19 June 2024

# Eyeopener

## Bank of Hungary cut rates

Today consumer confidence
National Bank of Hungary cut rates by 25bp to 7.0%
HICP inflation in the euro zone down to 2.6% y/y
Zloty slightly stronger, lower market rates

There are no major events on the calendar **today,** only the domestic consumer sentiment indicators will be published. The mood in the markets is quite good after new record set by the S&P500 equity index.

**MPC member Henryk Wnorowski** said that CPI will remain in a band of tolerable fluctuation around the target for a few more months, but will leave it in 3Q24, due to changes in energy prices. Wnorowski's expectations are consistent with our forecasts. The MPC member also said that the government should think seriously about fiscal consolidation.

**According to NATO estimates, Poland's defence spending** will increase to 4.12% of GDP in 2024 from 3.26% of GDP in 2023 and in these two years will be the highest of all the members of the alliance. Equipment is expected to account for 51.13% of funds in 2024 and 44.73% in 2023 and the ratio for this year is also the highest in the entire NATO. We estimate that the contribution of arms investment to GDP growth is around 0.5 percentage points in 2023-24, with much of this offset by increased imports.

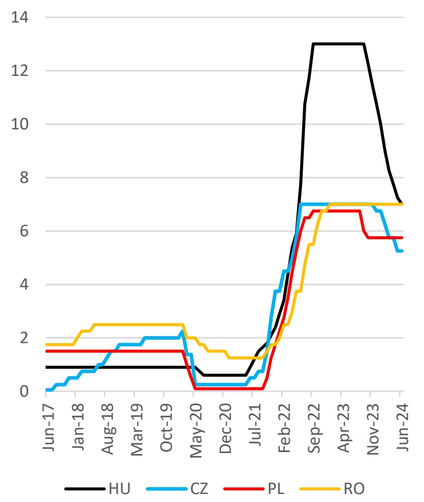
**As expected, the National Bank of Hungary (MNB) cut its benchmark rate by 25 bps to 7%** on Tuesday. The bank forecasts GDP growth in the range of 2-3% this year and 3.5-4.5% in 2025, and inflation at 3.5-4.5% and 3-4.5% respectively. MNB vice-president Virag said that the inflation profile has improved in the last quarter, but further MNB policy will be cautious. In his view, a new era in monetary policy lies ahead with little room for rate cuts, which will be partly due to the expected rise in core inflation. In his view, a pause in rate cuts or only small movements are now possible.

**HICP inflation for Poland** eased in May to 2.8% y/y (0.1% m/m) from 3.0% y/y in April. Inflation for the eurozone rose to 2.6% y/y from 2.4% y/y.

**Zloty recovery continued**. Yesterday saw further strengthening of the zloty, helped by the rise in EURUSD. The dollar lost ground after US retail sales data. In the CEE region, the forint gained, as did the zloty. The Czech koruna, on the other hand, lost about 0.5%, which may have been a reaction to comments by E. Zamrazilova that the relatively strong koruna could be an argument for a 50bp rate cut instead of 25bp at the June meeting. She added that monetary easing is also possible after June.

**Falling market rates**. After three sessions of rising yields, better sentiment in the debt market prevailed yesterday, with bond yields falling by 5-7 bps. IRS rates fell 5-8 bps, and FRAs fell 3-9 bps. In the core markets, larger declines were recorded mainly in the U.S. market, by about 6 bps at the shorter end of the curve with a small move of 1-2 bps on the German curve. Although US manufacturing data surprised positively, more important for the market was the surprise in retail sales for May (0.1% m/m vs. 0.3% expected). Today's event of the day will be a debt auction with a supply of PLN 5-8 billion.

**Interest rates of central banks, %**




*Source: LSEG, Santander*

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**FX market**

**Today's opening**

| | | | |
|---|---|---|---|
| EURPLN | 4.3360 | CZKPLN | 0.1753 |
| USDPLN | 4.0366 | HUFPLN* | 1.0879 |
| EURUSD | 1.0736 | RUBPLN | 0.0464 |
| CHFPLN | 4.5538 | NOKPLN | 0.3796 |
| GBPPLN | 5.1501 | DKKPLN | 0.5801 |
| USDCNY | 7.2564 | SEKPLN | 0.3863 |

*for 100HUF

**Last session in the FX market** **18/06/2024**

| | min | max | open | close | fixing |
|---|---|---|---|---|---|
| EURPLN | 4.3270 | 4.3559 | 4.3467 | 4.3389 | 4.3468 |
| USDPLN | 4.0220 | 4.0660 | 4.0541 | 4.0409 | 4.0549 |
| EURUSD | 1.0708 | 1.0761 | 1.0721 | 1.0737 | |

**Interest rate market** **18/06/2024**

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|---|---|---|
| OK0426 (2Y) | 5.17 | -7 |
| WS0429 (5Y) | 5.64 | 1 |
| DS1033 (10Y) | 5.79 | 1 |

**IRS on the interbank market****

| Term | PL % | PL Change (bps) | US % | US Change (bps) | EZ % | EZ Change (bps) |
|---|---|---|---|---|---|---|
| 1L | 5.79 | -2 | 5.32 | -3 | 3.46 | -4 |
| 2L | 5.40 | -6 | 4.83 | -5 | 3.18 | -2 |
| 3L | 5.17 | -7 | 4.54 | -6 | 2.98 | -2 |
| 4L | 5.07 | -7 | 4.36 | -6 | 2.87 | -2 |
| 5L | 5.03 | -8 | 4.26 | -6 | 2.80 | -2 |
| 8L | 5.09 | -8 | 4.13 | -5 | 2.72 | -2 |
| 10L | 5.15 | -8 | 4.10 | -6 | 2.72 | -2 |

**WIRON rate**

| Term | % | Change (bps) |
|---|---|---|
| WIRON | 5.15 | -4 |

**WIBOR rates**

| Term | % | Change (bps) |
|---|---|---|
| O/N | 5.51 | -2 |
| T/N | 5.75 | 0 |
| SW | 5.83 | 0 |
| 1M | 5.84 | -1 |
| 3M | 5.86 | 1 |
| 6M | 5.86 | 0 |
| 1Y | 5.86 | 0 |

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

| Term | % | Change (bps) |
|---|---|---|
| 1x4 | 5.85 | 0 |
| 3x6 | 5.79 | -2 |
| 6x9 | 5.65 | -4 |
| 9x12 | 5.36 | -6 |
| 3x9 | 5.78 | -2 |
| 6x12 | 5.61 | -5 |

**CDS rates and 10Y yield spread vs. German Bund**

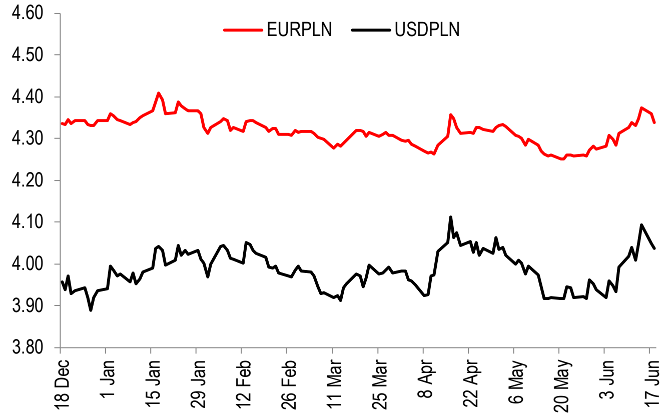
| Country | CDS 5Y USD Level | CDS 5Y USD Change (bps) | 10Y spread* Level | 10Y spread* Change (bps) |
|---|---|---|---|---|
| Poland | 69 | 0 | 340 | 3 |
| France | 18 | 0 | 73 | -2 |
| Hungary | 120 | 0 | 457 | 0 |
| Spain | 41 | 0 | 92 | -3 |
| Italy | 36 | 0 | 149 | -4 |
| Portugal | 25 | 0 | 74 | -2 |
| Ireland | 12 | 0 | 47 | -1 |
| Germany | 7 | 0 | - | - |

* 10Y treasury bonds over 10Y Bunds

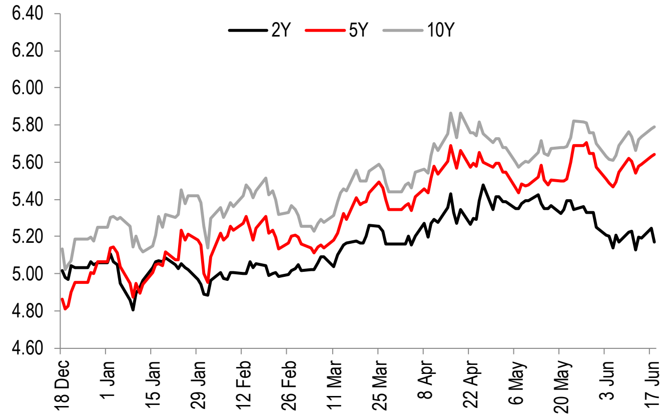
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

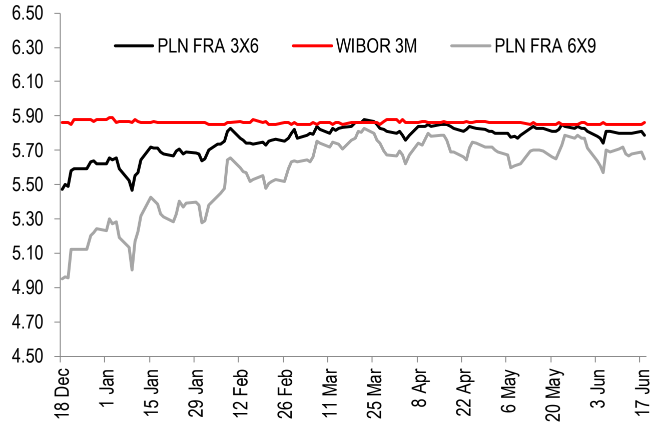
**Zloty exchange rate**



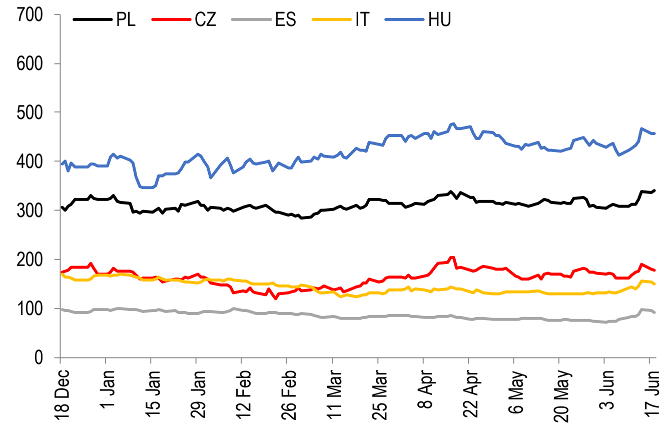

**T-bonds yields**




**3M money market rates**




**10Y spread vs. Bund**



## Calendar of events and publications

| TIME CET | COUNTRY | INDICATOR | PERIOD | | FORECAST MARKET | FORECAST SANTANDER | ACTUAL VALUE | LAST VALUE* |
|---|---|---|---|---|---|---|---|---|
| | | | **FRIDAY (14 June)** | | | | | |
| **10:00** | **PL** | **CPI** | **May** | **% y/y** | **2.5** | **2.5** | **2.5** | **2.4** |
| 16:00 | US | Michigan index | Jun | pts | 72.0 | - | 65.6 | 69.1 |
| | | | **MONDAY (17 June)** | | | | | |
| **14:00** | **PL** | **CPI Core** | **May** | **% y/y** | **3.9** | **3.8** | **3.8** | **4.1** |
| | | | **TUESDAY (18 June)** | | | | | |
| 11:00 | EZ | HICP | May | % y/y | - | - | 2.6 | 2.6 |
| 11:00 | DE | ZEW Survey Current Situation | Jun | pts | - | - | -73.8 | -72.3 |
| 14:00 | HU | Central Bank Rate Decision | Jun | % | 7.00 | - | 7.00 | 7.25 |
| 14:30 | US | Retail Sales Advance | May | % m/m | 0.2 | - | 0.1 | -0.2 |
| 15:15 | US | Industrial Production | May | % m/m | 0.4 | - | 0.9 | 0.0 |
| | | | **WEDNESDAY (19 June)** | | | | | |
| | | No key events or data releases | | | | | | |
| | | | **THURSDAY (20 June)** | | | | | |
| **10:00** | **PL** | **Employment in corporate sector** | **May** | **% y/y** | **-0.4** | **-0.5** | **-** | **-0.4** |
| **10:00** | **PL** | **Sold Industrial Output** | **May** | **% y/y** | **1.0** | **1.2** | **-** | **7.9** |
| **10:00** | **PL** | **PPI** | **May** | **% y/y** | **-7.0** | **-7.3** | **-** | **-8.6** |
| **10:00** | **PL** | **Average Gross Wages** | **May** | **% y/y** | **11.7** | **11.3** | **-** | **11.3** |
| 14:30 | US | Initial Jobless Claims | | k | 225 | - | - | 242 |
| 14:30 | US | Housing Starts | May | % m/m | 1.1 | - | - | 5.7 |
| | | | **FRIDAY (21 June)** | | | | | |
| 09:30 | DE | Germany Manufacturing PMI | Jun | pts | - | - | - | 45.4 |
| 09:30 | DE | Markit Germany Services PMI | Jun | pts | - | - | - | 54.2 |
| 10:00 | EZ | Eurozone Manufacturing PMI | Jun | pts | - | - | - | 47.3 |
| 10:00 | EZ | Eurozone Services PMI | Jun | pts | - | - | - | 53.2 |
| 16:00 | US | Existing Home Sales | May | % m/m | -1.0 | - | - | -1.9 |

*Source: Santander Bank Polska. Bloomberg. Parkiet*
** in the case of a revision the data is updated*


*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.*