

9 February 2023

Eyeopener

Rates unchanged, NBP governor's comment ahead

Today NBP governor's press conference
MPC kept rates unchanged
German inflation lower than forecasts, annual HICP growth down
Strengthening of Polish government debt and the zloty

Today, the conference of the NBP governor. It is possible that it will provide some insights into the outlook for monetary policy in Poland, on top of what we saw in the post-decision statement (which we describe below). Abroad, there will be weekly data on the number of new jobless claims in the US and new economic forecasts from the European Commission.

German inflation for January came in below expectations. The delay of its publication by a week (which was highly unusual), suggested that maybe the reading could be high (the reason was rather the implementation of changes in the method of its calculation). Meanwhile, German CPI inflation climbed from 8.6% y/y to 8.7% instead of the expected 8.9% and HICP inflation, instead of rising from 9.6% y/y to 10.0%, fell to 9.2%. The preliminary HICP inflation reading for the whole Eurozone, published at the start of February (a stronger-than-expected drop, from 9.2% y/y to 8.5%), in our view assumed a decline in German inflation similar to the actual print and is unlikely to require a downward revision in the final reading.

The **Polish MPC kept interest rates unchanged**, as widely expected. The key paragraphs of the official statement were exactly the same as in the previous one. While the central bank has not formally ended the tightening cycle, it has made it clear in last few months that the current level of rates is adequate, in its view. For this view to change, a major surprise from economic data would be required to materially alter the assessment of the inflation and GDP outlook. Meanwhile, the information that has emerged since the previous meeting has been mixed (GDP growth slightly better than anticipated, but consumer spending weakening, wages decelerating). The MPC will probably wait with a deeper assessment of the situation until the publication of data from early 2023 and the new NBP projections. In our view, both the data and the projection will not provide arguments to consider interest rate cuts before the end of this year. At the NBP governor's conference today at 15:00 CET, we expect to hear a similar tone as in previous months: the central bank is in a wait-and-see mode, future decisions will depend on future data.

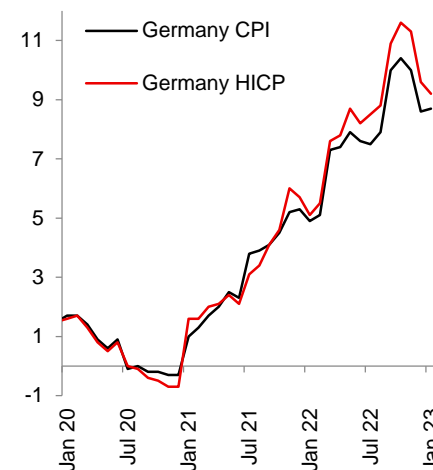
EURUSD remained above 1.07, with the Fed's John Williams stating that a rate target at 5.00- 5.25% was sufficient to balance supply and demand in the US market. The Fed's calming rhetoric halted, at least temporarily, the further dollar appreciation. On the other hand, Klaas Knot, ECB Governing Council member, hinted that there could also be a 50bp hike at the May meeting if core inflation does not start to fall. The market, however, approached this message with caution, due to earlier somewhat more cautious wording by ECB chief Christine Lagarde.

EURPLN fluctuated in a wide band around 4.74. The zloty remained under the dominant influence of the core market situation. The MPC's decision to leave interest rates unchanged did not surprise the markets, nor did the Sejm's approval of the Supreme Court and Windmill Acts, which are an important step towards disbursing the EU Recovery Funds, provided that the European Commission considers the introduced changes as sufficient.

Other CEE currencies: EURCZK fell to 23.76 from 23.78. The market is waiting for tomorrow's inflation reading from the Czech Republic for January. The expected higher-than-previous reading may, through the real interest rate channel, influence the koruna to weaken slightly, as the CNB seems reluctant to raise rates further due to the expected drop in inflation already after the heating period. EURHUF from 389 fell below 386. Minutes from the January MNB meeting indicated that many voting members expect food inflation to fall in the spring which, supported by base effects, should lead to a fall in Hungary's headline CPI inflation rate. Current monetary policy conditions are set to be maintained until risk perception in the local financial market improves. The publication of the minutes supported the forint, but tomorrow's publication of inflation data for January may reverse these trends somewhat in our view.

Debt market: the domestic yield curve declined by around 12bp on average in its middle part and at its longer end. After a dynamic start to the week, Wednesday saw a correction in favour of Polish debt. Today's conference of the NBP governor may limit the upward potential of yields, but, in our view, pressure from global markets in the following days will gradually push them upwards.

Inflation in Germany, % y/y



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.7328	CZKPLN	0.1988
USDPLN	4.4106	HUFPLN*	1.2098
EURUSD	1.0733	RUBPLN	0.0604
CHFPLN	4.7951	NOKPLN	0.4290
GBPPLN	5.3335	DKKPLN	0.6358
USDCNY	6.7856	SEKPLN	0.4178

*for 100HUF

Last session in the FX market 08.02.2023

	min	max	open	close	fixing
EURPLN	4.7206	4.7580	4.7464	4.7386	4.7402
USDPLN	4.3933	4.4295	4.4232	4.4151	4.4074
EURUSD	1.0712	1.0760	1.0732	1.0732	-

Interest rate market 08.02.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.16	-9
DS0727 (5Y)	5.94	-12
DS0432 (10Y)	6.00	-13

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.96	-2	5.24	-2	3.33	0
2L	6.34	-3	4.70	-2	3.30	0
3L	5.81	-5	4.25	-4	3.12	0
4L	5.58	-6	3.99	-4	3.01	-1
5L	5.48	-5	3.84	-6	2.94	-3
8L	5.39	-4	3.63	-6	2.88	-2
10L	5.42	-5	3.58	-7	2.88	-1

WIBOR rates

Term	%	Change (bps)
O/N	6.63	5
T/N	6.68	2
SW	6.83	1
2W	6.84	1
1M	6.88	0
3M	6.94	2
6M	6.99	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.95	2
3x6	6.95	-1
6x9	6.84	-1
9x12	6.43	-4
3x9	6.98	-1
6x12	6.84	-2

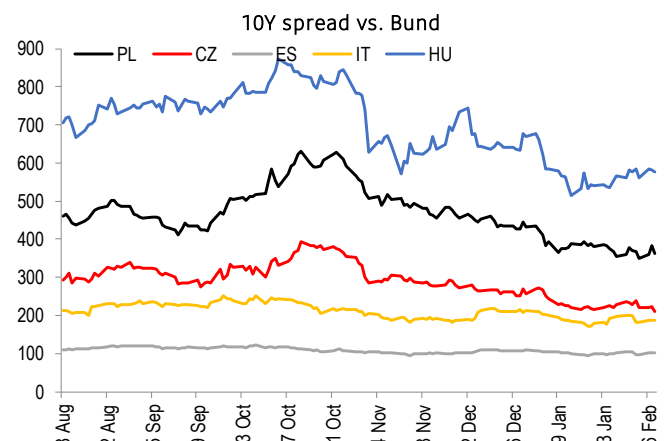
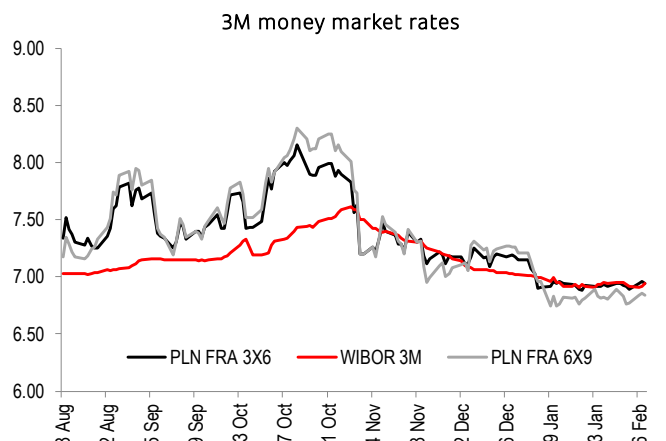
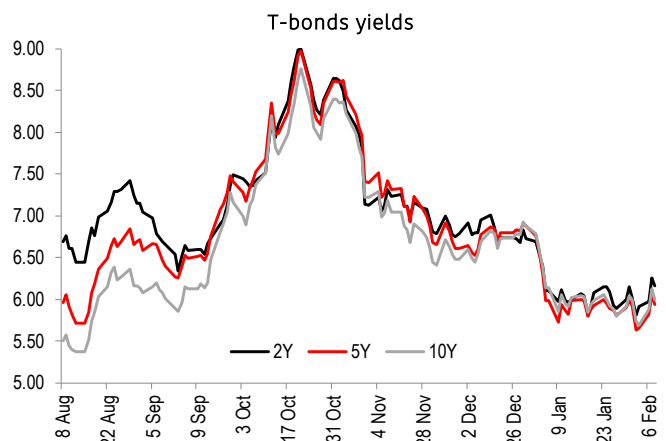
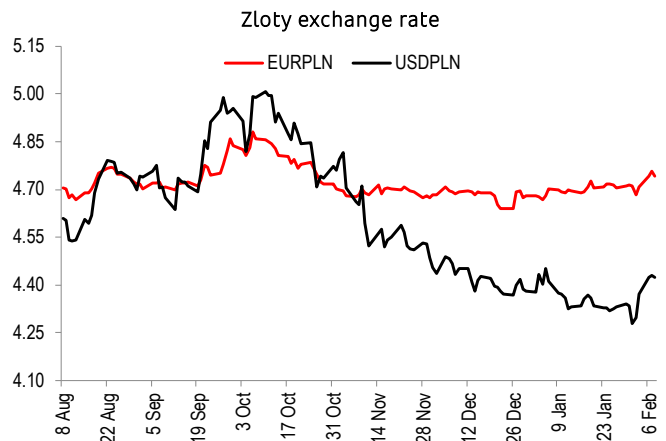
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	98	0	364	-19
France	10	0	45	0
Hungary	165	0	576	-7
Spain	43	-3	103	1
Italy	43	-2	187	0
Portugal	28	-3	87	0
Ireland	18	0	42	-2
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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (3 February)								
02:45	CN	Caixin China PMI Services	Jan	pts	51.0	-	52.9	48.0
09:55	DE	Markit Germany Services PMI	Jan	pts	50.4	-	50.7	49.2
10:00	EZ	Eurozone Services PMI	Jan	pts	50.7	-	50.8	49.8
14:30	US	Change in Nonfarm Payrolls	Jan	k	185	-	517	260
14:30	US	Unemployment Rate	Jan	%	3.6	-	3.4	3.5
16:00	US	ISM services	Jan	pts	50.5	-	-	49.2
MONDAY (6 February)								
08:00	DE	Factory Orders	Dec	% m/m	2.0	-	3.2	-4.4
09:00	CZ	Industrial Production	Dec	% y/y	3.3	-	4.0	0.5
11:00	EZ	Retail Sales	Dec	% m/m	-2.5	-	-2.7	0.8
TUESDAY (7 February)								
08:00	DE	Industrial Production SA	Dec	% m/m	-0.8	-	-3.1	0.4
08:30	HU	Industrial Production SA	Dec	% y/y	-0.5	-	5.7	0.9
WEDNESDAY (8 February)								
	PL	MPC decision		%	6.75	6.75	6.75	6.75
THURSDAY (9 February)								
08:00	DE	HICP inflation	Jan	% m/m	1.4	-	0.5	-1.2
14:30	US	Initial Jobless Claims		k	195	-	-	183
15:00	PL	NBP head press conference						
FRIDAY (10 February)								
08:30	HU	CPI	Jan	% y/y	25.1	-	-	24.5
09:00	CZ	CPI	Jan	% y/y	17.1	-	-	15.8
16:00	US	Michigan index	Feb	pts	65.0	-	-	64.9

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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