1 February 2023

Eyeopener

Markets focused on Fed

Today manufacturing PMIs in Poland and euro zone, flash euro zone inflation, FOMC decision
GDP in the euro zone slowed less than expected in 4Q22
Zloty stable, local yields higher

Today the Polish industrial PMI for January will be released. In our view, once again the reading should prove better than the previous one, rising to 46.0. Industrial activity indexes will also appear in the euro zone and the US. China's manufacturing PMI, published in the morning, rose slightly less than expected, to 49.2. We will also learn preliminary January inflation in the euro zone. The main event of the day will be the evening FOMC meeting. A slowdown in the pace of rate hikes to 25 bps is widely expected by the market, but in our view the key announcement will be how long the Fed intends to continue raising rates and how likely is the market's pricing of the rate cuts before the end of this year. In our view, on the latter issue, the Fed will remain very cautious, signalling a willingness to maintain restrictive policy due to still high inflation

Eurozone GDP increased 0.1% q/q in 4Q22, according to the first estimate released by the Eurostat. The economy slowed from the previous quarter, leaving the annual growth rate at 1.9% (2.3% in 3Q 2022). The numbers are better than expected and leave the zone's GDP above zero in the final quarter of the year. While we don't have the full breakdown yet, we think the main support for GDP growth in the quarter came from net exports, thanks mainly to a drop in imports, as a result of much weaker domestic demand growth in the quarter. At least that's what the already published GDP data for Spain and France suggest. Domestic demand, in our view, contributed negatively, with declining consumption and weak investment (not yet confirmed to be negative). All in all, it seems that the data are de facto weaker than the headlines suggest, and there are also many indications of fairly weak demand growth in 1H 2023. December's private consumption data worsened considerably in the major eurozone economies, likely foreshadowing more negative consumption trends in 1Q this year. By country, GDP data in the major economies were mixed: Germany down 0.2% q/q, France up 0.1% q/q, Italy down 0.1% q/q and Spain up 0.2% q/q. In our view, the risk of negative quarterly growth in Eurozone GDP in 1Q 2023 is high, and the final readings for 4Q 2022 may see downward revisions.

EURUSD fluctuated on Tuesday around the 1.085 level. Weaker retail sales from Germany and deteriorating US consumer sentiment did not create conditions for a clearer course. Today, the focus of the course will be on the Fed meeting. If the US central bank clearly emphasizes its willingness to maintain restrictive monetary policy for an extended period of time then, even before Thursday's ECB meeting, the rate may try to push through the 1.08 level.

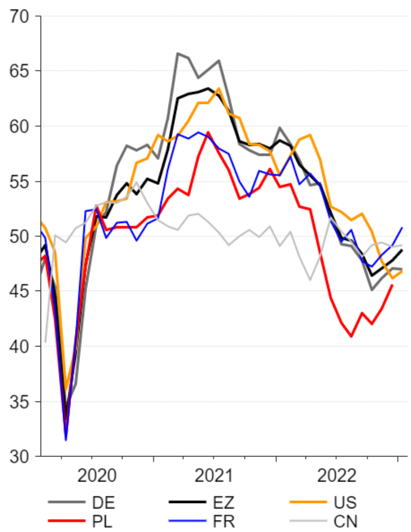
EURPLN oscillated around the 4.71 level. Today's reading of the domestic manufacturing PMI may not be enough to stimulate exchange rate volatility ahead of the evening FOMC meeting.

Other CEE currencies: EURHUF rose from 389 to around 391. A lower Hungarian PPI reading for December (34.9% y/y vs. 37% previously), was unable to stimulate optimism in the market. EURCZK fell to 23.77 from 23.83. The koruna's quotations were helped by better Czech GDP data for 4Q 2022.

Debt market: Domestic yield curve rose about 13 bps on average, returning above the 6% level. Today's Polish PMI reading, along with PMI and HICP readings for the Eurozone as a whole, may further support the weakening of domestic debt later in the European session.

Finance Ministry reported that the balance of funds in the budget accounts at the end of January amounted to about PLN 96 billion, down from December (118.4 billion) by about PLN 22.4 billion. Taking into account the January redemption of PS0123 bonds worth about 21.3 billion (26.3 billion before the swap auction on January 11), this means that most of the loss of the MF's "liquidity cushion" between the end of December and January this year has been allocated on this purpose. In February, the MF is planning two bond sale auctions (February 14 and 23) with a total supply of PLN 8-16 billion. Treasury bond swap auctions in February are not planned.

Manufacturing PMIs



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.7060	CZKPLN	0.1972
USDPLN	4.3285	HUFPLN*	1.1949
EURUSD	1.0870	RUBPLN	0.0618
CHFPLN	4.7212	NOKPLN	0.4343
GBPPLN	5.3570	DKKPLN	0.6322
USDCNY	6.7465	SEKPLN	0.4148

*for 100HUF

Last session in the FX market 31/01/2023

	min	max	open	close	fixing
EURPLN	4.7053	4.7153	4.7081	4.7080	4.7089
USDPLN	4.3319	4.3626	4.3435	4.3363	4.348
EURUSD	1.0800	1.0867	1.0833	1.0855	-

Interest rate market 31/01/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.16	16
DS0727 (5Y)	5.99	9
DS0432 (10Y)	6.05	13

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.98	0	5.03	-4	3.28	0
2L	6.38	2	4.45	-4	3.29	-2
3L	5.83	4	4.01	-7	3.11	-3
4L	5.55	3	3.77	-7	3.00	-3
5L	5.43	4	3.65	-6	2.94	-3
8L	5.33	5	3.48	-5	2.87	-3
10L	5.37	4	3.46	-4	2.87	-3

WIBOR rates

Term	%	Change (bps)
O/N	6.45	-33
T/N	6.68	-3
SW	6.83	1
2W	6.86	1
1M	6.86	2
3M	6.95	0
6M	6.99	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.94	2
3x6	6.94	0
6x9	6.86	-3
9x12	6.48	6
3x9	6.97	1
6x12	6.86	-3

Measures of fiscal risk

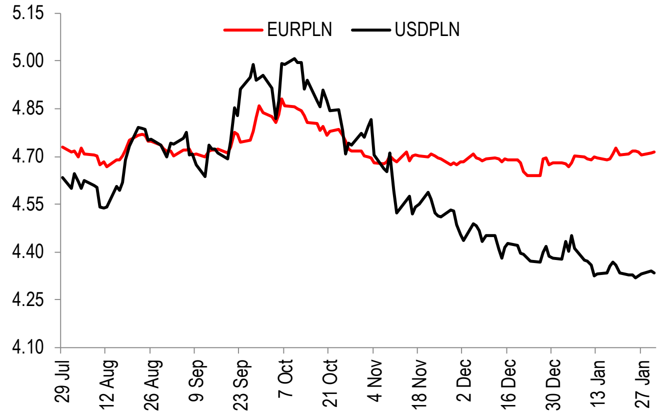
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	109	-1	377	16
France	10	0	47	0
Hungary	192	-2	582	22
Spain	45	0	104	0
Italy	45	0	199	-2
Portugal	30	0	92	-1
Ireland	18	3	47	-3
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

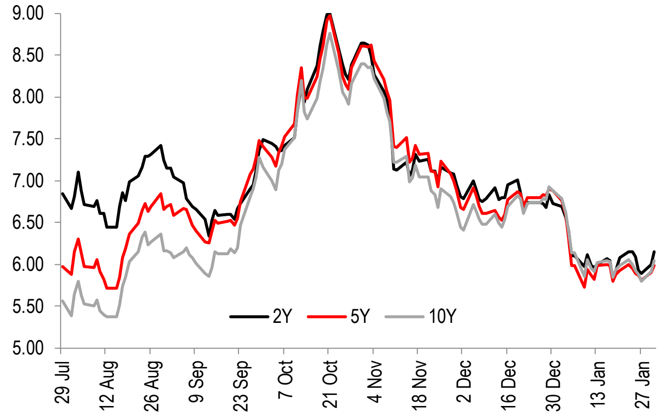
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

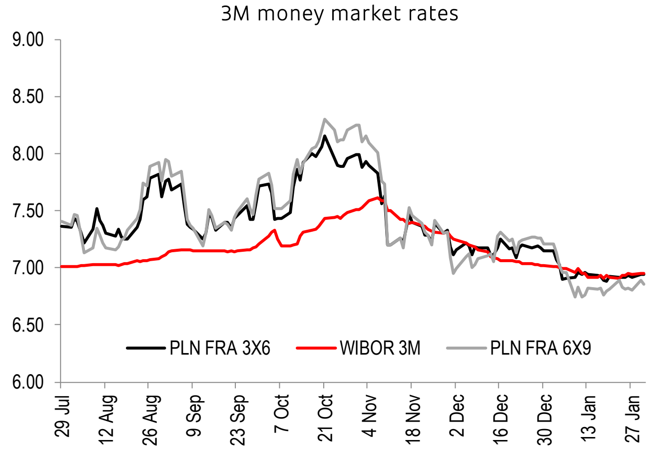
Zloty exchange rate



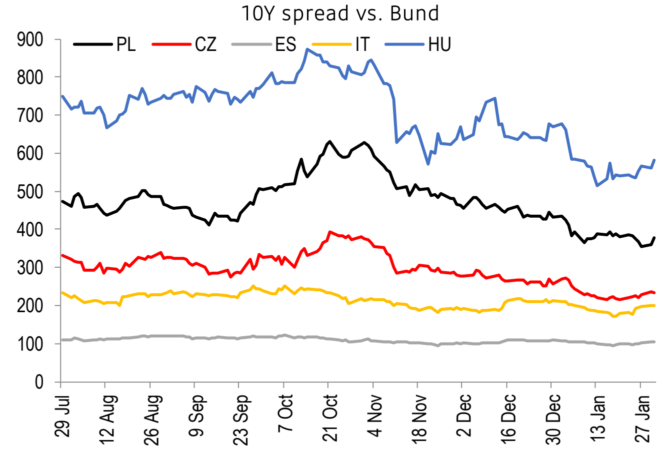
T-bonds yields



3M money market rates



10Y spread vs. Bund



Santander

Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (27 January)					
14:30	US	Personal Spending	Dec	% m/m	-0.1	-	-0.2	0.1
14:30	US	Personal Income	Dec	% m/m	0.2	-	0.2	0.3
14:30	US	PCE Deflator SA	Dec	% m/m	-	-	0.1	0.1
16:00	US	Michigan index	Jan	pts	64.6	-	64.9	59,7
16:00	US	Pending Home Sales	Dec	% m/m	-1.0	-	2.5	-2.6
			MONDAY (30 January)					
10:00	**PL**	**GDP**	**2022**	**% y/y**	**4.8**	**4.8**	**4.9**	**6.8**
10:00	DE	GDP WDA	4Q	% y/y	1.3	-	1.1	1.4
11:00	EZ	ESI	Jan	pct.	97	-	99.9	97.1
			TUESDAY (31 January)					
08:00	DE	Retail Sales	Dec	% m/m	-0.2	-	-5,3	1.9
09:00	CZ	GDP SA	4Q	% y/y	0.2	-	0.4	1.5
11:00	EZ	GDP SA	4Q	% y/y	1.8	-	1.9	2.3
16:00	US	Consumer Conference Board	Jan	pts	109.4	-	107.1	109
			WEDNESDAY (1 February)					
09:00	**PL**	**Poland Manufacturing PMI**	**Jan**	**pts**	**-**	**46.0**	**-**	**45.6**
09:55	DE	Germany Manufacturing PMI	Jan	pts	47.0	-	-	47.1
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	48.8	-	-	47.8
11:00	EZ	Flash HICP	Jan	% y/y	9.1	-	-	9.2
11:00	EZ	Unemployment Rate	Dec	%	6.5	-	-	6.5
14:15	US	ADP report	Jan	k	160	-	-	235
16:00	US	ISM manufacturing	Jan	pts	48.2	-	-	48.4
20:00	US	FOMC decision			4.75	-	-	4.5
			THURSDAY (2 February)					
08:00	DE	Exports SA	Dec	% m/m	-	-	-	0.4
14:15	EZ	ECB Main Refinancing Rate		%	-	-	-	2.5
14:30	US	Durable Goods Orders	Dec	% m/m	2.5	-	-	5.6
14:30	US	Initial Jobless Claims	week	k	205.0	-	-	186.0
14:30	CZ	Central Bank Rate Decision			7.0	-	-	7.0
16:00	US	Factory Orders	Dec	% m/m	1,2	-	-	-1.8
			FRIDAY (3 February)					
02:45	CN	Caixin China PMI Services	Jan	pts	-	-	-	48.0
09:55	DE	Markit Germany Services PMI	Jan	pts	50.4	-	-	49,2
10:00	EZ	Eurozone Services PMI	Jan	pts	50.7	-	-	49,8
14:30	US	Change in Nonfarm Payrolls	Jan	k	175,0	-	-	223
14:30	US	Unemployment Rate	Jan	%	3,6	-	-	3.5
16:00	US	ISM services	Jan	pts	50.5	-	-	49.2

Source: Santander Bank Polska. Bloomberg. Parkiet
** in the case of a revision the data is updated*

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