

9 February 2022

Eyeopener

MPC did not change the pace of hikes

MPC raised main interest rates by 50bp, lifted reserve requirement to 3.5%
 Today at 15:00 press conference of NBP governor
 Markets stable, no major data releases
 EURUSD still stable near 1.14, zloty temporarily weaker after MPC

Today the main domestic event is the **NBP Governor Adam Glapiński's conference** at 15:00 CET. Glapiński's comments prior to yesterday's MPC meeting were rather hawkish suggesting that the stronger zloty would be welcomed by the MPC and that room for hikes is significant. It is thus possible that he will try to sound hawkish today in order to affect the market expectations. However, yesterday's MPC decision to hike rate by 50bp (details below) proved to be slightly disappointing (in line with consensus, but some investors were betting for a stronger move), so it may be difficult to make a lasting effect on the FX rate with words only. In the afternoon the Sejm is expected to **vote on new MPC members**, to replace Grażyna Ancyparowicz and Eryk Łon, ending their terms today. PiS submitted candidacies of Wiesław Janczyk and Gabriela Masłowska, acting MPs, while opposition proposed Jakub Borowski. The **government is still looking for the minister of finance**. According to Radio ZET, considered names are: Gertruda Uścińska (current head of ZUS, the Social Insurance Institution), Artur Soboń and Jadwiga Emilewicz. There are no important global events in the calendar.

Monetary Policy Council raised main interest rates by 50bp (the reference rate to 2.75%), as expected. The MPC also raised the reserve requirement rate from 2.0% to 3.5% (it applies since March 31). The post-meeting statement is very similar to the previous one(s). The first difference is the recognition of (1) worsening global economic outlook, and at the same time (2) increasing global inflation forecasts. The second one is the addition of the sentence saying that "zloty appreciation would be consistent with the direction of monetary policy conducted by the NBP". We think the door to further interest rate hikes remain open and the statement does not suggest any departure from the steady pace of 50bp rate hike per meeting. The hike in reserve requirement implies a reduction of banking sectors' excess liquidity by c.PLN27bn and could result in lifting the very front end of the money market curve.

Yesterday markets were rather stable with no important news on the wires. French president Emmanuel Macron met with his Russian counterpart Vladimir Put. Macron said after the meeting he was assured by Putin there will be no escalation of conflict with the Ukraine, but this information did not affect markets. In January the **NFIB optimism index of small US companies** declined to 97.1pts from 98.9pts one month earlier. 22% of surveyed companies reported inflation as the most important single problem. This gauge reached the highest level since 1981. Core market yields declined in the first part of the session, but that rebounded and were slightly above Monday's level at the close of the European session. Data on German exports surprised to the upside, as they showed a positive growth rate in December. However, imports were even stronger, thus trade balance was lower than forecast.

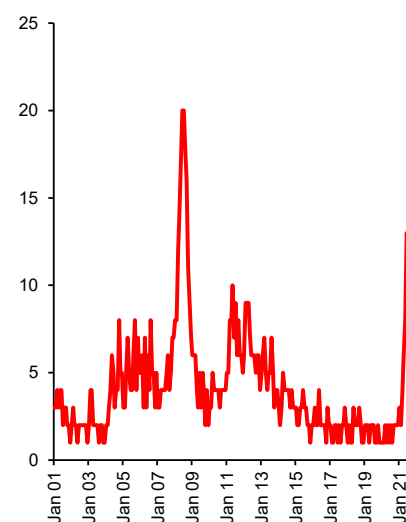
EURUSD was stable yesterday slightly above 1.14. Today there are no events in the calendar that could cause a large move.

EURPLN was moving between 4.52 and 4.54 awaiting the MPC decision. The decision was somewhat disappointing to the market, sending the exchange rate close to the daily high. Today EURPLN starts the day close to 4.52 again and may gain some more ahead of the NBP governor's press conference amid positive global market sentiment.

Other CEE currencies also showed some strengthening: the koruna and the ruble were rather stable yesterday, the forint lost a bit during the day, but this morning all are slightly stronger: EURCZK is around 24.2, EURHUF at c.353, USDRUB a bit below 75.0 Hungarian C/A data for December were slightly better than expected, Czech retail sales surprised negatively. These data had no impact on exchange rates.

Despite a rise of core market yields, on the **domestic interest rate market** bond yields were stable on the long end and went down by 5-8bp in the 2-5Y segment. The fall was a bit larger on the IRS curve (around -10bp up to 5Y).

NFIB index – percent of companies pointing to inflation as single most important problem



Source: NFIB, Santander

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FX market

Today's opening

EURPLN	4.5245	CZKPLN	0.1863
USDPLN	3.9635	HUFPLN*	1.2703
EURUSD	1.1412	RUBPLN	0.0530
CHFPLN	4.2863	NOKPLN	0.4484
GBPPLN	5.3697	DKKPLN	0.6077
USDCNY	6.3631	SEKPLN	0.4335

*for 100HUF

Last session in the FX market 08/02/2022

	min	max	open	close	fixing
EURPLN	4.523	4.545	4.535	4.532	4.527
USDPLN	3.960	3.984	3.972	3.969	3.969
EURUSD	1.139	1.143	1.142	1.141	-

Interest rate market 08/02/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.58	-5
DS0726 (5Y)	3.90	-8
DS0432 (10Y)	3.90	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.18	-9	1.01	3	-0.33	0
2L	4.28	-12	1.51	5	0.15	2
3L	4.19	-12	1.72	4	0.39	3
4L	4.08	-11	1.82	5	0.52	4
5L	4.02	-10	1.88	5	0.59	5
8L	3.91	-4	1.97	5	0.70	6
10L	3.88	-4	2.01	4	0.77	7

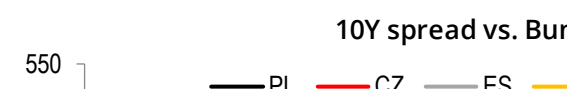
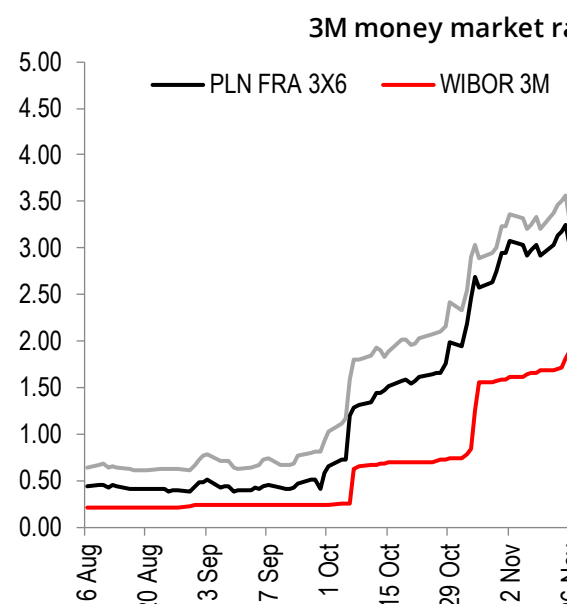
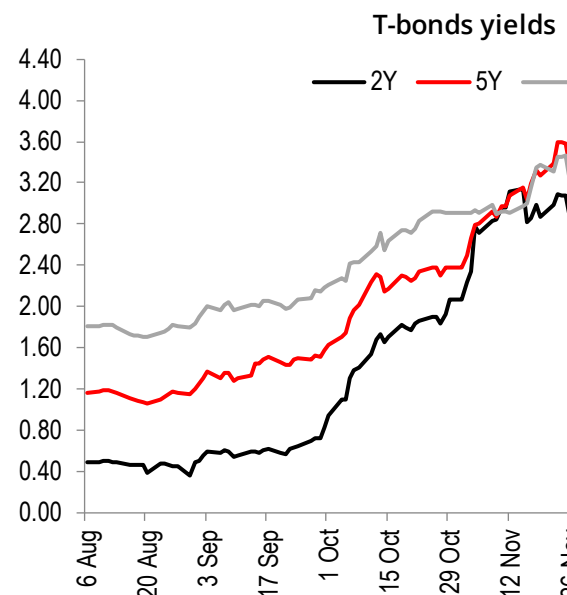
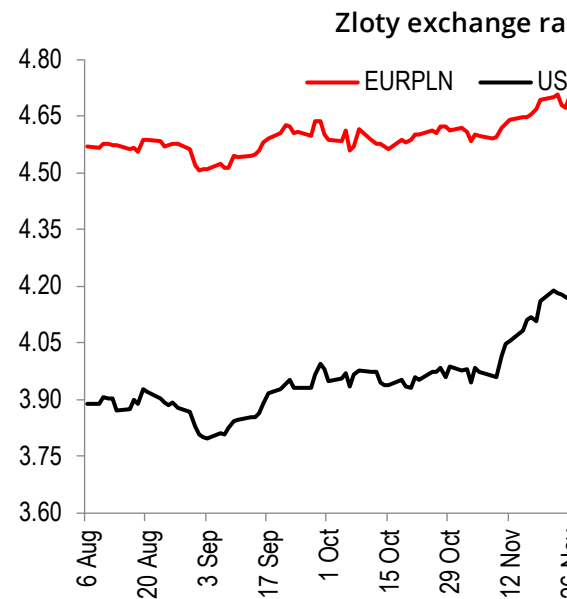
WIBOR rates

Term	%	Change (bps)
O/N	2.15	1
T/N	2.61	37
SW	2.75	5
2W	2.77	2
1M	2.77	3
3M	3.17	4
6M	3.65	3
1Y	3.89	4

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.55	-5
3x6	4.37	-2
6x9	4.45	-18
9x12	4.46	-19
3x9	4.58	-5
6x12	4.63	-15

Measures of fiscal risk



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (4 February)							
08:00	DE	Factory Orders	Dec	% m/m	0.3	2.8	3.7
09:00	HU	Industrial Production SA	Dec	% y/y	3.5	3.6	2.1
11:00	EZ	Retail Sales	Dec	% m/m	-0.9	-3.0	1.0
14:30	US	Change in Nonfarm Payrolls	Jan	k	125	467	199
14:30	US	Unemployment Rate	Jan	%	3.9	4.0	3.9
MONDAY (7 February)							
02:45	CN	Caixin China PMI Services	Jan	pts	50.3	51.4	53.1
08:00	DE	Industrial Production SA	Dec	% m/m	0.5	-0.3	-0.2
09:00	CZ	Industrial Production	Dec	% y/y	4.0	0.4	4.5
TUESDAY (8 February)							
	PL	MPC decision		%	2.75	2.75	2.75
WEDNESDAY (9 February)							
08:00	DE	Exports SA	Dec	% m/m	-0.5	0.9	1.8
15:00	PL	NBP Governor's Conference					
THURSDAY (10 February)							
14:00	PL	MPC minutes	4 Jan				
14:30	US	CPI	Jan	% m/m	0.5	-	0.5
14:30	US	Initial Jobless Claims	week	k	245	-	238
FRIDAY (11 February)							
08:00	DE	HICP	Jan	% m/m	0.9	-	0.3
09:00	HU	CPI	Jan	% y/y	7.35	-	7.4
16:00	US	Michigan index	Feb	pts	67.3	-	67.2

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

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