

10 February 2022

## Eyeopener

### Zloty stronger after NBP conference

NBP governor wants to continue rate hikes and to strengthen the zloty  
 Sejm approved Wiesław Janczyk as the new MPC member  
 Today, MPC minutes in Poland, CPI inflation in the US  
 Zloty stronger after NBP governor's comments  
 Clear rise in domestic yields, against lower core markets

**Today** the MPC minutes from the December meeting will be released. We do not think that the document will be important for monetary policy outlook, given its historical character. Moreover, important data are released in the USA: CPI inflation and weekly jobless claims. The European Commission will release its new economic forecasts.

**NBP president Adam Glapiński described himself and the entire MPC as "hawks"** at the press conference, saying that they will do whatever it takes to tame inflation and to strengthen the zloty. He declared he would propose continuation of policy tightening at the subsequent MPC meetings and that in his view the target level of NBP rate at 3.5% or even 4.0% would not harm the economy. Later on he added that even above 4% cannot be ruled out if the new data show it is necessary. Referring to his earlier comment that rates will have to rise more than anticipated by the market, he clarified he never intended to suggest moves by more than 50bp, but rather a lengthening of the cycle. The NBP governor was also sure that the government will prolong the "anti-inflation shield" until the end of this year and the inflation target will not be reached before end of 2023. We still think that the NBP will continue hiking rates at the subsequent meetings at a steady pace, and the target NBP rate may be 4.00% (to be reached in May). Getting higher will be difficult, we think, unless the MPC moves to bigger steps (which Glapiński deemed as unlikely), as in the middle of the year the economic slowdown will be already clearly on the horizon. NBP governor stressed many times that GDP outlook is a very important factor in their decision making process. At the end of the speech, Glapiński suggested a possible reduction in NBP's purchases of euro from the government. Such a move would increase the market demand for the zloty and support the currency, at least as long as the EU funds are coming in (the escalation of the government's conflict with the EU on rule of law can result in freeze of these flows).

**Sejm approved Wiesław Janczyk as the new MPC member** and rejected Jakub Borowski's candidacy, while Gabriela Masłowska has resigned from applying for the post. It means there is one vacancy in the MPC, against the NBP law saying that the nomination of the new members should take place not later than the termination of previous members' tenure (E.Łon and G.Ancyparowicz ended their term of office yesterday). Wiesław Janczyk said yesterday that if inflation decelerates thanks to government's anti-inflation shield, then interest rate hikes will no longer be needed, but also added that "one should pay close attention to NBP governor's opinions, as he has the best access to analysis".

Apparently Adam Glapiński convinced the markets that the NBP will do what is needed to strengthen the zloty. Especially important in this respect is his statement that the flow of euros the government receives from the EU may be exchanged to local currency at the market rather than at the NBP. **EURPLN** which at the Tuesday close was at 4.535 managed to slip below 4.51 still before the press conference, to close the local session at 4.495. Technically, the close below 4.50 opens the way to PLN appreciation to 4.45 (June 2021 lows). The first obstacle to further strengthening may be that USDPLN fell yesterday to c.3.93 (an important support level from October 2021). The second obstacle may be the today's US CPI data. After hawkish declarations by Jerome Powell and surprisingly strong US labour market report a higher-than-expected print of CPI could strengthen the dollar and depress EM currencies, possibly sending EURPLN back towards 4.52. At the same time we remind our readers that the last two US CPI readings were just 0.1pp higher than their median forecasts and after their release, instead of a dollar rebound, there was a rise of EURUSD by 0.4-0.6%.

As for the **other CEE currencies**, the forint and the ruble also strengthened (by 0.2% and 0.5% vs the euro respectively, while PLN gained 0.9%). The ruble was supported by upside surprises in retail sales, wages and core CPI coming two days ahead of the central bank meeting where the market expects a 100bp hike. Russian CPI inflation rose in January from 8.4% to 8.7%. The koruna was the worst EM FX performer yesterday (EURCZK back to 24.35, where it started the week), after the new government presented a 2022 budget revision with the planned deficit reduced by more than one fourth as an anti-inflation measure (e.g. wage costs and investment outlays were slashed).

On the **interest rate market**, at first Polish curves were moving down copying the behaviour of core markets. The NBP governor's speech caused a market turnaround towards higher yields and IRS rates by 4-7bp and a rebound of rate hike expectations (FRA6x9 back above 4.50). The upside drive of domestic yields may continue today.

EURPLN this week



Source: Refinitiv, Santander

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### FX market

| Today's opening |        |         |        |
|-----------------|--------|---------|--------|
| EURPLN          | 4.4927 | CZKPLN  | 0.1844 |
| USDPLN          | 3.9313 | HUFPLN* | 1.2703 |
| EURUSD          | 1.1424 | RUBPLN  | 0.0526 |
| CHFPLN          | 4.2541 | NOKPLN  | 0.4457 |
| GBPPLN          | 5.3220 | DKKPLN  | 0.6035 |
| USDCNY          | 6.3539 | SEKPLN  | 0.4315 |

\*for 100HUF

| Last session in the FX market |       |       |       |       |        | 09/02/2022 |
|-------------------------------|-------|-------|-------|-------|--------|------------|
|                               | min   | max   | open  | close | fixing |            |
| EURPLN                        | 4.491 | 4.527 | 4.526 | 4.494 | 4.517  |            |
| USDPLN                        | 3.925 | 3.969 | 3.962 | 3.929 | 3.953  |            |
| EURUSD                        | 1.140 | 1.145 | 1.142 | 1.143 | -      |            |

### Interest rate market 09/02/2022

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

| Benchmark (term) | %    | Change (bps) |
|------------------|------|--------------|
| DS1023 (2Y)      | 3.61 | 3            |
| DS0726 (5Y)      | 3.99 | 9            |
| DS0432 (10Y)     | 3.96 | 6            |

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

| Term | PL   |              | US   |              | EZ    |              |
|------|------|--------------|------|--------------|-------|--------------|
|      | %    | Change (bps) | %    | Change (bps) | %     | Change (bps) |
| 1L   | 4.26 | 9            | 1.04 | 3            | -0.33 | 0            |
| 2L   | 4.37 | 9            | 1.53 | 2            | 0.12  | -3           |
| 3L   | 4.27 | 8            | 1.74 | 2            | 0.35  | -4           |
| 4L   | 4.15 | 6            | 1.83 | 1            | 0.47  | -5           |
| 5L   | 4.10 | 8            | 1.88 | 1            | 0.54  | -5           |
| 8L   | 3.97 | 6            | 1.97 | 0            | 0.66  | -5           |
| 10L  | 3.94 | 6            | 2.01 | 0            | 0.72  | -5           |

#### WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 2.62 | 47           |
| T/N  | 2.68 | 7            |
| SW   | 2.77 | 2            |
| 2W   | 2.78 | 1            |
| 1M   | 2.80 | 3            |
| 3M   | 3.23 | 6            |
| 6M   | 3.70 | 5            |
| 1Y   | 3.94 | 5            |

#### FRA rates on the interbank market\*\*

| Term | %    | Change (bps) |
|------|------|--------------|
| 1x4  | 3.71 | 16           |
| 3x6  | 4.40 | 3            |
| 6x9  | 4.55 | 10           |
| 9x12 | 4.55 | 9            |
| 3x9  | 4.64 | 5            |
| 6x12 | 4.76 | 13           |

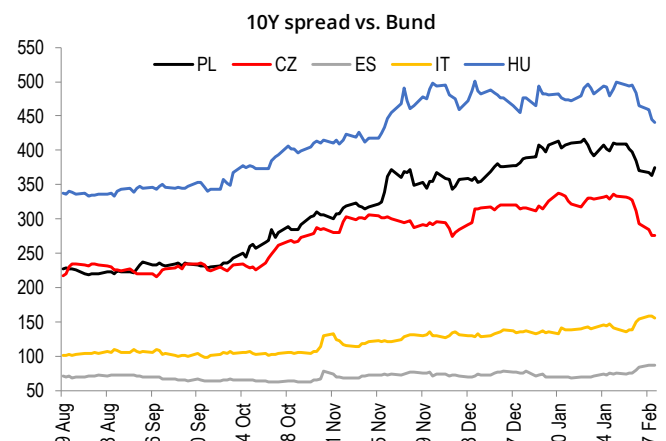
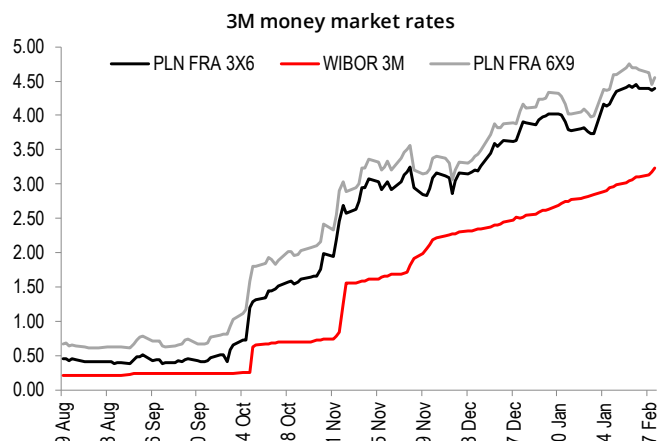
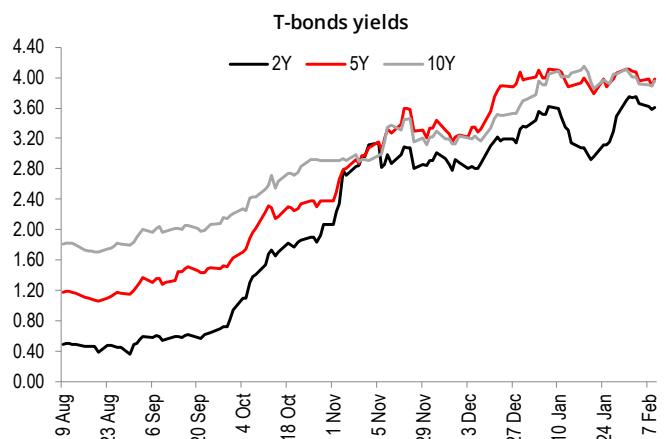
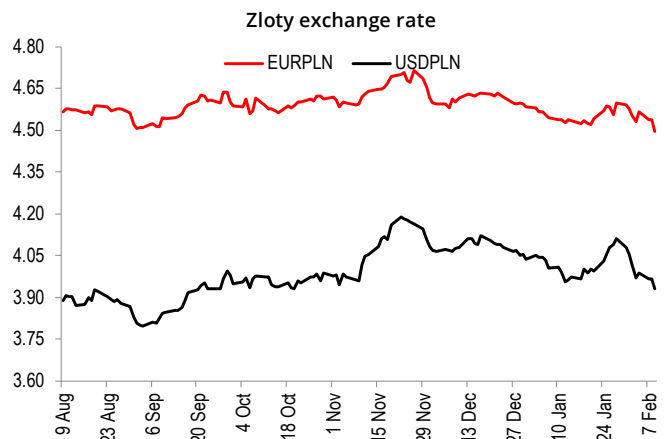
#### Measures of fiscal risk

| Country  | CDS 5Y USD |              | 10Y spread* |              |
|----------|------------|--------------|-------------|--------------|
|          | Level      | Change (bps) | Level       | Change (bps) |
| Poland   | 46         | 0            | 374         | 11           |
| France   | 9          | 0            | 46          | 0            |
| Hungary  | 60         | 0            | 441         | -5           |
| Spain    | 38         | -1           | 87          | 0            |
| Italy    | 51         | -1           | 155         | -3           |
| Portugal | 27         | -1           | 80          | 5            |
| Ireland  | 10         | 0            | 53          | -2           |
| 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<br>CET                   | COUNTRY   | INDICATOR                        | PERIOD       | FORECAST |             | ACTUAL<br>VALUE | LAST<br>VALUE* |
|-------------------------------|-----------|----------------------------------|--------------|----------|-------------|-----------------|----------------|
|                               |           |                                  |              | MARKET   | SANTANDER   |                 |                |
| <b>FRIDAY (4 February)</b>    |           |                                  |              |          |             |                 |                |
| 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            |
| <b>MONDAY (7 February)</b>    |           |                                  |              |          |             |                 |                |
| 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            |
| <b>TUESDAY (8 February)</b>   |           |                                  |              |          |             |                 |                |
|                               | <b>PL</b> | <b>MPC decision</b>              |              | <b>%</b> | <b>2.75</b> | <b>2.75</b>     | <b>2.75</b>    |
| <b>WEDNESDAY (9 February)</b> |           |                                  |              |          |             |                 |                |
| 08:00                         | DE        | Exports SA                       | Dec          | % m/m    | -0.5        | 0.9             | 1.8            |
| 15:00                         | <b>PL</b> | <b>NBP Governor's Conference</b> |              |          |             |                 |                |
| <b>THURSDAY (10 February)</b> |           |                                  |              |          |             |                 |                |
| <b>14:00</b>                  | <b>PL</b> | <b>MPC minutes</b>               | <b>4 Jan</b> |          |             |                 |                |
| 14:30                         | US        | CPI                              | Jan          | % m/m    | 0.5         | -               | 0.5            |
| 14:30                         | US        | Initial Jobless Claims           | week         | k        | 245         | -               | 238            |
| <b>FRIDAY (11 February)</b>   |           |                                  |              |          |             |                 |                |
| 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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