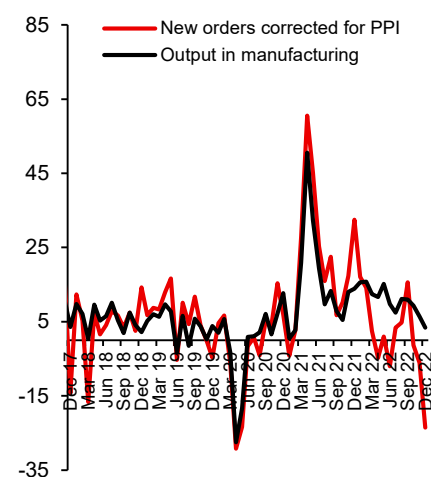
EURUSD slowly climbed to 1.09. Positive factors for the common currency were a good German Ifo reading for January and hawkish rhetoric from ECB members. Joachim Nagel and Gabriel Makhoulf said that the market should not be surprised if the ECB's rate hike cycle continues "at a steady pace" in 2Q as well, after the previously announced two hikes of 50bp each in February and March. The following hikes, however, are likely to be on a smaller scale, probably at 25bp each.

EURPLN oscillated in the 4.70-4.72 range. A lower reading of industrial orders in December slightly pushed the exchange rate above 4.71, but a higher German Ifo reading acted as a brake on the zloty's weakening.

Other CEE currencies: EURCZK fell from around 23.86 to 23.76. CNB's Oldrich Dedek said that the central bank's rates have reached a level that allows effective suppression of demand-driven inflationary pressures. A further increase in rates above 7% would already have a noticeably negative impact on the economy. However, this statement did not have a negative impact on the value of the Czech koruna. EURHUF fell from around 389 to around 387. The forint's quotations were supported by a smaller scale of wage growth in November, which gave hope for a gradual easing of inflationary pressures in Hungary.

Debt market: domestic yield curve fell in the middle part and at the longer end by about 7bp. Weaker industrial orders data for December solidified the market's belief that the economy is gradually slowing down. In the main markets, yields were stable.

New orders and output, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7144	CZKPLN	0.1978
USDPLN	4.3199	HUFPLN*	1.2132
EURUSD	1.0913	RUBPLN	0.0622
CHFPLN	4.7044	NOKPLN	0.4359
GBPPLN	5.3506	DKKPLN	0.6337
USDCNY	6.7825	SEKPLN	0.4230

*for 100HUF

Last session in the FX market 25/01/2023

	min	max	open	close	fixing
EURPLN	4.7048	4.7212	4.7097	4.7169	4.7079
USDPLN	4.3135	4.3435	4.3218	4.3267	4.3265
EURUSD	1.0854	1.0923	1.0896	1.0897	-

Interest rate market 25/01/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.09	-6
DS0727 (5Y)	5.89	-5
DS0432 (10Y)	5.92	-7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.94	-1	5.01	-3	3.20	-2
2L	6.30	-4	4.40	-4	3.20	-1
3L	5.71	-5	3.97	0	3.01	-2
4L	5.42	-6	3.73	-1	2.89	-1
5L	5.28	-7	3.58	-1	2.83	0
8L	5.17	-6	3.42	-1	2.76	0
10L	5.22	-6	3.39	0	2.77	0

WIBOR rates

Term	%	Change (bps)
O/N	6.76	22
T/N	6.66	6
SW	6.82	-1
2W	6.84	0
1M	6.87	1
3M	6.93	0
6M	6.99	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.93	3
3x6	6.92	0
6x9	6.81	-2
9x12	6.41	-2
3x9	6.94	-1
6x12	6.79	-4

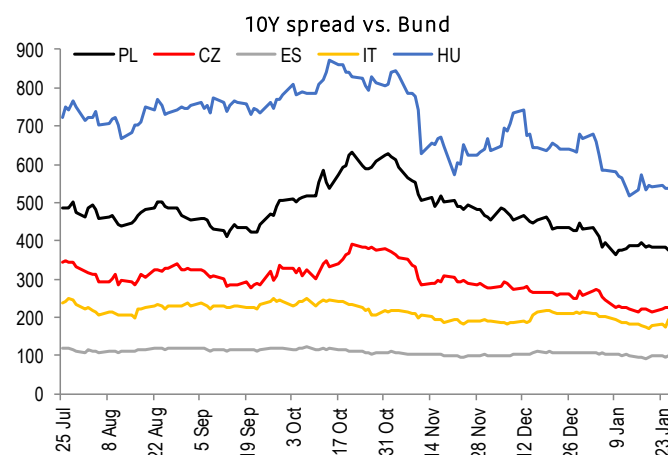
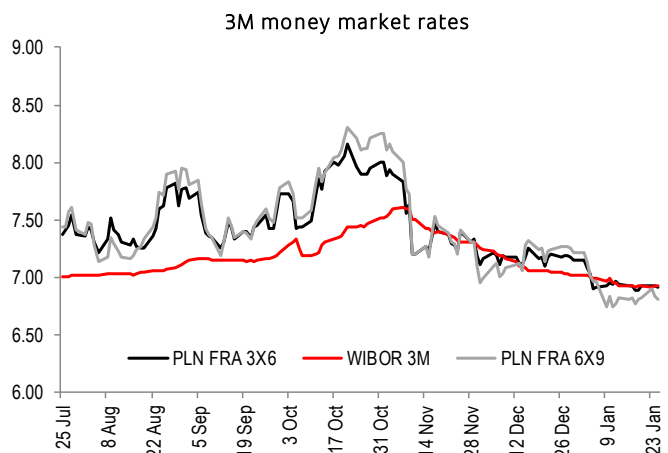
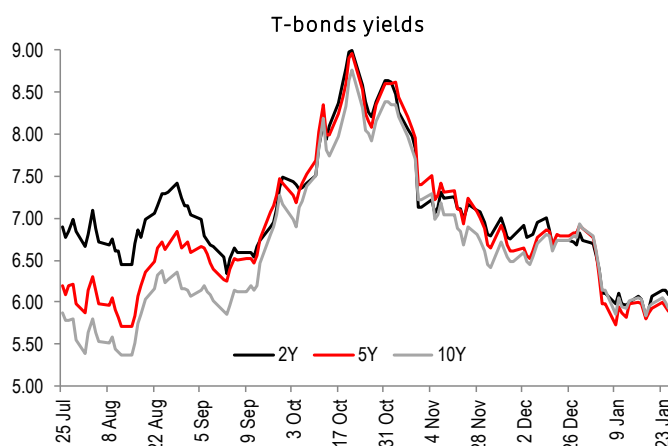
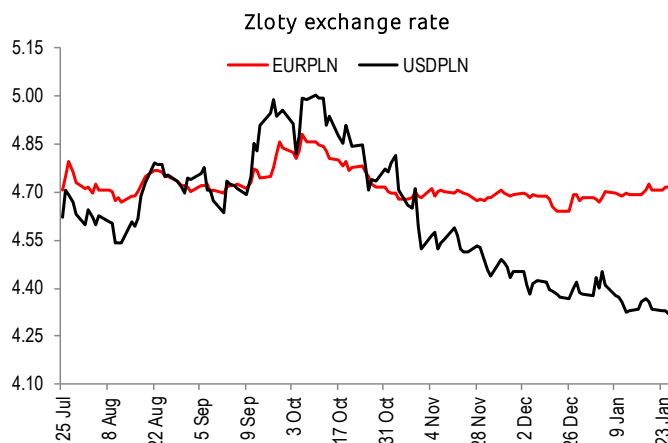
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	110	0	377	-7
France	10	-3	45	1
Hungary	196	2	536	-3
Spain	48	0	99	2
Italy	45	0	193	17
Portugal	33	0	88	1
Ireland	15	-3	43	1
Germany	12	-3	-	-

* 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 (20 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	2.3	2.3	2.2	2.3
10:00	PL	Average Gross Wages	Dec	% y/y	13.1	12.3	10.3	13.9
16:00	US	Existing Home Sales	Dec	% m/m	-3.4		-1.5	-7.9
MONDAY (23 January)								
10:00	PL	Sold Industrial Output	Dec	% y/y	2.4	1.4	1.0	4.5
10:00	PL	Construction Output	Dec	% y/y	2.7	1.8	-0.8	4.0
10:00	PL	PPI	Dec	% y/y	19.8	19.0	20.4	21.1
10:00	PL	Retail Sales Real	Dec	% y/y	2.1	1.2	0.2	1.6
TUESDAY (24 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	48.0		47.0	47.1
09:30	DE	Markit Germany Services PMI	Jan	pts	49.6		50.4	49.2
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	48.5		48.8	47.8
10:00	EZ	Eurozone Services PMI	Jan	pts	50.2		50.7	49.8
14:00	HU	Central Bank Rate Decision	Jan.23	%	13.0		13.0	13.0
14:00	PL	Money Supply M3	Dec	% y/y	6.1	5.8	5.4	5.6
WEDNESDAY (25 January)								
10:00	DE	Ifo Business Climate	Jan	pts	90.2		90.2	88.6
10:00	PL	Unemployment Rate	Dec	%	5.2	5.2	5.2	5.1
THURSDAY (26 January)								
14:30	US	Durable Goods Orders	Dec	% m/m	2.8		-	-2.1
14:30	US	GDP Annualized	4Q	% Q/Q	2.6		-	3.2
14:30	US	Initial Jobless Claims	Jan.23	k	214		-	190.0
16:00	US	New Home Sales	Dec	% m/m	-4.1		-	5.8
FRIDAY (27 January)								
14:30	US	Personal Spending	Dec	% m/m	-0.1		-	0.1
14:30	US	Personal Income	Dec	% m/m	0.2		-	0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.0		-	0.1
16:00	US	Michigan index	Jan	pts	64.6		-	59.7
16:00	US	Pending Home Sales	Dec	% m/m	-1.0		-	-4.03

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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