

27 January 2023

Eyeopener

Focus on US data

Today dataset on US consumers

Advance GDP in USA for 4Q22 showed a weakness in investment

MPC's Masłowska sees a at least couple of months with rates unchanged

Zloty weaker during the day, dollar stronger after the data

Today we will get to see a lot of information about US consumers: the change in their income and spending in December, their confidence in January, including inflation expectations (University of Michigan indices). We will also see what scale of inflation they faced in December, according to the PCE measure. The market assumes that inflation, calculated by this method, fell to 5.0% y/y from 5.5% in November and 7.0% y/y in June (when it peaked). There is no clear downward trend in core PCE inflation yet, so an important signal for markets will be whether it manages to fall to 4.4% y/y from 4.7% previously, thus breaking out of the 4.7-5.4% y/y band valid since November.

The first estimate of US GDP for 4Q22 showed better-than-expected growth of 2.9% q/q annualised, but the details do not look too optimistic. Private consumption rose by 2.1% q/q annualised but this was mainly due to non-durable goods (a 1.5% q/q annualised rebound), with sluggish growth in durable goods (0.5% q/q annualized) and decelerating services consumption (to 2.6% q/q annualized from 3.7%). After a severe decline in private sector investment by 9.6% q/q annualised in 3Q, we saw a rebound of just 1.3% q/q annualised in 4Q, with inventory growth included in this category, which secured the positive number (up threefold relative to 3Q). Fixed asset investment fell by 6.7% q/q annualised, residential investment by 26.1% q/q annualised. The GDP deflator showed an increase of 3.5% q/q annualised versus 4.4% previously.

MPC's Przemysław Litwiniuk said that since no ground for changing the monetary policy parameters could be seen, the government's ideas to extend the loan moratoria should be described as at least premature, as such solution would dilute the impact of monetary policy against inflation. This would also conflict with the government's pledge to pursue a neutral fiscal policy. According to him, should the extension happen, the MPC would have more room to tighten its policy. **Gabriela Masłowska** said that the most sensible thing to do in the light of current knowledge is to keep interest rates unchanged for a few months or so. In her view, inflation expectations have started to fall, but it is worth preserving the possibility of further rate hikes just in case, although this can be avoided with a high degree of certainty. She added that the room for rate cuts could emerge in 2024 or possibly in late 2023 and this would be the start of a streak of monetary policy loosening decisions. Meanwhile, **Joanna Tyrowicz** argued for a focus on tracking core inflation, as CPI inflation has lost its informative value through expanding government price regulation. In her view, the behaviour of core inflation in 2023 will not allow talking about disinflation, and the retreat of CPI inflation will essentially be driven by the base effect.

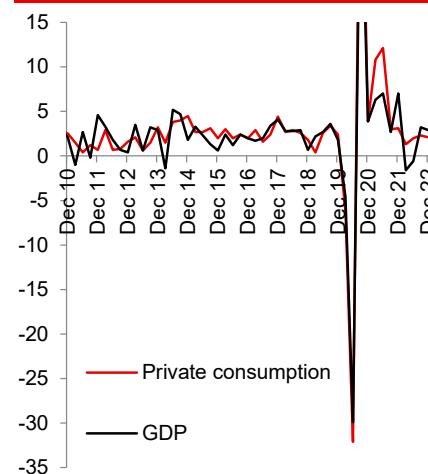
EURUSD fluctuated around 1.09. The better-than-expected US GDP reading had a very short-lived impact on the exchange rate. The slowdown, although slower, is still happening, which is not supportive for building expectations for higher US rates.

EURPLN tried to rise in anticipation of the US GDP data, but only a slightly recessionary tone of the reading again improved investment sentiment in the markets, which helped the Polish currency.

Other CEE currencies: EURCZK rose from 23.76 to 23.81. The Czech market awaits next week's CNB decision-making meeting, which is likely to leave interest rates unchanged once again. EURHUF oscillated around 386. The market awaits Friday's review of Hungary's credit rating by S&P.

Debt market: domestic yield curve fell at the shorter end of the curve by about 15bp. Despite the rise in US yields, the Polish market remained stable. For the second day in a row, the curve remained below 6%, due to weaker domestic industrial orders data, which dampened the market's enthusiasm to drive yields upward.

Selected US GDP data, % q/q ann.



Source: Bloomberg, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: santander.pl/en/economic-analysis

Piotr Bielski +48 691 393 119

Jarostaw Kosaty +48 887 842 480

Marcin Luziński +48 510 027 662

Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.7095	CZKPLN	0.1974
USDPLN	4.3304	HUFPLN*	1.2028
EURUSD	1.0874	RUBPLN	0.0626
CHFPLN	4.6933	NOKPLN	0.4373
GBPPLN	5.3592	DKKPLN	0.6330
USDCNY	6.7825	SEKPLN	0.4202

*for 100HUF

Last session in the FX market						26/01/2023
	min	max	open	close	fixing	
EURPLN	4.7093	4.7289	4.7117	4.7124	4.7239	
USDPLN	4.3111	4.3443	4.3158	4.3380	4.3354	
EURUSD	1.0848	1.0929	1.0918	1.0865	-	

Interest rate market 26/01/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.93	-16
DS0727 (5Y)	5.87	-2
DS0432 (10Y)	5.88	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.95	2	5.04	3	3.22	2
2L	6.31	1	4.44	4	3.22	2
3L	5.73	2	4.01	4	3.04	3
4L	5.45	4	3.77	5	2.93	4
5L	5.33	5	3.62	4	2.86	4
8L	5.23	5	3.48	6	2.79	3
10L	5.27	4	3.45	6	2.81	4

WIBOR rates

Term	%	Change (bps)
O/N	6.69	-7
T/N	6.76	10
SW	6.82	0
2W	6.85	1
1M	6.89	2
3M	6.95	2
6M	6.99	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.94	0
3x6	6.94	2
6x9	6.82	1
9x12	6.42	0
3x9	6.97	3
6x12	6.82	3

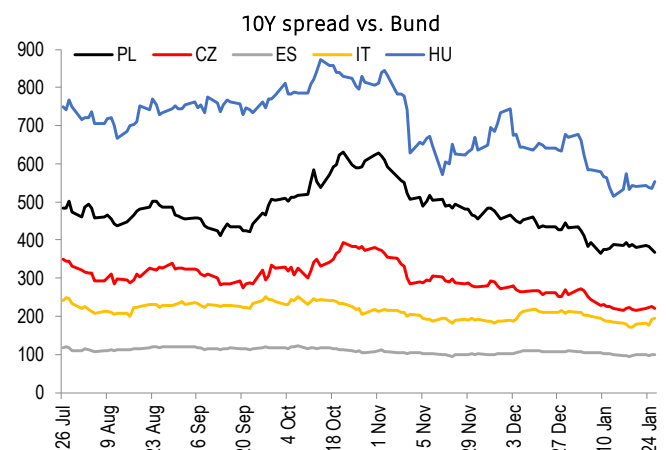
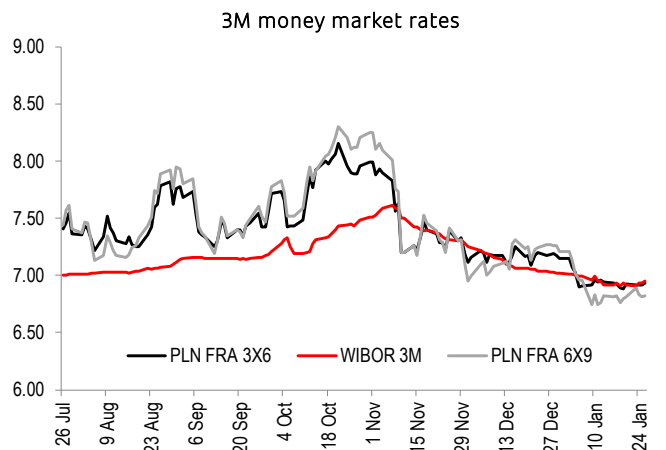
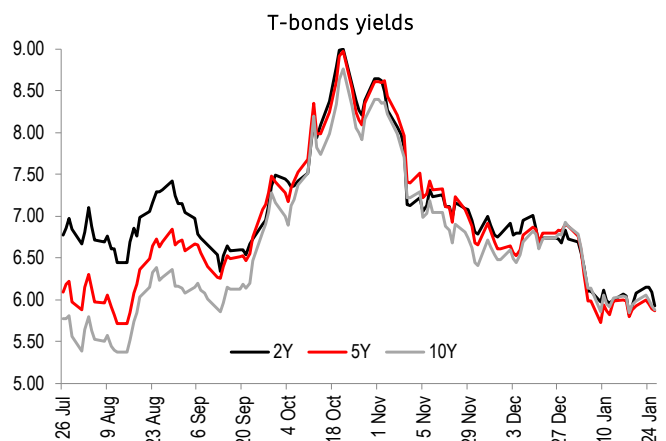
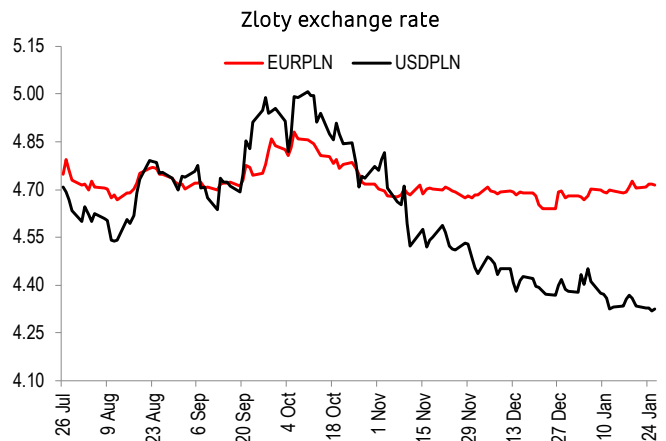
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	110	0	367	-10
France	10	0	46	2
Hungary	196	0	553	16
Spain	48	0	100	1
Italy	45	0	195	2
Portugal	33	0	89	1
Ireland	15	0	45	3
Germany	11	-1	-	-

* 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	2.5		5.6	-1.7
14:30	US	GDP Annualized	4Q	% Q/Q	2.6		2.9	3.2
14:30	US	Initial Jobless Claims	Jan.23	k	214		186	192
16:00	US	New Home Sales	Dec	% m/m	-4.4		2.3	0.7
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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Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.