

Eyeopener

Focus on central bankers

Today no key data releases, top central bankers to speak

Philly Fed index surprised to the upside

The second day of PLN depreciation

Bond yields up in Poland and core markets, moderation of the pricing of rate cuts in Poland

Today, not much important data, with Germany's PPI perhaps worth mentioning (down to 4.1% y/y, the third downside surprise in a row of its annual growth), but also the Fed and ECB presidents are scheduled to speak in the evening (Powell at 1700CET, Lagarde at 2100CET) and this is likely to be the main focus for markets.

Data from the US on **new jobless claims, home sales and the Conference Board's consumer confidence index** were roughly in line with forecasts, but the **Philadelphia Fed's** May business climate index was noticeably better than expectations, although still at levels suggesting a recession.

ECB's Luis de Guindos said there was still room for interest rate hikes, although most of the tightening had already taken place. **FOMC's** Lorie K. Logan said she was concerned about the weak decline in inflation and that a return to price stability would remain a key priority. Another FOMC member, Phillip N. Johnson believes that inflation is too high and the recent improvement is too slow, but at the same time it is too early to assess the effect of rate hikes.

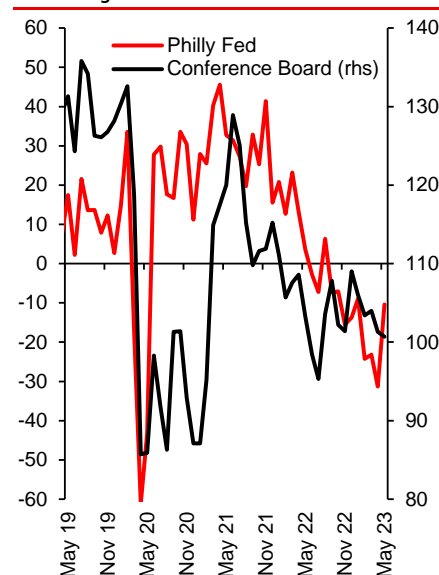
MPC's **Ludwik Kotecki** said that the announced additional social spending (an increase in the 500+ benefit) puts off interest rate cuts until at least the end of 2025. Kotecki estimated that it would add 2 percentage points to inflation (in our view, the effect would be weaker, rather less than 1 percentage point). In his opinion, the central bank would have to revert to rate hikes if the downward trend in inflation weakened or reversed. **Joanna Tyrowicz**, said that the recent strengthening of the zloty is favourable for lowering CPI inflation, but is likely to prove short-lived. According to the MPC's April voting results, Joanna Tyrowicz consistently voted in favour of a 100 basis point hike, while Ludwik Kotecki and Przemysław Litwiniuk supported a 25 basis point rate increase. The votes in March and February were exactly the same.

EURUSD fell below 1.08 during the day, with the dollar supported by hawkish comments from the Fed, a better-than-expected reading on the Philadelphia Fed index and a rise in expectations of a debt limit deal. Markets will focus attention on further US negotiations amid suggestions from J. Biden that a debt limit agreement could be reached before Sunday, as well as today's J. Powell's speech.

CEE currencies saw more weakness and like the day before were the worst performers in the EM FX universe. This time the forint was the weakest currency in the region. Also, its volatility remains the highest in the region. The HUF lost the momentum of its appreciation a few weeks ago already and has not been able to beat important support for some time, with some market participants expecting a rate cut at next week's meeting. We see the potential for a continuation of the correction of the zloty in the coming days - on Wednesday EURPLN rebounded by more than 0.02PLN, yesterday it added around 0.03PLN.

Interest rate market: Domestic market rates continued their upward movement. FRA rates rose, especially those extending beyond 9 months forward, by 7-10 bps. Bond yields rose by 5-6 bp on a slightly smaller scale than the swap rates or bond yields in the core markets. Similar factors that supported the dollar translated into rises in US bond yields, while hawkish comments from the ECB influenced rate rises in the euro area. The continuation of these movements in the core markets amid domestic news of fiscal easing with hawkish comments from MPC members gives room for further increases in local market rates.

US leading indicators



Source: Refinitiv, Santander

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FX market

Today's opening

EURPLN	4.5422	CZKPLN	0.1913
USDPLN	4.2104	HUFPLN*	1.2088
EURUSD	1.0786	RUBPLN	0.0526
CHFPLN	4.6626	NOKPLN	0.3864
GBPPLN	5.2302	DKKPLN	0.6098
USDCNY	7.0282	SEKPLN	0.3991

*for 100HUF

Last session in the FX market 18.05.2023

	min	max	open	close	fixing
EURPLN	4.5070	4.5543	4.5196	4.5463	4.5355
USDPLN	4.1645	4.2297	4.1711	4.2175	4.1929
EURUSD	1.0761	1.0835	1.0831	1.0774	-

Interest rate market 18.05.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.97	7
WS0428 (5Y)	5.98	8
DS1033 (10Y)	6.00	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.82	5	5.13	6	3.75	2
2L	6.33	8	4.41	11	3.54	5
3L	5.83	9	4.03	10	3.33	7
4L	5.59	8	3.84	11	3.22	10
5L	5.47	8	3.75	12	3.17	11
8L	5.41	8	3.61	9	3.09	10
10L	5.44	8	3.62	8	3.10	10

WIBOR rates

Term	%	Change (bps)
O/N	6.90	2
T/N	6.79	-3
SW	6.84	0
2W	6.83	1
1M	6.87	-1
3M	6.90	0
6M	6.95	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.88	1
3x6	6.84	2
6x9	6.56	3
9x12	6.25	7
3x9	6.89	4
6x12	6.57	5

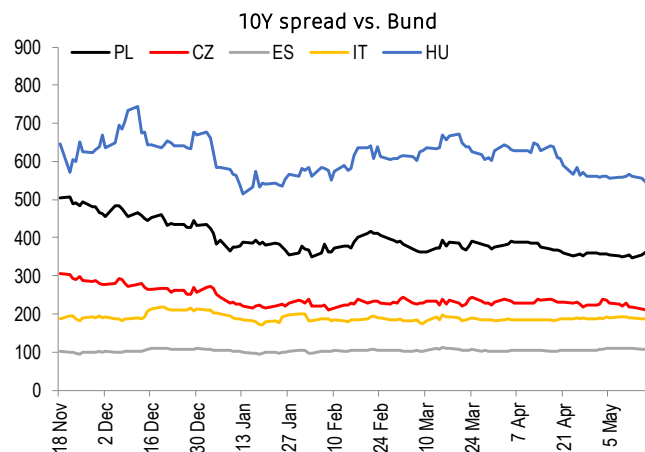
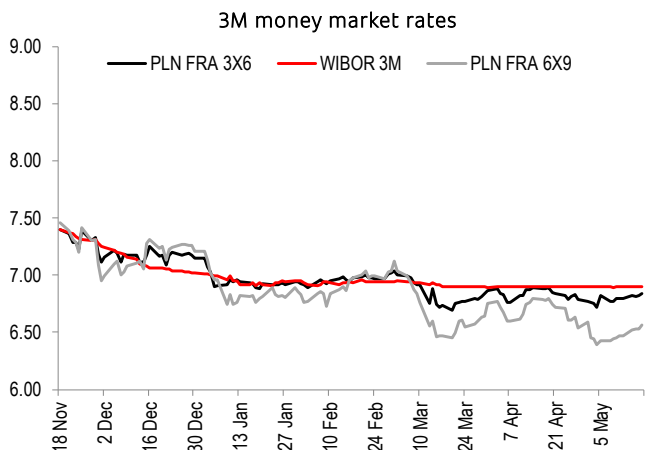
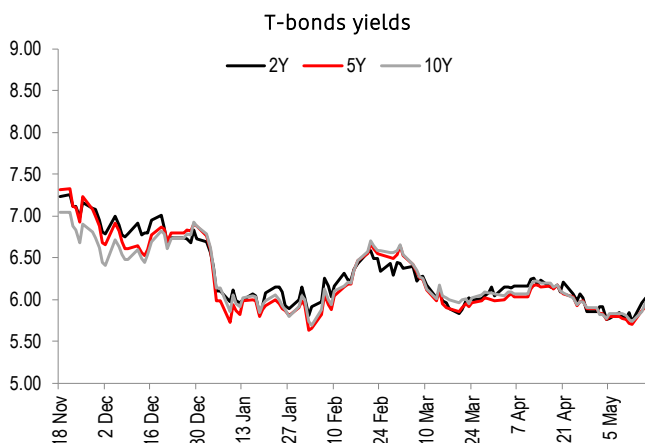
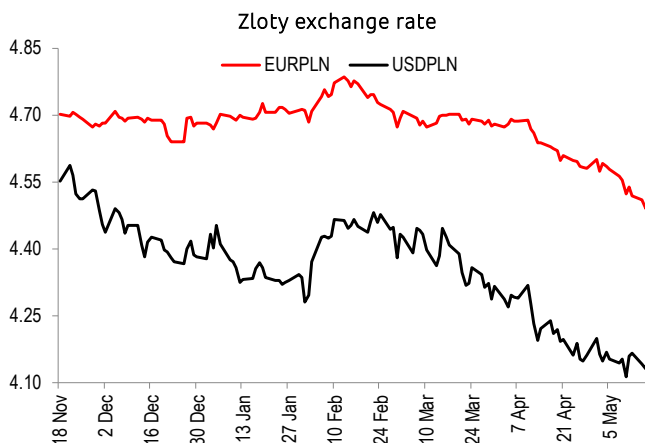
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	0	359	-2
France	15	0	63	4
Hungary	172	0	542	-8
Spain	55	0	110	4
Italy	50	0	190	5
Portugal	42	0	84	3
Ireland	20	0	48	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		
FRIDAY (12 May)							
16:00	US	Michigan index	May	pts	63.0	57.7	63.5
MONDAY (15 May)							
10:00	PL	CPI	Apr	% y/y	14.7	14.7	14.7
11:00	EZ	Industrial Production SA	Mar	% m/m	-1.3	-	-4.1
14:00	PL	Current Account Balance	Mar	€mn	2465	3014	1643
14:00	PL	Trade Balance	Mar	€mn	1401	1407	608
14:00	PL	Exports	Mar	€mn	28595	28064	30012
14:00	PL	Imports	Mar	€mn	27322	26657	29404
TUESDAY (16 May)							
08:30	HU	GDP	1Q	% y/y	-1.1	-0.9	0.4
10:00	PL	GDP	1Q	% y/y	-0.9	-1.5	-0.2
11:00	EZ	GDP SA	1Q	% y/y	1.3	1.3	1.8
11:00	DE	ZEW Survey Current Situation	May	pts	-38.0	-34.8	-32.5
14:00	PL	CPI Core	Apr	% y/y	12.2	12.1	12.2
14:30	US	Retail Sales Advance	Apr	% m/m	0.7	0.4	-0.7
15:15	US	Industrial Production	Apr	% m/m	0.0	0.5	0.4
WEDNESDAY (17 May)							
11:00	EZ	HICP	Apr	% y/y	7.0	7.0	6.9
14:30	US	Housing Starts	Apr	% m/m	-1.4	2.2	-0.8
THURSDAY (18 May)							
14:30	US	Initial Jobless Claims		k	245	242	264
16:00	US	Existing Home Sales	Apr	% m/m	-3.3	-3.4	-2.6
FRIDAY (19 May)							
No major events and releases							

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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