

Eyeopener

MPC's official statement unchanged

Today, NBP governor's conference, BoE decision, Czech inflation
 MPC: interest rates unchanged, statement unchanged
 US CPI inflation slightly below forecast, core inflation inched down
 EURPLN technically ready to test 4.50, yields slightly lower on the debt market

Today, at 15:00 the press conference of the NBP President Adam Glapiński starts. The Bank of England will decide on interest rates: a 25bp hike is expected due to the persistence of inflation (CPI in the UK has been moving between 5.8% and 6.5% y/y since April last year). April CPI inflation data will be released in Czechia (expected to fall from 15% y/y to a range of 13-13.5%). Inflation data from China, released overnight, was lower than forecast.

The Polish MPC did not change interest rates, as broadly expected (the main reference rate remains at 6.75% since September). The official post-meeting statement was virtually the same as the previous one. The Council still mentioned the US banking sector turmoil as a source of uncertainty for the economic outlook but does not seem to put much emphasis on this factor. The MPC still thinks that the slowdown, including in consumption, and credit weakness plus the monetary tightening delivered earlier, will drive inflation gradually towards the target. Despite the recent significant appreciation of the zloty there was no rephrasing of the parts of the statement related to the exchange rate: PLN appreciation could quicken the disinflation and the Council would see it as fundamentally justified. Also, at the end of the statement there was once again reference to the possibility of interventions if the currency moves in the wrong direction from the point of view of MPC efforts to curb inflation.

Today's NBP governor's conference may potentially shed more light on the current views of the Council. A recent wave of dovish comments from some members, the governor and NBP's head of research made us think that the stance had softened. However there is little to suggest this in the statement, in particular there is no formal conclusion of the tightening cycle. Some MPC members in their last comments seemed to be more relaxed about the disinflation process, so today's event may show some dovish bias. Still, we do not expect any interest rate cuts this year.

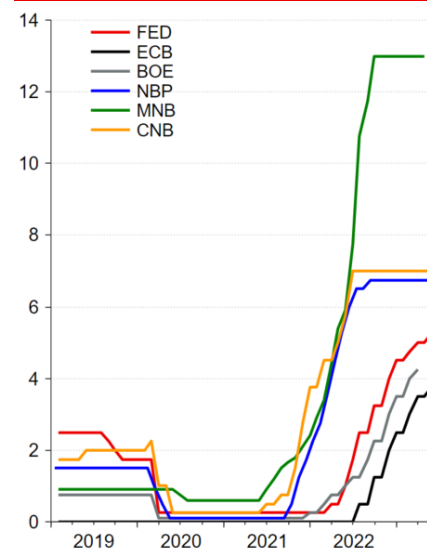
US CPI inflation fell to 4.9% y/y from 5.0% (below expectations) and core inflation to 5.5% y/y from 5.6% (in line with forecasts). Services price inflation slid to its lowest since July and, if rents are excluded, fell to its lowest since last March (to 5.2% y/y from 6.1%). Historically high growth of housing rents is sustaining inflation, but on the other hand it is reducing households' funds for other goods and services. The data should not increase the Fed's appetite for further rate hikes.

EURUSD only temporarily rose to 1.10 in response to a slightly lower than forecast US inflation reading and hawkish comments from the ECB. C. Lagarde said that the fight against inflation was not yet over, signalling that the outlook for the euro area had improved in recent months with a lower risk of recession in response to improved terms of trade also noting the strong wage dynamics in the euro area. The dollar is strengthening slightly this morning.

CEE currencies: Yesterday, the new wave of zloty strengthening took place - once again it was the best performing EM currency next to the rouble. This occurred in the absence of any new dovish elements in the MPC's announcement and with some tilt toward stronger euro. EURPLN broke through technical support near 4.56, which could open the way towards 4.48. Such move could be prevented, however, by today's Business Insider's news that the legislation protecting banks from the potential costs triggered by the CJEU verdict may be impossible to enact before elections. The forint gained against the euro similarly to the zloty, albeit on a smaller scale. The strengthening of the forint took place despite a slightly deeper-than-expected fall in inflation. Hungarian CPI which remains high but its drop may open the way for a faster normalisation of rates and a reduction in the 1D deposit rate from 18% towards the refinancing rate (13%), and this may be supported by the same factors that support the zloty. The Czech koruna behaved the weakest in the region and today's inflation data for April will be important for the CZK.

Interest rate market: Yesterday's session saw a slight drop in market rates on the core markets and in Poland. In an initial reaction to the US CPI data, the US curve steepened with a deeper drop in rates at the short end, but anticipation of the 10-year bond auction brought a correction and limited the daily drop in rates. Today, the key for the domestic rate market will be the NBP president's conference. If he does not announce the end of the cycle this month then it could come at the next meeting, which, as well as maintaining the strength of the zloty, could favour rate declines and a steepening curve.

Central bank policy rates, %



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.5260	CZKPLN	0.1929
USDPLN	4.1334	HUFPLN*	1.2086
EURUSD	1.0950	RUBPLN	0.0542
CHFPLN	4.6350	NOKPLN	0.3931
GBPPLN	5.2102	DKKPLN	0.6079
USDCNY	6.9356	SEKPLN	0.4026

*for 100HUF

Last session in the FX market 10/05/2023

	min	max	open	close	fixing
EURPLN	4.5125	4.5544	4.5527	4.5189	4.5488
USDPLN	4.1045	4.1591	4.1493	4.1199	4.1532
EURUSD	1.0940	1.1006	1.0971	1.0963	-

Interest rate market 10/05/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.77	-2
WS0428 (5Y)	5.76	-1
DS1033 (10Y)	5.81	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.70	0	4.91	-9	3.61	-3
2L	6.14	0	4.09	-13	3.37	-5
3L	5.63	-1	3.73	-12	3.14	-5
4L	5.37	0	3.54	-13	3.02	-6
5L	5.24	0	3.44	-13	2.97	-6
8L	5.19	2	3.40	-9	2.93	-6
10L	5.21	-3	3.43	-6	2.96	-5

WIBOR rates

Term	%	Change (bps)
O/N	6.80	-1
T/N	6.82	1
SW	6.85	2
2W	6.83	1
1M	6.86	0
3M	6.90	1
6M	6.95	0
1Y	7.06	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.87	1
3x6	6.80	3
6x9	6.45	1
9x12	6.04	1
3x9	6.82	1
6x12	6.43	0

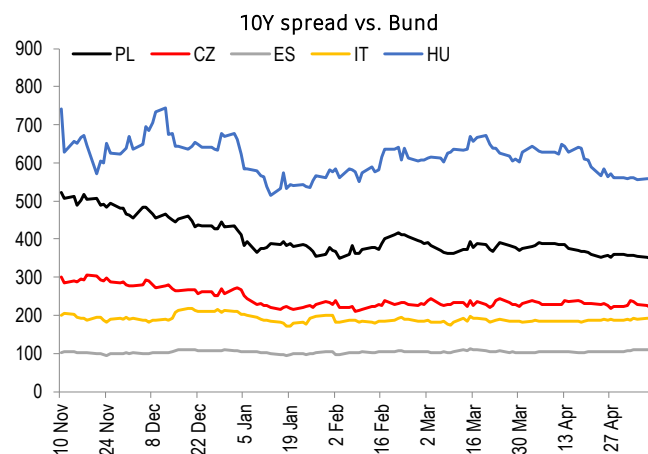
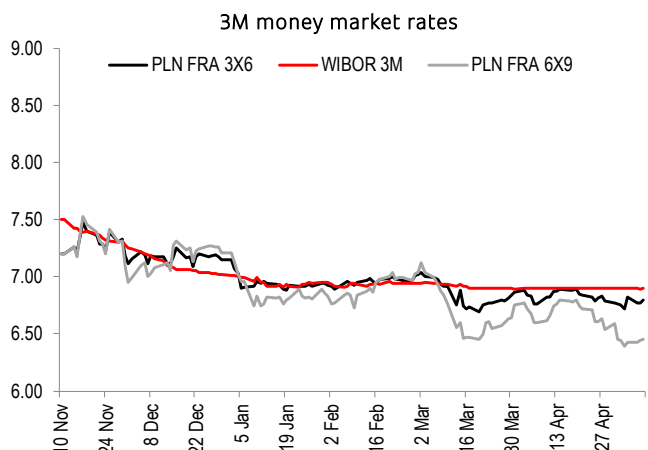
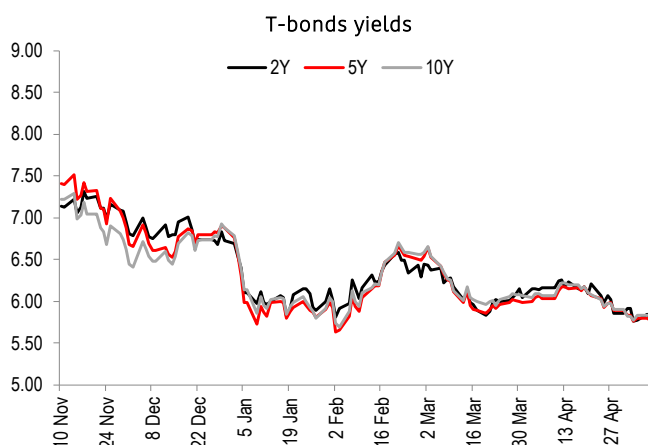
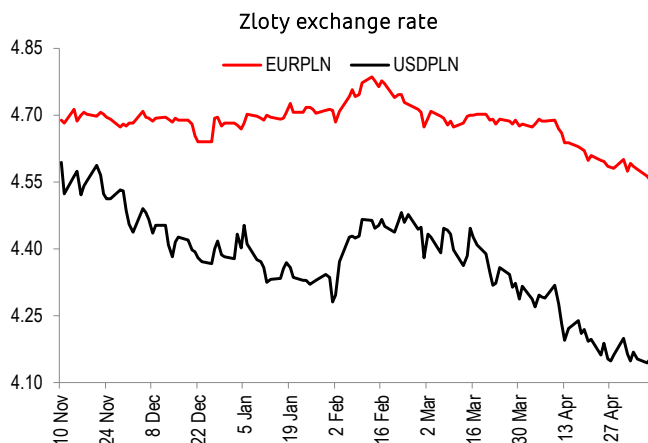
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	0	351	1
France	15	0	59	-1
Hungary	172	0	563	3
Spain	54	0	109	-1
Italy	49	0	192	-1
Portugal	41	0	85	-2
Ireland	20	0	45	-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	6.75	
08:00	DE	HICP	Apr	% m/m	0.6	0.6	0.6	
08:30	HU	CPI	Apr	% y/y	24.1	24.0	25.2	
14:30	US	CPI	Apr	% m/m	0.4	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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