

22 May 2023

## Eyeopener

### Heavy local calendar and US debt limit anxiety

A lot of domestic data today, including industrial output, labour market statistics

Fed president eased his tone, hawkish voices from the ECB

Zloty volatile, EURPLN did not climb on Friday

Interest rate market volatility can rise

**Today** and over the next three days we will see many important pieces of domestic data describing the economy in April and the sentiment in May. Today's first portion consists of April wages, employment, industrial production, PPI and May business sentiment. We should be prepared for a deterioration in the 'hard data'. In April 2022, industry was still strong, the labour market heated up, so the statistical base effect is partly to blame for the expected deceleration. However, in the case of industrial performance, it should also be borne in mind that, across Europe, this sector has shown general weakness since March, defined in the latest PMI report for Poland as an industrial recession. At the same time, we hope that the positive trends in the "soft indicators" will continue, hinting that economic recovery will already come in the following quarters.

The behaviour of local markets this week, however, may depend not so much on the picture that emerges from the Polish data, but on the progress of the **US debt limit negotiations**. Friday's meeting of political negotiators on the issue ended quickly not because of an agreement, but because of the apparent lack of chance for one. This theme is likely to cause anxiety in the markets. Another factor is the recurring issue of the stability of regional banks in the US, as the Secretary of State Janet Yellen hinted on Friday that further mergers may be needed to bring the situation under control.

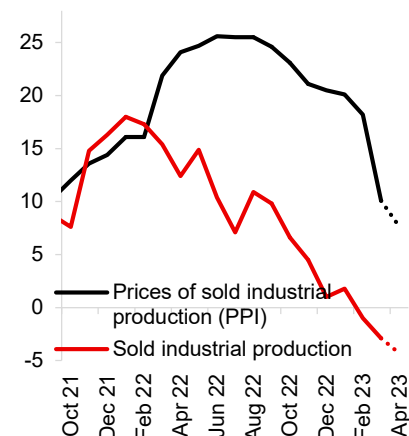
Concerns about credit supply disruption in the US have also clearly left their mark on **Jerome Powell's** views. The Fed chief spoke in a more dovish manner than before, emphasising that disruption in the banking system is a good reason to limit further rate rises. **Christine Lagarde**, on the other hand, stressed the need to show determination when inflation starts to turn the corner and to continue to take all available measures to make sure it returns to target.

**EURUSD** rebounded on Friday after the dollar strengthened considerably during the week, with the dollar being adversely affected by hawkish comments from I. Schnabel and comments from Fed' Governor. This week's debt limit negotiations will remain a significant factor for EURUSD as will weak US consumer sentiment and Eurozone industrial data.

**CEE currencies** lost at the end of last week against the major currencies continuing a multi-day correction. We think that the zloty may depreciate further at the beginning of the week, supported by weak data from the real economy.

**Interest rate market:** FRA rates rose for longer terms and the IRS curve moved slightly upwards with little change in the bond market. A small upward movement was also recorded in the core markets, but this move was completely erased after J. Powell's comments, after which US Treasuries yields fell by around 10 bp. The markets' reaction to Powell's words may deepen at the beginning of the week. In addition, April data from real economy is likely to show a bottoming out of annual real and manufacturing retail sales growth and a continuation of the slowdown in PPI growth, which could lead to a pause in the upward trend in FRAs and swap rates early this week.

Industrial production and PPI in Poland, %/y



Source: GUS, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)

**Piotr Bielski** +48 691 393 119

**Cezary Chrapek, CFA** +48 887 842 480

**Marcin Luziński** +48 510 027 662

**Grzegorz Ogonek** +48 609 224 857

### FX market

#### Today's opening

EURPLN	4.5316	CZKPLN	0.1909
USDPLN	4.1898	HUFPLN*	1.1942
EURUSD	1.0814	RUBPLN	0.0525
CHFPLN	4.6677	NOKPLN	0.3866
GBPPLN	5.2318	DKKPLN	0.6095
USDCNY	7.0218	SEKPLN	0.3992

\*for 100HUF

#### Last session in the FX market 19/05/2023

	min	max	open	close	fixing
EURPLN	4.5144	4.5497	4.5445	4.5415	4.5367
USDPLN	4.1710	4.2252	4.2229	4.1983	4.2053
EURUSD	1.0760	1.0826	1.0761	1.0817	-

### Interest rate market 19/05/2023

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.96	0
WS0428 (5Y)	5.94	-3
DS1033 (10Y)	5.98	-2

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.82	0	5.14	1	3.70	-4
2L	6.34	1	4.44	3	3.55	1
3L	5.85	2	4.06	3	3.33	0
4L	5.60	1	3.87	3	3.22	1
5L	5.48	1	3.77	2	3.13	-4
8L	5.42	0	3.66	4	3.07	-2
10L	5.45	0	3.65	2	3.08	-2

#### WIBOR rates

Term	%	Change (bps)
O/N	6.80	-10
T/N	6.78	-1
SW	6.84	0
2W	6.84	1
1M	6.86	-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	0
3x6	6.85	1
6x9	6.57	1
9x12	6.26	1
3x9	6.88	0
6x12	6.57	0

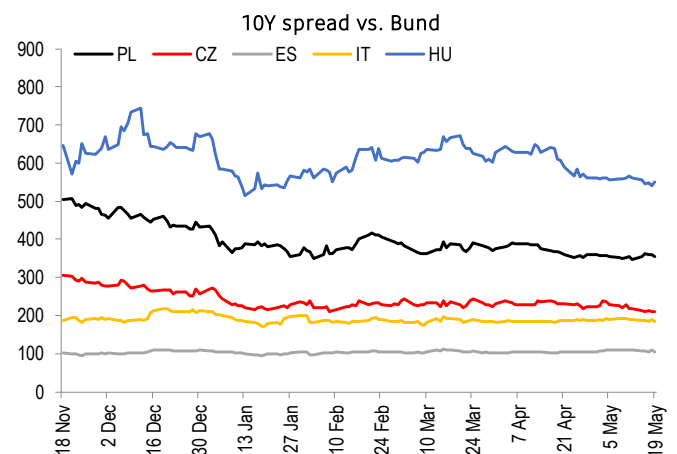
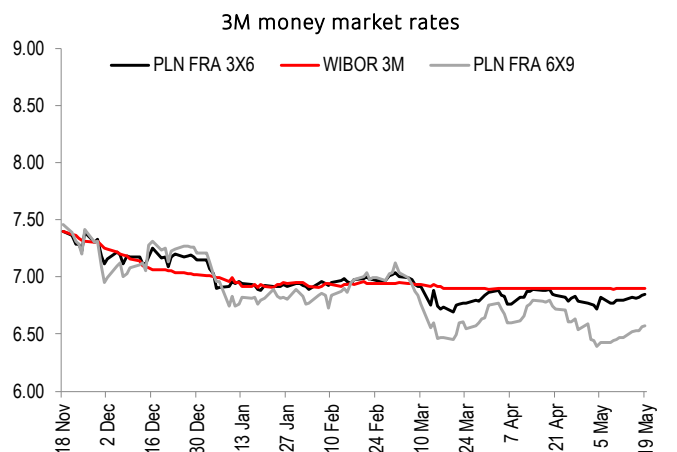
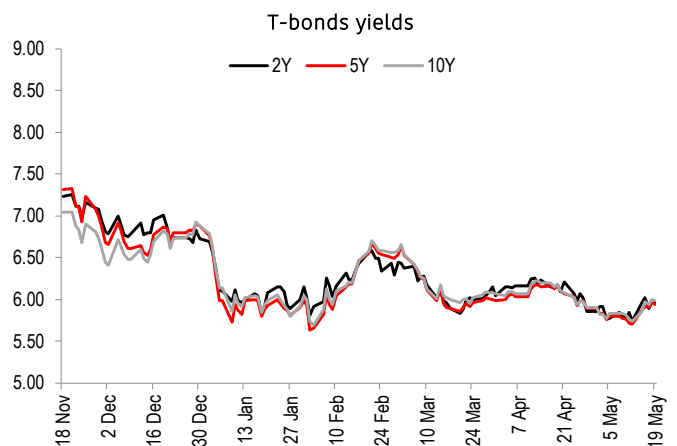
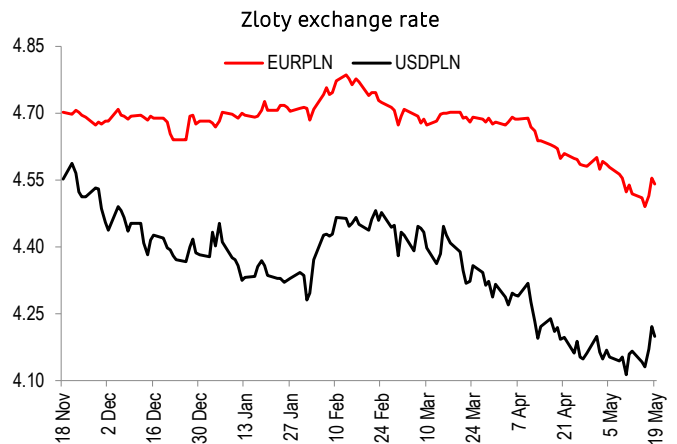
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	86	-6	356	-3
France	14	-1	58	-4
Hungary	172	0	552	10
Spain	51	-3	105	-6
Italy	47	-2	183	-6
Portugal	40	-2	80	-5
Ireland	19	-1	45	-3
Germany	10	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 (19 May)</b>							
No key data release or events							
<b>MONDAY (22 May)</b>							
10:00	PL	Employment in corporate sector	Apr	% y/y	0.2	0.1	0.5
10:00	PL	Sold Industrial Output	Apr	% y/y	-4.3	-4.3	-2.9
10:00	PL	PPI	Apr	% y/y	7.7	7.7	10.1
10:00	PL	Average Gross Wages	Apr	% y/y	12.1	12.2	12.6
<b>TUESDAY (23 May)</b>							
09:30	DE	Germany Manufacturing PMI	May	pts	45.0	-	44.5
09:30	DE	Markit Germany Services PMI	May	pts	55.0	-	56.0
10:00	EZ	Eurozone Manufacturing PMI	May	pts	46.0	-	45.8
10:00	EZ	Eurozone Services PMI	May	pts	55.5	-	56.2
10:00	PL	Construction Output	Apr	% y/y	1.9	1.8	-1.5
10:00	PL	Retail Sales Real	Apr	% y/y	-8.2	-10.0	-7.3
14:00	HU	Central Bank Rate Decision	May.23	%	13.00	-	13.00
16:00	US	New Home Sales	Apr	% m/m	-3.4	-	9.6
<b>WEDNESDAY (24 May)</b>							
10:00	DE	IFO Business Climate	May	pts	93.0	-	93.6
14:00	PL	Money Supply M3	Apr	% y/y	6.7	6.7	6.5
20:00	US	FOMC Meeting Minutes	May				
<b>THURSDAY (25 May)</b>							
08:00	DE	GDP WDA	1Q	% y/y	-0.1	-	0.9
10:00	PL	Unemployment Rate	Apr	%	5.3	5.3	5.4
14:30	US	GDP Annualized	1Q	% Q/Q	1.1	-	2.6
14:30	US	Initial Jobless Claims		k	251	-	242
16:00	US	Pending Home Sales	Apr	% m/m	-	-	-5.2
<b>FRIDAY (26 May)</b>							
14:30	US	Durable Goods Orders	Apr	% m/m	-1.0	-	3.2
14:30	US	Personal Spending	Apr	% m/m	0.4	-	0.0
14:30	US	Personal Income	Apr	% m/m	0.4	-	0.3
14:30	US	PCE Deflator SA	Apr	% m/m	0.3	-	0.1
16:00	US	Michigan index	May	pts	58.0	-	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>.