

3 February 2022

Eyeopener

NBP governor wants PLN to help lower inflation

Adam Glapiński prefers a stronger zloty
Euro zone inflation higher, contrary to expectations
EURUSD above 1.13, zloty stronger
Domestic yields decline at the longer end
Today services indicators (PMI, ISM), decisions of ECB and CNB

After the flash inflation readings in main European economies surprised to the upside, yesterday inflation in the entire euro zone failed to drop in January despite stronger base effect, but even slightly increased. It was the highest upward surprise vs. market consensus on record and triggered significant market moves (yield of 10Y Bund up to +0.04%, EURUSD breached 1.13). ADP report showed the first monthly employment drop (-301k) since April 2020, but some Fed members signalled earlier that the new wave of pandemic could have such effect. Thus, it is not very likely that January's US labour market data (due on Friday) will discourage Fed from raising interest rates in March. Still, UST yields declined 1-4bp. In the day of OPEC+ meeting (which decided to rise output by 400k barrels per day since March, in line with earlier plan) the Brent oil price temporarily went up above \$90 p/b but finally closed at unchanged level (\$89.2).

NBP president Adam Glapiński said that a stronger zloty would reinforce the impact of interest rate hikes on lowering inflation. It is strengthening his earlier declaration that there is still large room for monetary tightening in Poland and it will be bigger than the market expects. The NBP president added that the aim of the central bank is to lower inflation for good and zloty appreciation would be consistent with other NBP actions. Referring to last year's interventions aimed at weakening the zloty, Glapiński said that currently the situation is different: the post-pandemic recovery has taken place, economic growth is high, but so is inflation. We think that the attempt to strengthen the zloty pre-emptively is a good move in the light of risks related to conflicts Russia-Ukraine and Poland-UE. MPC's Eryk Łon (who will take place in the MPC meeting for the last time in February) said that the next interest rate hike decision may wait until the new inflation projection in March.

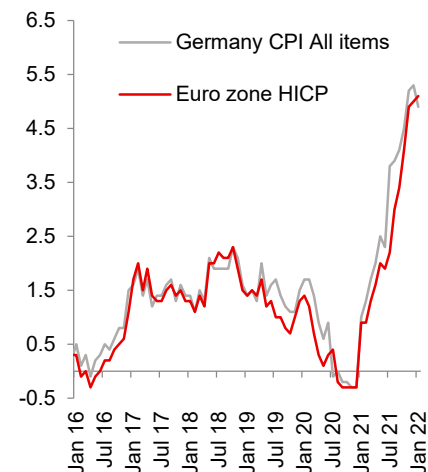
EURUSD waited for the Eurozone inflation data at 1.1275 and after the release smoothly broke through 1.13 (touching 1.1325 at some point). The ECB meeting today will be key for continuation of the move. So far the rising Eurozone inflation was treated as a transitory phenomenon. On the other hand the market assumes that inflation will push the ECB to hiking rates by 25bp still in 2022.

EURPLN reacted abruptly to the words of NBP governor about his preference for a stronger zloty. In the first step the exchange rate reached 4.545 and extended the decline to 4.54 in the evening. If none of the major risks around the zloty flare up (Covid-19 wave, Russia-Ukraine conflict, Poland-EU rule of law spat) the levels reached might be maintained until at least the MPC meeting next week.

Among other CEE currencies significant appreciation was also seen. USDRUB dropped below 76, but close above the level. EURCZK fell to 24.21, close to the January low and awaits the central bank's interest rate decision today (the market sees +75bp), EURHUF also fell, but is still c.0.6% above its. January low.

On the Polish interest rate market this time the flattening of the bond curve took place via decrease of long-term yields by 8bp. IRS curve moved lower by 3-5bp in the morning and was at a similar level at the close. FRA rates lowered by several bp. Today debt markets will observe the ECB statement and conference of the president Christine Lagarde, looking for any hawkish signals or announcement of faster anti-inflationary moves.

Inflation in the Eurozone and Germany, %y/y



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5437	CZKPLN	0.1873
USDPLN	4.0238	HUFPLN*	1.2697
EURUSD	1.1290	RUBPLN	0.0526
CHFPLN	4.3645	NOKPLN	0.4554
GBPPLN	5.4412	DKKPLN	0.6097
USDCNY	6.3605	SEKPLN	0.4357

*for 100HUF

Last session in the FX market						02/02/2022
	min	max	open	close	fixing	
EURPLN	4.537	4.573	4.565	4.543	4.550	
USDPLN	4.008	4.057	4.052	4.021	4.028	
EURUSD	1.127	1.133	1.127	1.130	-	

Interest rate market 02/02/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.74	-2
DS0726 (5Y)	4.09	-2
DS0432 (10Y)	4.01	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.29	-3	0.85	-1	-0.41	1
2L	4.48	-3	1.29	-1	-0.09	2
3L	4.40	-2	1.52	1	0.11	2
4L	4.30	0	1.59	-2	0.22	2
5L	4.21	-2	1.65	-2	0.28	3
8L	4.05	-4	1.77	-1	0.42	2
10L	4.01	-4	1.82	-2	0.50	1

WIBOR rates

Term	%	Change (bps)
O/N	2.20	4
T/N	2.25	5
SW	2.39	5
2W	2.57	2
1M	2.66	1
3M	3.06	2
6M	3.52	2
1Y	3.74	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.55	-5
3x6	4.41	-3
6x9	4.70	-5
9x12	4.73	-4
3x9	4.70	-8
6x12	4.94	-7

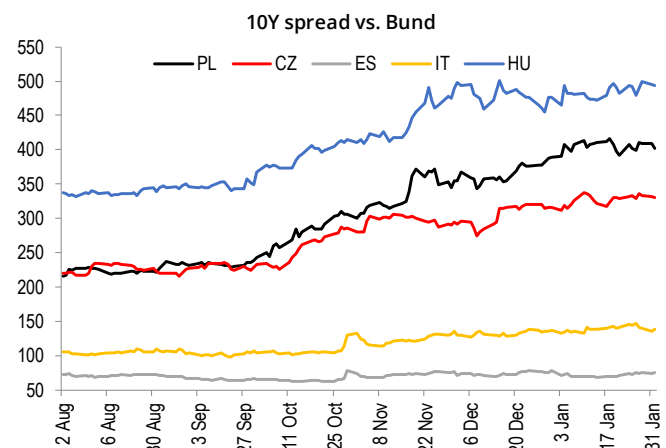
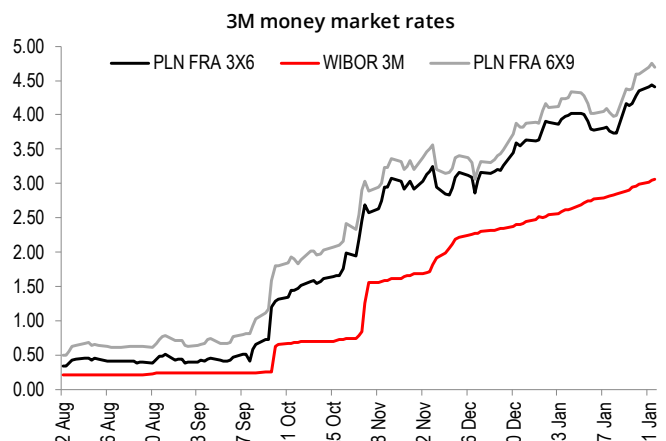
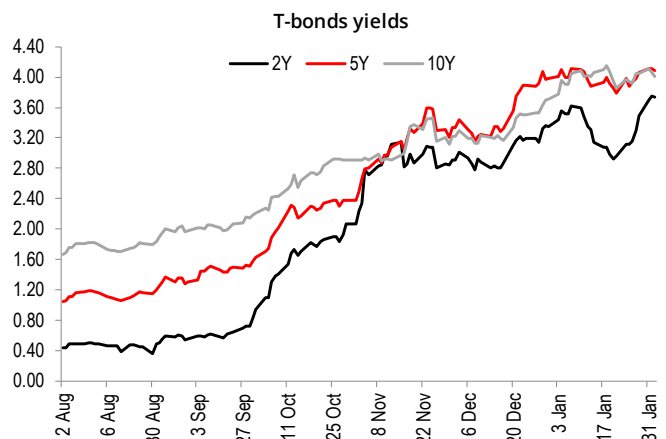
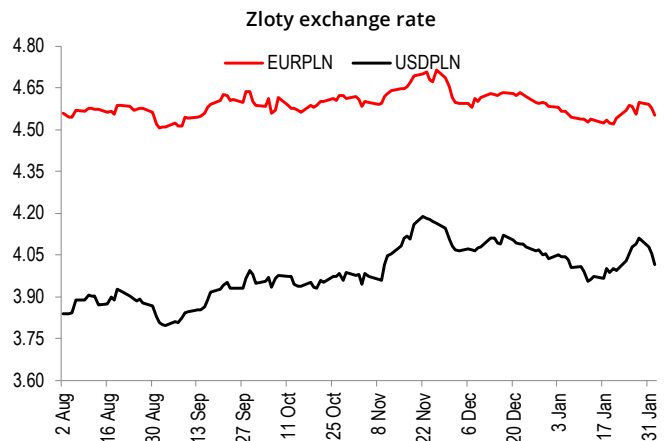
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	43	0	402	-8
France	9	0	41	0
Hungary	53	0	494	-1
Spain	34	1	75	1
Italy	47	1	139	3
Portugal	23	0	67	1
Ireland	10	0	49	-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



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (28 January)								
10:00	DE	GDP WDA	4Q	% y/y	1.8		1.4	2.5
11:00	EZ	ESI	Jan	pct.	114.5		112.7	115.3
14:30	US	Personal Spending	Dec	% m/m	-0.6		-0.6	0.6
14:30	US	Personal Income	Dec	% m/m	0.5		0.3	0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.4		0.4	0.6
16:00	US	Michigan index	Jan	pts	68.8		67.2	70.6
MONDAY (31 January)								
10:00	PL	GDP	2021	% y/y	5.5	5.8	5.7	-2.5
11:00	EZ	GDP SA	4Q	% y/y	4.6		4.6	3.9
14:00	DE	HICP	Jan	% m/m	0.0		0.9	0.3
TUESDAY (1 February)								
08:00	DE	Retail sales	Dec	% m/m	-1.4		-5.5	0.6
09:00	CZ	GDP SA	4Q	% y/y	2.9		3.6	3.3
09:00	PL	Poland Manufacturing PMI	Jan	pts	56.4	56.7	54.5	56.1
09:55	DE	Germany Manufacturing PMI	Jan	pts	60.5		59.8	57.4
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	59.0		58.7	58.0
11:00	EZ	Unemployment Rate	Dec	%	7.1		7.0	7.2
16:00	US	ISM manufacturing	Jan	pts	58.0		57.6	58.7
WEDNESDAY (2 February)								
11:00	EZ	Flash HICP	Jan	% y/y	4.4		5.1	5.0
14:15	US	ADP report	Jan	k	208		-301	807.3
THURSDAY (3 February)								
09:55	DE	Markit Germany Services PMI	Jan	pts	52.2		-	48.7
10:00	EZ	Eurozone Services PMI	Jan	pts	51.2		-	53.1
13:45	EZ	ECB Main Refinancing Rate	Feb/22	%	0.0		-	0.0
14:30	US	Initial Jobless Claims	Jan/22	k	265		-	260
14:30	CZ	Central Bank Rate Decision	Feb/22		4.5		-	3.75
16:00	US	Durable Goods Orders	Dec	% m/m			-	-0.9
16:00	US	ISM services	Jan	pts	59.6		-	62.3
16:00	US	Factory Orders	Dec	% m/m	0.1		-	1.6
FRIDAY (4 February)								
08:00	DE	Factory Orders	Dec	% m/m	0.0		-	3.7
09:00	HU	Industrial Production SA	Dec	% y/y			-	2.1
11:00	EZ	Retail Sales	Dec	% m/m	-0.5		-	1.0
14:30	US	Change in Nonfarm Payrolls	Jan	k	178		-	199
14:30	US	Unemployment Rate	Jan	%	3.9		-	3.9

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

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