

Eyeopener

Will the MPC soften its tone?

Today, Polish MPC decides on rates, inflation in Germany, Hungary, USA
 EURPLN keeps declining despite stronger dollar
 Stable interest rate market ahead of MPC meeting and US inflation data

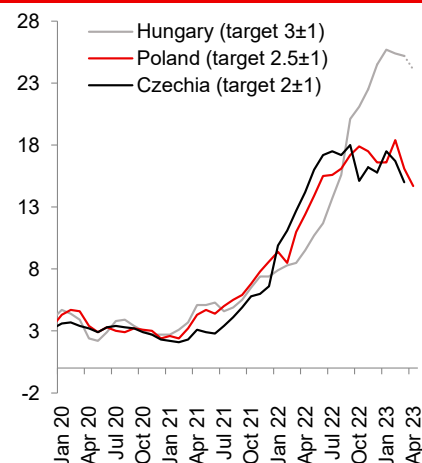
Today, the MPC decision takes place – we expect it to keep rates unchanged, but perhaps with a stronger emphasis the tightening cycle has de facto ended. We have doubts as to whether this is already the right time for such an announcement (upward surprises in core inflation have not stopped so far) and similar doubts were recently voiced by the Czech central bank when it voted on a rate hike and announced that it would consider such a move at its next meeting. The decision will be followed by an MPC communiqué, perhaps this time including changes, reflecting which way the consensus within the Council is shifting (the last set of MPC members' comments suggested dovish tilt). Abroad, a number of inflation data releases: readings for April from Germany (data already released, CPI inflation confirmed at 7.2% y/y, HICP at 7.6%), Hungary (slipped to 24.0% in April after staying above 25% y/y for the third month in a row in March) and CPI from the US - anticipation of this reading probably held markets back after last week's bond appreciation. In the previous reading, US core CPI inflation gently picked up after a series of declines and the median forecast expects that it will now be reversed.

EURUSD moved down towards 1.09 in anticipation of the release of inflation data from the US and the impending deadline for the US debt ceiling increase (end of May). It is difficult to give a clear indication of the direction the EURUSD will go if the limit is exceeded, as the EURUSD remained stable on the occasion of a similar event in 2011, which resulted in a downgrade of the US rating by S&P. Nevertheless, the EURUSD's downward movement is in line with our medium-term view on this currency pair.

CEE currencies: The forint and the Czech koruna gained ground in the first part of the day in response to good trade balance data from Hungary for March, which showed the highest surplus since the beginning of 2021 and better-than-forecast trade balance and industrial production from the Czech Republic. In all countries in the region, including Poland, exports are supported by the automotive industry and imports are dragged down by declines in energy and raw material prices. In the second part of the day, the HUF and CZK gave back some of the gains. **EURPLN** behaved differently this time, which, after falling in the second part of the day, ended the session below Monday's close, near 4.55. The stronger zloty, despite the lower EURUSD, may also be due to real flows resulting from the balance of payments situation, relatively high nominal interest rates and the generally quite low volatility in global markets.

Interest rate market: Yesterday's session in the interest rate market was fairly quiet with a slight increase in short-term bond yields. We still assume that a slight steepening of the curve may be the most likely reaction to possible dovish changes in the announcement and statements by the NBP president at Thursday's conference. Hungarian inflation decline may be important in the region in the context of a possible interest rate cut by the MNB. A decline in core inflation in the US may bring the end of the hike cycle closer, but we assume less chance of rate cuts this year than the market is pricing in.

CPI inflation in selected CEE economies, %y/y



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
Cezary Chrapek +48 887 842 480
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.5525	CZKPLN	0.1944
USDPLN	4.1502	HUFPLN*	1.2159
EURUSD	1.0968	RUBPLN	0.0533
CHFPLN	4.6603	NOKPLN	0.3927
GBPPLN	5.2381	DKKPLN	0.6114
USDCNY	6.9283	SEKPLN	0.4070

*for 100HUF

Last session in the FX market 09/05/2023

	min	max	open	close	fixing
EURPLN	4.5497	4.5723	4.5591	4.5522	4.5683
USDPLN	4.1414	4.1774	4.1481	4.1558	4.1609
EURUSD	1.0939	1.1000	1.0987	1.0951	-

Interest rate market 09/05/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.80	-5
WS0428 (5Y)	5.78	-2
DS1033 (10Y)	5.84	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.71	4	5.01	1	3.64	1
2L	6.14	5	4.22	0	3.42	1
3L	5.64	5	3.85	0	3.19	2
4L	5.38	3	3.67	0	3.07	2
5L	5.23	1	3.57	0	3.02	2
8L	5.17	1	3.49	-2	2.99	2
10L	5.24	4	3.50	-3	3.01	3

WIBOR rates

Term	%	Change (bps)
O/N	6.81	-4
T/N	6.81	3
SW	6.83	0
2W	6.82	5
1M	6.86	-1
3M	6.89	-1
6M	6.95	0
1Y	7.05	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.86	0
3x6	6.77	0
6x9	6.44	1
9x12	6.03	1
3x9	6.81	9
6x12	6.42	0

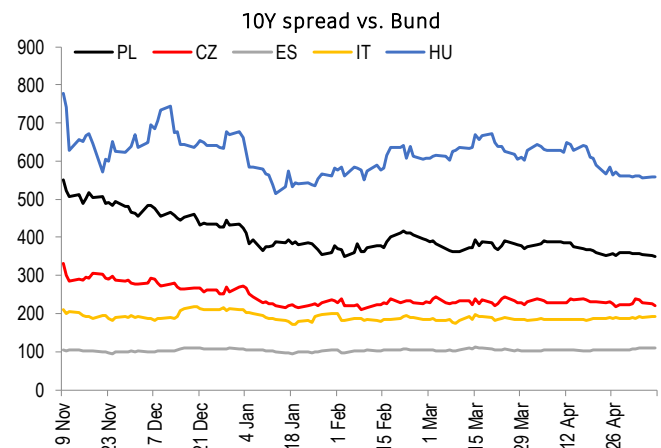
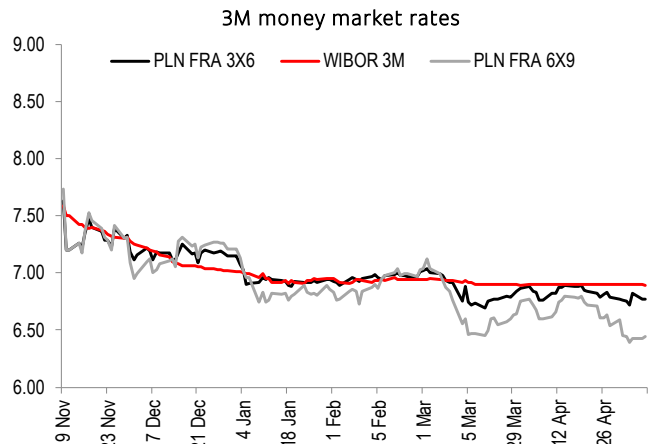
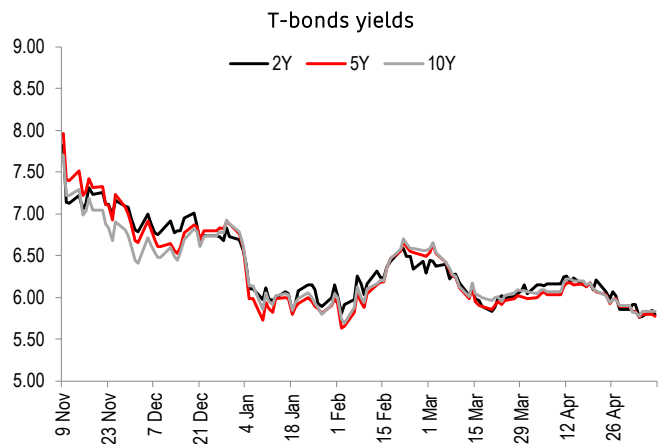
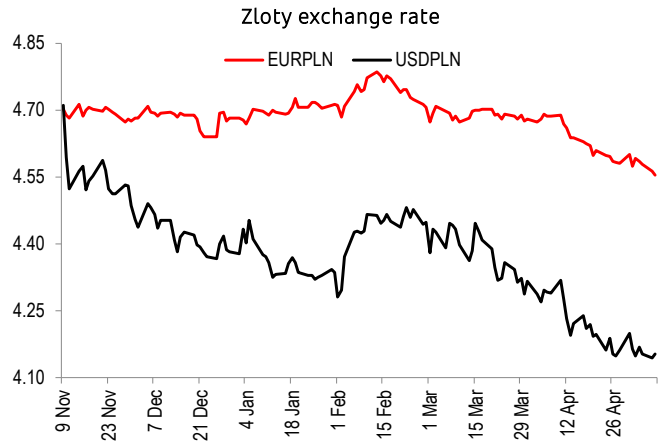
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	2	350	-1
France	15	0	60	1
Hungary	172	0	559	1
Spain	54	0	110	1
Italy	49	0	193	1
Portugal	41	2	87	0
Ireland	20	0	48	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 (5 May)								
03:45	CN	Caixin China PMI Services	Apr	pts	57.3	56.4	57.8	
08:00	DE	Factory Orders	Mar	% m/m	-2.3	-10.7	4.8	
08:30	HU	Industrial Production SA	Mar	% y/y	-2.7	-4.0	-4.6	
11:00	EZ	Retail Sales	Mar	% m/m	-0.2	-1.2	-0.2	
14:30	US	Change in Nonfarm Payrolls	Apr	k	185	253	165	
14:30	US	Unemployment Rate	Apr	%	3.6	3.4	3.5	
MONDAY (8 May)								
08:00	DE	Industrial Production SA	Mar	% m/m	-1.4	-3.4	2.0	
TUESDAY (9 May)								
09:00	CZ	Industrial Production	Mar	% y/y	1.9	2.4	2.0	
WEDNESDAY (10 May)								
	PL	MPC decision		%	6.75	6.75	-	
08:00	DE	HICP	Apr	% m/m	0.6	0.6	0.6	
08:30	HU	CPI	Apr	% y/y	24.0	24.0	25.2	
14:30	US	CPI	Apr	% m/m	0.4	-	0.1	
THURSDAY (11 May)								
09:00	CZ	CPI	Apr	% y/y	13.3	-	15.0	
13:00	UK	BoE decision	May	%	4.50	-	4.25	
14:30	US	Initial Jobless Claims		k	240	-	242	
15:00	PL	NBP governor's press conference						
FRIDAY (12 May)								
16:00	US	Michigan index	May	pts	63.0	-	63.5	

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>.