

## Eyeopener

### CJEU opinion negative for Polish banks

Today S&P may review Poland's rating  
 CJEU Advocate General's opinion negative for Polish banks  
 EURUSD hesitated before moving lower, zloty reacted calmly to CJEU opinion  
 Weakening of local bonds amid quite stable yields abroad

**Today**, S&P is scheduled to review Poland's credit rating. In January, S&P downgraded Hungary's rating on the grounds of, among other things, lack of progress in accessing EU funds. The downgrade was, however, preceded by a change in outlook to negative three months earlier. Poland is also looking for a way to unblock these funds, but so far with little success - a key related law (following Friday's presidential decision) may potentially not take effect for a long time to come, and the EC has just sued Poland in the CJEU over the Constitutional Court's challenge to the principle of the primacy of EU law over national law in 2021. In case of Poland, in the justifications for rating agencies' decisions, the argument on the positive side was often the health of the economy; meanwhile, Tuesday's flash 4Q GDP data was a clear disappointment. On top of that, we have the opinion of the CJEU Advocate General, which could be an argument for the agencies to see a lower score of Poland's financial stability. We still think no change is the most likely outcome of today's review (the information will be released in the evening, after the market close, if at all). However, the likelihood of the alternative scenario of the outlook worsening has increased somewhat, in our view.

**The Advocate General of the CJEU** has issued his opinion that banks cannot claim payments from clients for non-contractual use of capital after annulment of mortgage loan contract. Clients, on the other hand, can sue banks for compensation beyond the return of the funds paid and such cases can be dealt with by local courts. The opinion is non-binding, but in the majority of cases (around 74%) the CJEU verdict (in this case expected in the middle of this year) is matching the view of the Advocate General. We see this event as negative for the banking sector - it may limit credit supply, force banks to increase provisions. It cannot be ruled out that the government will consider some special law that would regulate the conversion of foreign currency loans into PLN loans in a way that would not favour CHF mortgage loan takers over PLN borrowers - such a solution seemed to be suggested yesterday by Paweł Borys, head of the Polish Development Fund (PFR).

In 4Q22, there was a clear **slowdown of property prices**. Transaction prices on the primary market in Warsaw rose by 10.4% y/y vs. 15.6% y/y in 3Q, in the six largest cities excluding the capital they rose by 10.3% y/y vs. 18.3% y/y in 3Q, and in 10 medium-sized cities they rose by 13.5% y/y vs. 20.3% y/y in 3Q. On the secondary market, the situation was similar. In q/q terms, prices declined slightly in the group of 6 large cities (primarily in Gdansk and Krakow), while they continued to rise slightly in other groups. In 7 of the 17 cities surveyed by the NBP, prices decreased. Price volatility was quite high, which may suggest a decrease in market liquidity. The growth of hedonic price indices also went down: in Warsaw to 6.3% y/y from 9.9% y/y, in 6 large cities to 11.3% y/y from 14.2% y/y, in 10 medium-sized cities to 9.4% y/y from 14.3% y/y. As wages increased by 12.3% y/y in 4Q, housing affordability improved year-on-year for the first time since 2018. The property market data clearly shows that the sector is feeling the effects of rising interest rates and falling mortgage demand, with prices slowing down despite cost pressure.

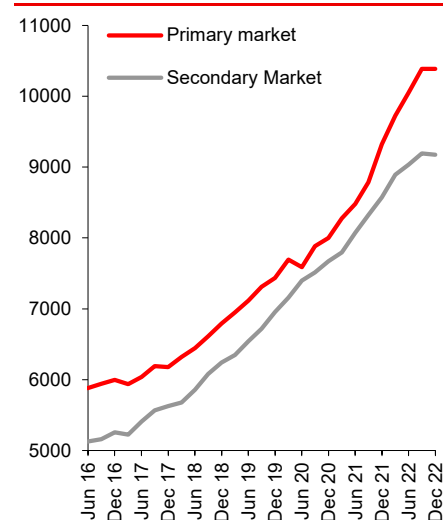
**MPC's Ludwik Kotecki** said in an interview for Biznes24 that he expects inflation above 10% at the end of this year. He also pointed out that, due to the election year, pro-inflationary promises may still appear, which would make predictions on the path of inflation more difficult going forward. **The results of the MPC votes in January** (when interest rates were not changed) looked identical to those in December: Joanna Tyrowicz was the only one who wanted a 100bp hike, together with Ludwik Kotecki she also supported a +50bp move. Only Przemysław Litwiniuk voted in favour of a 25bp hike.

**EURUSD** hovered near 1.07 on Thursday before resuming its downward trend overnight to 1.0635 this morning. Alongside higher-than-expected PPI inflation, the dollar was helped by low new jobless claims and growing expectations that the resilience of the economy may require higher rates.

The CJEU opinion pushed **EURPLN** upwards, but the pair did not move out of this week's range so far. **EURCZK** and **EURHUF** behaved similarly yesterday (up to 23.67 and 384, respectively).

**The domestic debt market** witnessed an upward approach and a complete flattening of the Polish yield curve at 6.34%, which involved increases of 12-18bp. This happened despite minimal movements in the core markets. The IRS curve went up almost as much as the yield curve and retained its slope of around -100bp (on the 2L-10L section). The money market continued to price-in a lower scale of rate cuts in one year's horizon and further.

Average price per sqm in 17 cities, PLN (our estimate)



Source: NBP, Santander

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**FX market**

Today's opening			
EURPLN	4.7720	CZKPLN	0.2009
USDPLN	4.4852	HUFPLN*	1.2324
EURUSD	1.0636	RUBPLN	0.0597
CHFPLN	4.8232	NOKPLN	0.4366
GBPPLN	5.3936	DKKPLN	0.6406
USDCNY	6.8782	SEKPLN	0.4278

\*for 100HUF

Last session in the FX market					16/02/2023
	min	max	open	close	fixing
EURPLN	4.7570	4.7839	4.7591	4.7771	4.7728
USDPLN	4.4397	4.4862	4.4470	4.4716	4.4601
EURUSD	1.0653	1.0722	1.0704	1.0681	-

**Interest rate market** 16/02/2023

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.37	13
DS0727 (5Y)	6.35	17
DS0432 (10Y)	6.35	16

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.06	5	5.38	1	3.45	1
2L	6.65	15	4.94	1	3.51	0
3L	6.13	15	4.54	1	3.34	1
4L	5.88	16	4.30	5	3.21	1
5L	5.77	18	4.10	0	3.13	0
8L	5.64	19	3.90	6	3.02	0
10L	5.64	18	3.84	7	3.02	0

**WIBOR rates**

Term	%	Change (bps)
O/N	6.59	-2
T/N	6.75	3
SW	6.83	0
2W	6.84	0
1M	6.90	1
3M	6.94	1
6M	7.00	0
1Y	7.10	0

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

Term	%	Change (bps)
1x4	6.94	0
3x6	6.94	-2
6x9	6.95	9
9x12	6.66	10
3x9	7.03	3
6x12	6.96	8

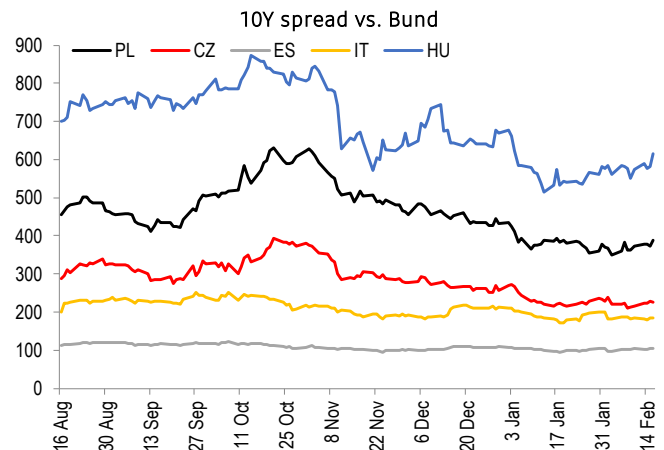
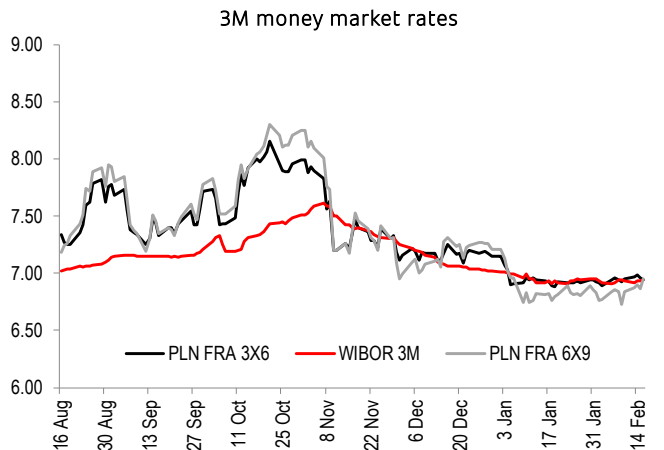
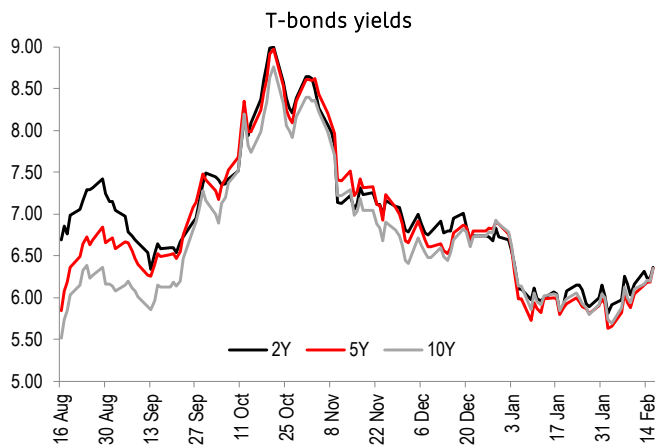
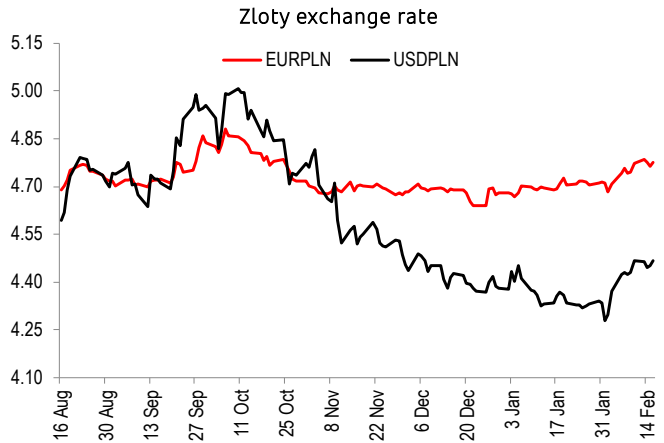
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	96	0	387	15
France	10	0	46	-1
Hungary	164	0	615	32
Spain	45	0	105	0
Italy	40	0	185	0
Portugal	30	0	90	0
Ireland	18	0	45	-1
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			
<b>FRIDAY (10 February)</b>								
08:30	HU	CPI	Jan	% y/y	25.2	-	25.7	24.5
09:00	CZ	CPI	Jan	% y/y	17.1	-	17.5	15.8
16:00	US	Michigan index	Feb	pts	65.0	-	66.4	64.9
<b>MONDAY (13 February)</b>								
14:00	PL	<b>Current Account Balance</b>	Dec	€mn	-1660	-1764	-2526	313
14:00	PL	<b>Trade Balance</b>	Dec	€mn	-1951	-2148	-2716	-978
14:00	PL	<b>Exports</b>	Dec	€mn	27202	27011	26040	31234
14:00	PL	<b>Imports</b>	Dec	€mn	29105	29159	28756	32212
<b>TUESDAY (14 February)</b>								
09:00	HU	GDP	4Q	% y/y	1.2	-	0.4	4.0
10:00	PL	<b>GDP</b>	4Q	% y/y	2.2	2.2	2.0	3.6
11:00	EZ	GDP SA	4Q	% y/y	1.9	-	1.9	2.4
14:30	US	CPI	Jan	% y/y	6.2	-	6.4	6.5
<b>WEDNESDAY (15 February)</b>								
10:00	PL	<b>CPI</b>	Jan	% y/y	17.6	17.6	17.2	16.6
11:00	EZ	Industrial Production SA	Dec	% m/m	-0.8	-	-1.1	1.4
14:30	US	Retail Sales Advance	Jan	% m/m	2.0	-	3.0	-1.1
15:15	US	Industrial Production	Jan	% m/m	0.5	-	0.0	-1.0
<b>THURSDAY (16 February)</b>								
09:30	PL	<b>ECJ advocate general: opinion on CHF mortgages</b>						
14:30	US	Initial Jobless Claims		k	200	-	194	195
14:30	US	Housing Starts	Jan	% m/m	-1.9	-	-4.5	-3.4
14:30	US	PPI	Jan	% m/m	0.4	-	0.7	-0.2
<b>FRIDAY (17 February)</b>								
	PL	<b>S&amp;P rating/outlook review</b>						<b>A-/stable</b>

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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