

Eyeopener

Powell supporting a smaller hike in March

Set of leading indicators for services ahead
 Fed head undermining expectations for 50bp hike in March
 OPEC will not increase oil supply above schedule despite strong rise in prices
 NBP intervened again

This morning there should be negotiations of Russia and Ukraine with the option of cease-fire to be discussed. Even a decision to pause military actions for some time could send a strong signal to the markets to switch to risk-on mood. We will also get final prints of business sentiment indicators in services (PMIs, ISM) in major economies.

Jerome Powell will appear today in the US Senate, but the markets have already heard the most interesting part of what he had to say in yesterday's testimony in the House of Representatives. Fed head is going to support a 25bp rate hike in March and if inflation remains high a move by 50bp may be discussed later. He also informed that after the first rate hikes Fed will start to reduce its balance sheet, at first mainly by adjusting the reinvestment policy of assets acquired in the QE programs. Regarding Ukraine, Powell signalled that Fed will react if the war starts to affect data and outlook. Bank of Canada hiked rates by 25bp and gave a hint it wants to tighten policy more. It assessed that the war is pushing up uncertainty and global inflation. If it did not hike rates yesterday, markets would have seen it as a signal of a broad turn towards slower policy normalisation among major central banks.

OPEC+ decided to increase oil output in April by 400k barrels per day, in line with the pre-set schedule. This means no additional supply that would adjust the supply to the current market and geopolitical situation. Boycott of Russian oil and fears of carriers due to the bans on Russia-related ships in UK and Canadian harbours (the EU is also considering such option) caused yesterday a jump of oil price by more than 9% and USD115/barrel was the highest Brent price since 2008.

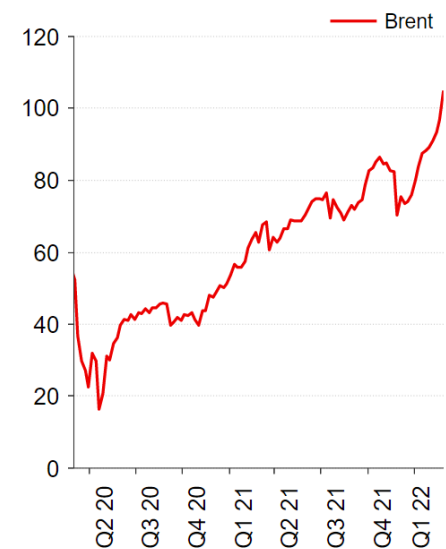
The dramatic rise of oil price was **yesterday** one of the most striking phenomena on the markets. Other assets were more quiet, stock exchanges managed to show some gains (c.2% in case of US equities after Powell distanced himself from a 50bp move in April) 10Y US bonds reversed the large Tuesday drop of yields and Bunds managed to turn positive in yield again. In the course of the day the dollar stopped appreciating and EURUSD rose back above 1.11. Gold price fell somewhat.

EURPLN was again pushed above 4.80 in a very illiquid market and once again the NBP intervened to send it lower. Apart from that the Ministry of Finance informed that it will exchange euros flowing in from the EU funds mostly on the market and not at the central bank. We know that MF had almost EUR6bn at hand at the end of January and that the stream of EU money is usually EUR10-15bn per year (so an average of EUR1bn per month may be a good enough approximation of the flow). EURPLN ended the day more or less in the same place where it had started, near 4.75, which raises hope that potential news on cease-fire in Ukraine could lead to a large drop of the FX rate.

In the CEE market the koruna managed to offset most of its loss before the end of the day, similarly to the zloty. EURCZK was more or less in the middle of 4Q21 trading range. EURHUF lost its upward momentum after climbing above 380. This is another record of the forint in the recent days. MNB, just like NBP, warned on Tuesday that it may intervene of the FX market, but we saw no information that this has actually happened. Over last two days the zloty gained over 1% to the forint.

On the **interest rate market** the Polish bond curve did not record a major rise despite rebounding core yields. Still, the 10Y segment moved above 4% and 2Y ended its ascend 1bp below 4%. The IRS curve increased by 5-8bp. 2Y rate returned to level seen last week, while 5 and 10Y were still by over 10bp lower. The rate market is still struggling with lower liquidity, and is not showing a tendency for a free fall of Polish assets, unlike the zloty. We think there is not much space for further yield rise.

Oil price, USD



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.7689	CZKPLN	0.1849
USDPLN	4.2967	HUFPLN*	1.2522
EURUSD	1.1097	RUBPLN	0.0393
CHFPLN	4.6696	NOKPLN	0.4838
GBPPLN	5.7543	DKKPLN	0.6406
USDCNY	6.3187	SEKPLN	0.4421

*for 100HUF

Last session in the FX market						02.03.2022
	min	max	open	close	fixing	
EURPLN	4.729	4.831	4.741	4.735	4.799	
USDPLN	4.254	4.353	4.267	4.261	4.330	
EURUSD	1.106	1.115	1.111	1.110	-	

Interest rate market 02.03.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	4.04	7
DS0726 (5Y)	4.25	9
DS0432 (10Y)	4.07	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.62	8	1.20	17	-0.38	3
2L	4.54	7	1.65	19	0.02	8
3L	4.31	7	1.79	23	0.22	10
4L	4.09	6	1.81	16	0.34	11
5L	3.94	6	1.83	20	0.43	10
8L	3.78	7	1.92	18	0.60	7
10L	3.76	6	1.97	19	0.71	6

WIBOR rates

Term	%	Change (bps)
O/N	2.72	4
T/N	2.80	0
SW	2.95	5
2W	3.10	5
1M	3.22	2
3M	3.69	2
6M	4.07	3
1Y	4.27	2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4.32	13
3x6	4.83	9
6x9	4.87	12
9x12	4.84	11
3x9	5.03	16
6x12	5.01	13

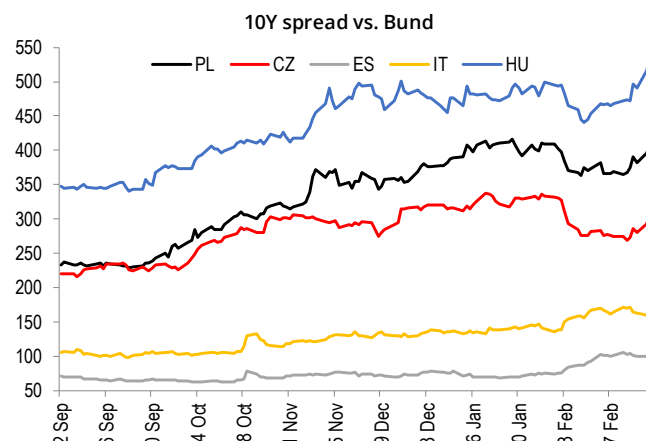
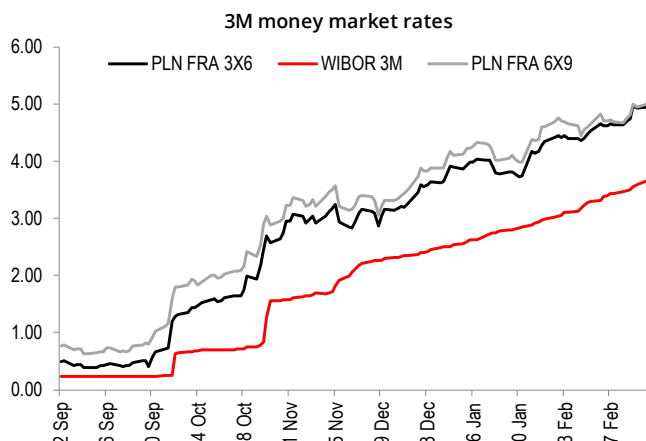
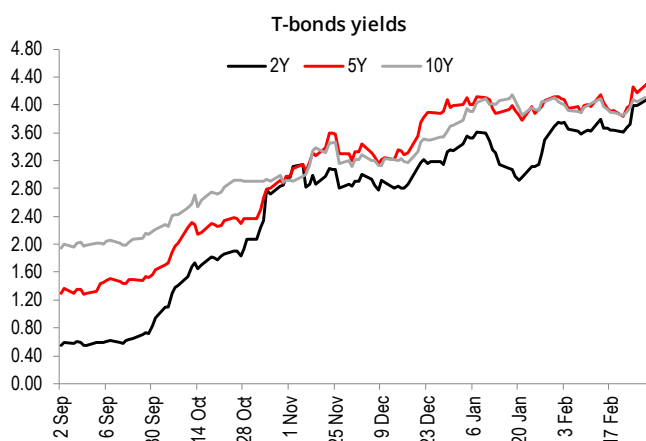
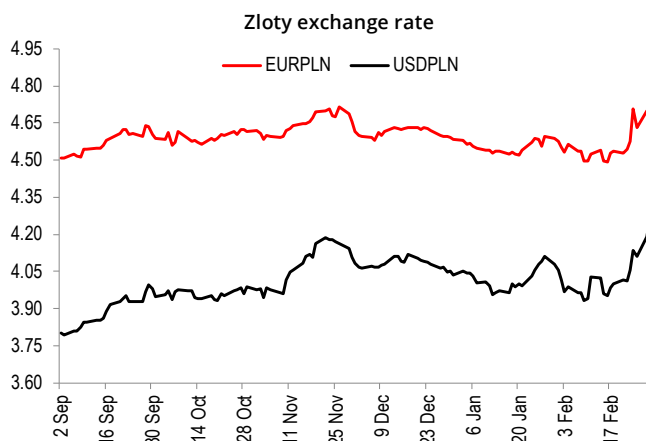
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	80	0	406	-6
France	11	0	46	1
Hungary	60	0	546	4
Spain	42	-1	98	4
Italy	48	0	152	4
Portugal	29	-1	83	3
Ireland	10	-1	61	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			
FRIDAY (25 February)								
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
MONDAY (28 February)								
10:00	PL	GDP	4Q	% y/y	7.3	7.3	7.3	5.3
TUESDAY (1 March)								
09:00	CZ	GDP SA	4Q	% y/y	3.6	-	3.6	3.5
09:00	PL	Poland Manufacturing PMI	Feb	pts	54.8	54.9	54.7	54.5
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
WEDNESDAY (2 March)								
09:00	HU	GDP	4Q	% y/y	7.2	-	7.1	6.2
11:00	EZ	Flash HICP	Feb	% y/y	5.3	-	5.8	5.1
14:15	US	ADP report	Feb	k	310	-	475	-301
THURSDAY (3 March)								
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
FRIDAY (4 March)								
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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