

2 March 2022

## Eyeopener

### NBP intervened on the FX market

We hope for a calmer day for the zloty after NBP intervention  
Market expectations for ECB rate hikes this year almost gone  
MPC's Ludwik Kotecki said monetary policy tightening should continue

**Today** there should be the second round of Russia-Ukraine talks. After the yesterday flash inflation readings from some euro zone countries, including the higher than expected HICP print from Germany (5.5% y/y) we estimate that today the figure for the whole bloc may be 5.9% y/y vs. 5.1% in previous month. Also today Jerome Powell gives testimony in the US Congress and Bank of Canada is making its decision on rates. The US and the UK introduced more sanctions against Russia and Belarus, mainly against oligarchs and selected companies. According to Bloomberg Russia is not going to pay interest on its bonds today most likely leading to a slash of the country's credit score to default.

**On Tuesday** the risk aversion flows intensified. European equity losses were 3-4%, German yield curve dropped more than 20bp and the US by 12-16bp. EURUSD fell from around 1.12 to below 1.11. What acted against the euro was a remark by ECB's Olli Rehn that they should take their time before deciding on policy normalisation, because premature tightening would risk a deeper slowdown or even recession. The market pricing of ECB hikes in 2022 sank from 50bp in mid-February to just 5bp yesterday. What is more, industrial PMIs from the euro zone and Germany were slightly weaker than flash prints while US manufacturing ISM beat forecasts on stronger output and new orders.

**Polish manufacturing PMI** rose to 54.7 pts from 54.5. The story behind is more positive than the m/m rise itself. That is because the recorded drop of delivery times – while positive and signalling that one of the crucial obstacles to expansion is easing – was acting towards a lower reading. Apart from that the report mentions strong gains in output and new orders (domestic and abroad, EU in particular), more labour demand. Input and output price indicators eased to the lowest values in around a year. The surveying period covered 10-22 February, so ended before the outbreak of Russia-Ukraine war, but covered the time of heightened tension. The war is likely to soften next readings, but the underlying positive developments in Polish industry signalled by the February PMI report should not go unnoticed.

**MPC's Ludwik Kotecki** judged that the war is an argument against acceleration of the monetary tightening cycle, but not an argument for stopping it. In his view the reasons for high inflation present before the conflict did not disappear because of it. Kotecki added that the risk of uncontrolled rise of inflation expectations comes from local, not external factors. His words contrasted with Żyżyński's call to stop hikes, and confirms our view that Kotecki should be considered a hawkish member. **Rafał Sura** reminded that the MPC communicates clearly that the appreciation of the zloty would be its ally in fighting inflation and NBP will support this direction on the FX market.

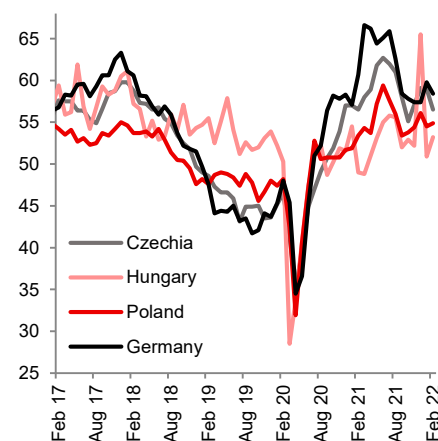
**PIS named an MPC candidate Maciej Rudnicki**, professor specialising in European and financial law. Another candidate has to be named before 30 March, when Jerzy Żyżyński ends his term.

The **EURPLN** market saw yesterday such a poor liquidity that the moves were even sharper than before and the daily trading range exceeded PLN0.10. The FX rate reached 4.80 and was the highest since 2009. NBP responded with a verbal intervention – a statement which called the ongoing depreciation as inconsistent with the Polish macro fundamentals and the direction of monetary policy. The bank assured about its readiness to respond to excessive FX volatility and presented an opinion that despite the negative impact of more uncertainty and even more expensive commodities, economic growth will remain high in Poland. After the European close the **NBP informed about an FX intervention**. The zloty, supported by the NBP statement and its presence on the market finished the day with a relatively small loss of 0.8% vs. the euro. We assume that the intervention will help the market settle down in the coming days, but still bearing in mind the unpredictability of the war in Ukraine.

**In the CEE region** the forint and the koruna were taking blows similar to the zloty and took a breather in the same time (rapid yet temporary appreciation in the afternoon). Again the koruna lost less than the forint. Obstacles in ruble trading can put a negative pressure on other CEE currencies.

**On the interest rate market** the decline of core yields was so marked that it dragged the Polish curve along (it declined by 12bp), while spread versus Bund was still widening (over 400bp in 10Y segment). IRS curve declined by over 20bp. Pricing of March hike moved back to 50 from 75bp.

Manufacturing PMIs: Germany and CEE region



Source: Markit, Santander

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**FX market**

Today's opening			
EURPLN	4.7507	CZKPLN	0.1867
USDPLN	4.2744	HUFPLN*	1.2453
EURUSD	1.1100	RUBPLN	0.0411
CHFPLN	4.6507	NOKPLN	0.4804
GBPPLN	5.6846	DKKPLN	0.6383
USDCNY	6.3115	SEKPLN	0.4408

\*for 100HUF

Last session in the FX market						01/03/2022
	min	max	open	close	fixing	
EURPLN	4.675	4.806	4.699	4.740	4.724	
USDPLN	4.164	4.309	4.197	4.268	4.219	
EURUSD	1.110	1.123	1.119	1.110	-	

**Interest rate market** 01/03/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.97	-11
DS0726 (5Y)	4.16	-14
DS0432 (10Y)	4.05	-6

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.54	-18	1.04	-10	-0.41	-3
2L	4.47	-22	1.45	-17	-0.07	-11
3L	4.25	-24	1.56	-19	0.12	-14
4L	4.03	-26	1.65	-14	0.23	-14
5L	3.89	-26	1.63	-17	0.32	-14
8L	3.71	-25	1.74	-12	0.53	-17
10L	3.71	-23	1.77	-13	0.65	-13

**WIBOR rates**

Term	%	Change (bps)
O/N	2.68	4
T/N	2.80	0
SW	2.90	4
2W	3.05	3
1M	3.20	6
3M	3.67	2
6M	4.04	2
1Y	4.25	2

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

Term	%	Change (bps)
1x4	4.19	-14
3x6	4.73	-21
6x9	4.75	-24
9x12	4.73	-23
3x9	4.88	-32
6x12	4.88	-31

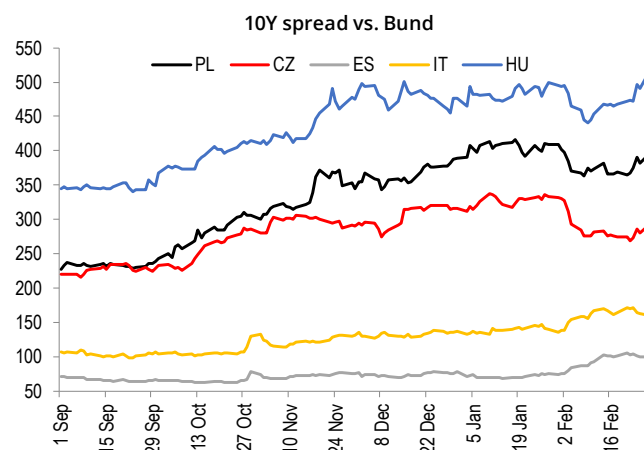
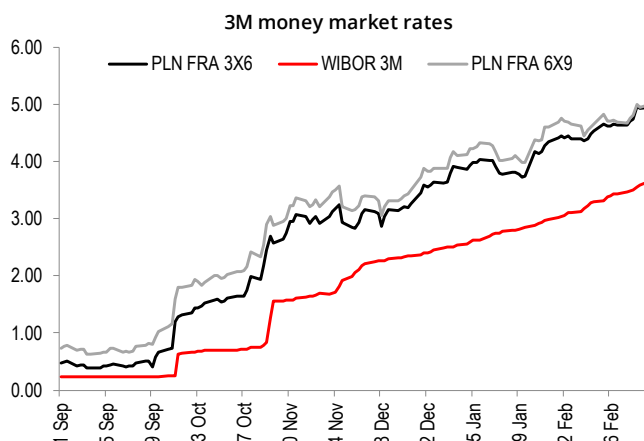
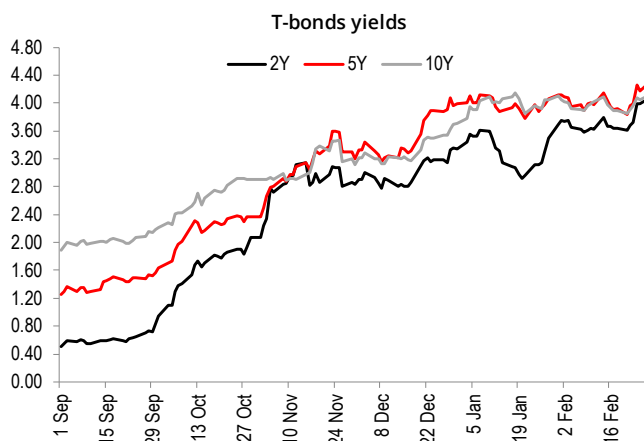
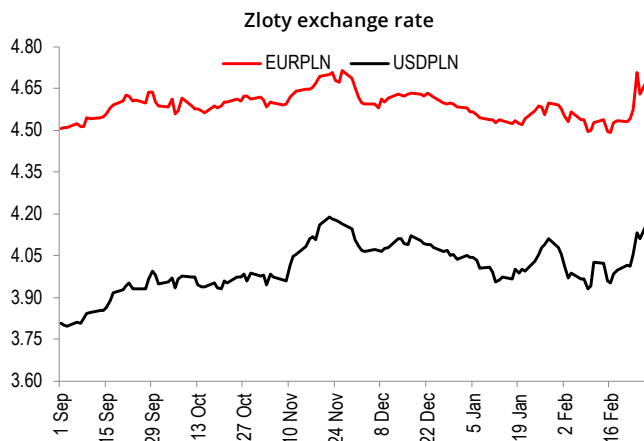
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	80	0	412	16
France	11	0	45	-3
Hungary	60	0	542	25
Spain	42	-1	94	-6
Italy	48	-2	149	-12
Portugal	30	-1	80	-7
Ireland	11	-1	56	-5
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			
<b>FRIDAY (25 February)</b>								
08:00	DE	GDP WDA	4Q	% y/y	1.4	-	1.8	1.4
11:00	EZ	ESI	Feb	pct.	113.0	-	114.0	112.7
14:30	US	Durable Goods Orders	Jan	% m/m	1.0	-	1.6	-0.7
14:30	US	Personal Spending	Jan	% m/m	1.6	-	2.1	-0.6
14:30	US	Personal Income	Jan	% m/m	-0.3	-	0.0	0.3
14:30	US	PCE Deflator SA	Jan	% m/m	0.6	-	0.6	0.4
16:00	US	Michigan index	Feb	pts	61.7	-	62.8	61.7
16:00	US	Pending Home Sales	Jan	% m/m	-0.5	-	-5.7	-3.8
<b>MONDAY (28 February)</b>								
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>4Q</b>	<b>% y/y</b>	<b>7.3</b>	<b>7.3</b>	<b>7.3</b>	<b>5.3</b>
<b>TUESDAY (1 March)</b>								
09:00	CZ	GDP SA	4Q	% y/y	3.6	-	3.6	3.5
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Feb</b>	<b>pts</b>	<b>54.8</b>	<b>54.9</b>	<b>54.7</b>	<b>54.5</b>
09:55	DE	Germany Manufacturing PMI	Feb	pts	58.5	-	58.4	59.8
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	58.4	-	58.2	58.7
14:00	DE	HICP	Feb	% m/m	0.8	-	0.9	0.9
16:00	US	ISM manufacturing	Feb	pts	58.0	-	58.6	57.6
<b>WEDNESDAY (2 March)</b>								
09:00	HU	GDP	4Q	% y/y	7.2	-	-	6.1
11:00	EZ	Flash HICP	Feb	% y/y	5.3	-	-	5.1
14:15	US	ADP report	Feb	k	310.0	-	-	-301.0
<b>THURSDAY (3 March)</b>								
02:45	CN	Caixin China PMI Services	Feb	pts	50.8	-	-	51.4
09:55	DE	Markit Germany Services PMI	Feb	pts	56.6	-	-	52.2
10:00	EZ	Eurozone Services PMI	Feb	pts	55.8	-	-	51.1
11:00	EZ	Unemployment Rate	Jan	%	7.0	-	-	7.0
14:30	US	Initial Jobless Claims		k	235.0	-	-	232.0
16:00	US	ISM services	Feb	pts	60.9	-	-	59.9
16:00	US	Factory Orders	Jan	% m/m	0.5	-	-	-0.4
<b>FRIDAY (4 March)</b>								
08:00	DE	Exports SA	Jan	% m/m	1.0	-	-	0.9
09:00	HU	Industrial Production SA	Jan	% y/y	-	-	-	3.6
11:00	EZ	Retail Sales	Jan	% m/m	1.5	-	-	-3.0
14:30	US	Change in Nonfarm Payrolls	Feb	k	400.0	-	-	467.0
14:30	US	Unemployment Rate	Feb	%	3.9	-	-	4.0

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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