

Eyeopener

Risk aversion continues, zloty pressured

Today non-farm payrolls in the USA
 Markets in risk-off mood on news flow regarding Ukraine
 Rise of Eurozone services confidence indicators
 Powell: rates are going to rise, impac of the war uncertain

Today data on US employment are due, one of key statistics market-wise in general. January German exports numbers released this morning were a large disappointment and may weigh on 1Q result of the German economy – so will the consequences of sanctions imposed on Russia. Still to come today are Eurozone retail sales data for January. From the markets perspective the significance of historical data is now lower than usual due to the fact that the war in Ukraine is changing the global outlook. The market will be focused on talks between Russia and Ukraine. The attack on Ukrainian nuclear power plant has intensified the risk-off sentiment on the markets, among others sending EURUSD to 1.10. Yesterday call between Macron and Putin decreased hopes for a cease-fire and also added to negative mood.

A new edition of our **MACROscope monthly report** is out, titled “New month – new reality”, with an update of macroeconomic and market forecasts.

Eurozone services PMIs showed a clear improvement in February, mostly due to lower level of Covid-19 restrictions. The final prints were however a bit lower than the preliminary ones. Improvement was seen in most of the covered sectors, companies reported higher demand and new orders. What also strengthened was the pressure on prices. The ISM index describing sentiment in US services fell vs. January, mostly on supply issues clashing with strong demand. Another release showed solid orders in US industry.

Jerome Powell said that the rise of commodity prices will be fuelling inflation rise and that it is reasonable to raise interest rates this year. In his view it is still too early to assess the impact of the war in Ukraine on the rates path.

Deputy Finance Minister Piotr Patkowski said that the dynamic situation on the fuel market may make the government **extend the anti-inflation shield** (temporary cuts of indirect taxes on food, fuel and energy). We assume that the end date of the shield will be moved to December, which will deduct around 1.5pp from the average 2022 CPI inflation compared to the current state where the shield is to last until the end of July. We estimate the cost of the extension to c.PLN20bn (vs. c.PLN30bn spent on current government anti-inflation measures).

Polish seasonally adjusted **unemployment rate based on LFS** fell in January to 2.8% from 2.9% in December. We expect it to stabilise in the coming months.

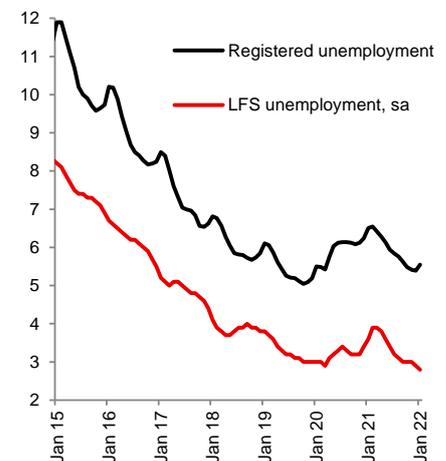
Volkswagen will stop production in its factories in Poland from 10 March due to lack of necessary components that were imported from Ukraine. These factories provide some 40% of output of the Polish car manufacturing industry. This particular industry is responsible for c.9% of total industrial output. The downtime may thus subtract up to 2 percentage points from the March industrial production growth.

The zloty remained under pressure yesterday and again surpassed 4.80 per euro, and again declined rapidly eventually. This time however at the end of the day the pair was again close to 4.80 and the news about attack on the Europe's biggest atomic power plant have sent the pair rise to 4.84 this morning. As this is the last day of the week, and markets are in negative sentiments, it may be difficult to see a zloty rebound. Volatility is likely to remain high, though.

Other CEE currencies also saw further losses on Thursday, at a similar scale as one day before. In case of the forint the initial rebound after strong decline on Wednesday (underperforming peers) and the unexpected 1-week deposit rate hike by 75bp supported the Hungarian currency which is the only one in the region not at weekly peak.

On the **interest rate market** the US and German bonds saw some gains making up for severe losses suffered on Wednesday. The Polish yield curve went up by 6bp. The IRS curve moved up much stronger and widened its negative 2x10 spread to almost -90bp.

Unemployment rate, %



Source: GUS, Eurostat, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 691 393 119
 Marcin Luźniński +48 510 027 662
 Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.8420	CZKPLN	0.1871
USDPLN	4.3946	HUFPLN*	1.2631
EURUSD	1.1015	RUBPLN	0.0400
CHFPLN	4.7813	NOKPLN	0.4911
GBPPLN	5.8584	DKKPLN	0.6506
USDCNY	6.3198	SEKPLN	0.4489

*for 100HUF

Last session in the FX market						03.03.2022
	min	max	open	close	fixing	
EURPLN	4.734	4.803	4.740	4.793	4.793	
USDPLN	4.268	4.347	4.270	4.342	4.326	
EURUSD	1.104	1.111	1.110	1.105	-	

Interest rate market 03.03.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	4.10	6
DS0726 (5Y)	4.31	6
DS0432 (10Y)	4.15	7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.76	14	1.25	4	-0.35	4
2L	4.71	17	1.69	4	0.05	4
3L	4.48	17	1.77	-2	0.26	3
4L	4.25	16	1.80	-1	0.35	1
5L	4.09	14	1.81	-2	0.44	1
8L	3.87	8	1.88	-4	0.62	2
10L	3.83	7	1.92	-5	0.74	3

WIBOR rates

Term	%	Change (bps)
O/N	2.69	-3
T/N	2.87	7
SW	3.06	11
2W	3.14	4
1M	3.26	4
3M	3.73	4
6M	4.10	3
1Y	4.29	2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4.48	16
3x6	4.99	17
6x9	5.02	15
9x12	5.00	16
3x9	5.20	17
6x12	5.22	21

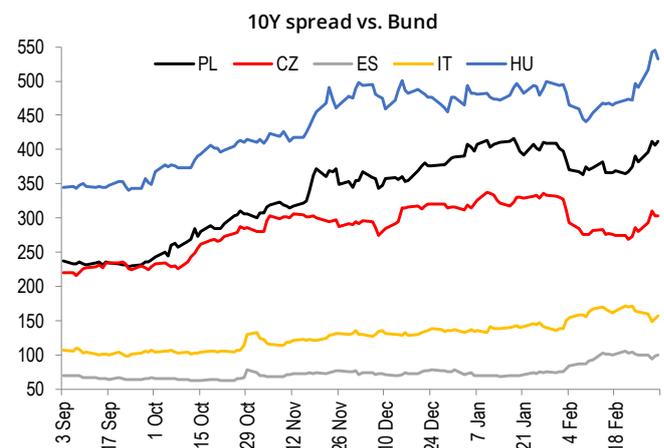
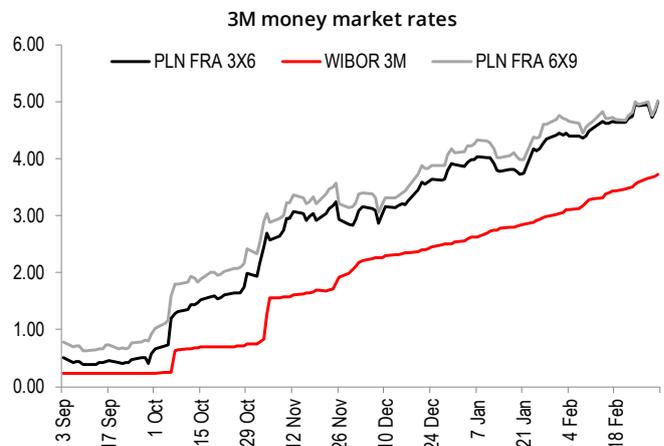
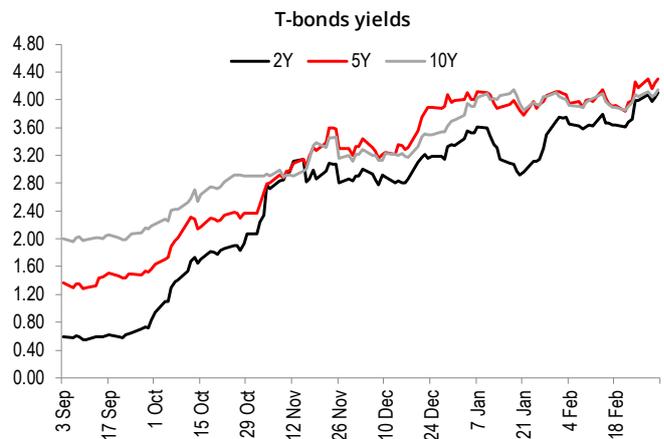
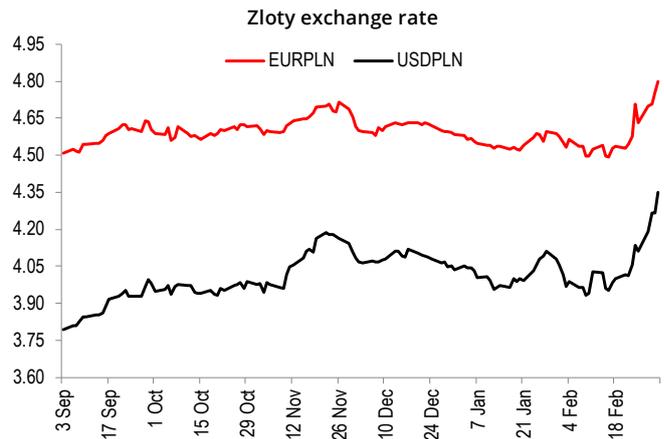
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	80	0	413	7
France	11	0	48	2
Hungary	100	40	533	-13
Spain	43	1	99	1
Italy	49	1	157	5
Portugal	31	1	85	2
Ireland	13	3	64	3
Germany	8	1	-	-

* 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	-	50.2	51.4
09:55	DE	Markit Germany Services PMI	Feb	pts	56.6	-	55.8	52.2
10:00	EZ	Eurozone Services PMI	Feb	pts	55.8	-	55.5	51.1
11:00	EZ	Unemployment Rate	Jan	%	7.0	-	6.8	7.0
14:30	US	Initial Jobless Claims		k	235.0	-	215	233
16:00	US	ISM services	Feb	pts	60.9	-	56.5	59.9
16:00	US	Factory Orders	Jan	% m/m	0.5	-	1.4	0.7
FRIDAY (4 March)								
08:00	DE	Exports SA	Jan	% m/m	1.0	-	-2.8	1.2
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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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.