

8 March 2022

# Eyeopener

## EURPLN the highest ever

Today MPC decision and statement – market pricing reached +125 bp yesterday  
Zloty the weakest ever vs. the euro, touched 5.00  
Further sell-off of Polish government bonds in very poor liquidity conditions

**Today** the key event in Poland is the Monetary Policy Council meeting. We expect to see a 50bp rate hike, but the risk is clearly asymmetric to the upside, in our view, due to the recent zloty depreciation. We do not rule out that the MPC will want to send a stronger signal to prop the currency. The central banks' actions so far were not extremely decisive – last week the NBP attempted to intervene on the FX market a few times, but probably on a limited scale, so it was not very effective in stopping the zloty sell-off. At today's meeting the Council will get to know the new economic forecasts of the central bank. We suspect that the value of those forecasts will be limited by the fact that vast part of the work probably has been completed before the Russian invasion on Ukraine. Even if the NBP economists added some last-minute extra calculations to take into account the impact of the crisis, we think the level of uncertainty around the projection will remain extremely high. The NBP president's press conference is scheduled for Wednesday at 15:00 CET. Moreover, today 4Q21 GDP data in the euro zone are due for release, plus foreign trade data in the USA. The day starts with a large positive surprise from German industrial output, which jumped 1.8% y/y in January, while market expected 1.7% decline. However, market sentiment may be influenced more by the information that the next round of Russia-Ukraine talks did not bring any break-through (the next round planned on Thursday).

**Yesterday** German data about industrial orders and retail sales were released, both better than expected.

**Poland's official reserve assets** reached €143.7bn at the end of February, which is the equivalent of 5 months of imports (the lowest ratio in two years, although still fairly safe) or slightly above 20% of GDP. It was the third month in a row when reserves were slightly depleted (according to our estimate, the reserves adjusted for exchange rate changes fell €1.3bn since January and €5.3bn since November). In March a bigger drop should be expected, due to NBP interventions aimed at defending the currency.

The **government planned that the annual cost of help for Ukrainian refugees** could be PLN1.8-3.5bn. The calculation assumed the average number of refugees between 486k and 972k. The support includes the payment of child benefits, social aid and financing psychological assistance. The amount does not include, however, payments for Polish citizens providing shelter for refugees. According to Łukasz Schreiber the total value of the support fund will be PLN8bn.

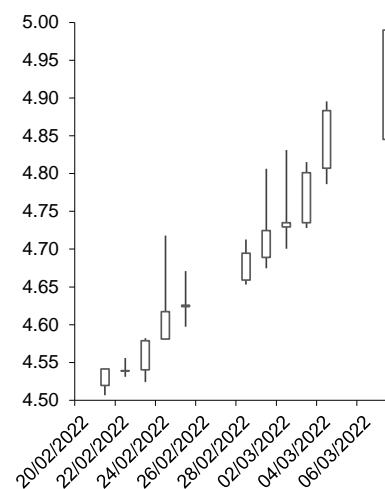
The **government is planning not to levy PIT tax on the so-called thirteenth pension**. Cost of such a proposal is expected at PLN902mn this year.

Many markets were calmer yesterday than at the end of the last week. European stock markets started the day much lower than before the weekend but for the better part of the session the indices went up, core bonds saw their yields rising by a few basis points, i.e. very slightly as compared to the scale seen over the last days. FX pairs reflecting the global sentiments like EURUSD and EURCHF lost their downward momentum reflecting strong risk aversion and even tried to rebound, yet they were still very low at the end of the day. However, this slowdown in negative trends was not visible on the EURPLN market. **EURPLN** halted only after reaching 5.00, the highest level ever (daily loss of the zloty at 1.8%). This time the NBP did not intervene. Today much will depend on the NBP decision and statement. We think that if we see a hike by 50bp, which was expected by almost all forecasters a couple of days ago, then the zloty may be hit again – given the scale of the zloty weakening yesterday the market expectations derived from FRA contracts jumped from over 75bp to 125bp.

**Other CEE currencies:** the forint, similarly to the zloty, also depreciated markedly (1.7% against the euro), setting a new record and managed to stabilise only when approaching a round psychological level (EURHUF at 400). The Hungarian finance minister said that the Hungarian currency is hurt by European sanctions and that Hungary will not support sanctions affecting the imports of energy commodities from Russia. FX reserves of the Hungarian central bank amounted to €28.3bn in February (+€0.3bn m/m). The Czech koruna was again a CEE safe haven. It seems the Czech central bank wants to hold the koruna below 26 per euro.

The **domestic interest rate market** saw a major shift in yields, exceeding 40bp, while IRS curve went up by over 20bp on the front end and by 10bp on the long end. The Sell-off of domestic bonds happened in very low liquidity environment.

Behaviour of EURPLN in the last days



Source: Bloomberg, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: ekonomia@santander.pl  
website: [santander.pl/en/economic-analysis](https://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	4.9870	CZKPLN	0.1930
USDPLN	4.5935	HUFPLN*	1.2523
EURUSD	1.0853	RUBPLN	0.0366
CHFPLN	4.9583	NOKPLN	0.5058
GBPPLN	6.0102	DKKPLN	0.6699
USDCNY	6.3169	SEKPLN	0.4575

\*for 100HUF

Last session in the FX market						07.03.2022
	min	max	open	close	fixing	
EURPLN	4.910	5.000	4.920	4.987	4.965	
USDPLN	4.516	4.614	4.522	4.592	4.572	
EURUSD	1.080	1.093	1.087	1.086	-	

### Interest rate market 07.03.2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	4.82	49
DS0726 (5Y)	4.99	43
DS0432 (10Y)	4.75	38

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.12	20	1.32	4	-0.32	3
2L	5.10	23	1.71	5	0.03	2
3L	4.83	22	1.76	3	0.20	3
4L	4.57	20	1.79	7	0.32	3
5L	4.38	19	1.76	4	0.42	3
8L	4.10	11	1.81	4	0.62	2
10L	4.06	12	1.84	3	0.74	2

#### WIBOR rates

Term	%	Change (bps)
O/N	2.57	1
T/N	2.70	-17
SW	3.29	11
2W	3.30	7
1M	3.35	5
3M	3.81	3
6M	4.23	4
1Y	4.34	4

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

Term	%	Change (bps)
1x4	5.04	36
3x6	5.44	26
6x9	5.45	24
9x12	5.42	25
3x9	5.80	39
6x12	5.68	25

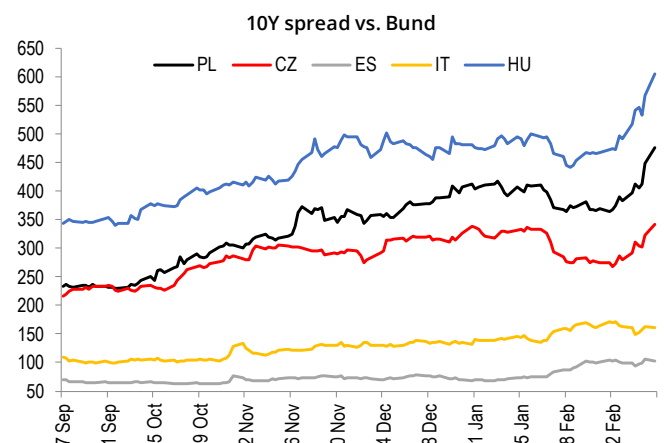
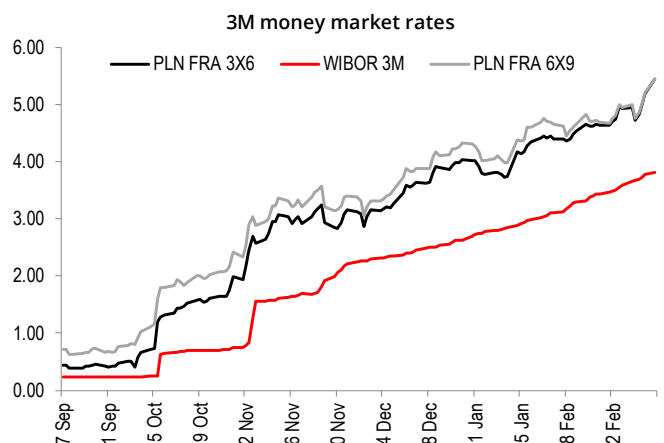
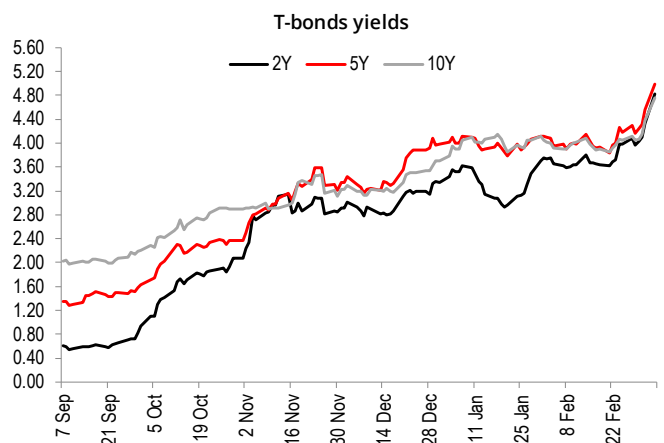
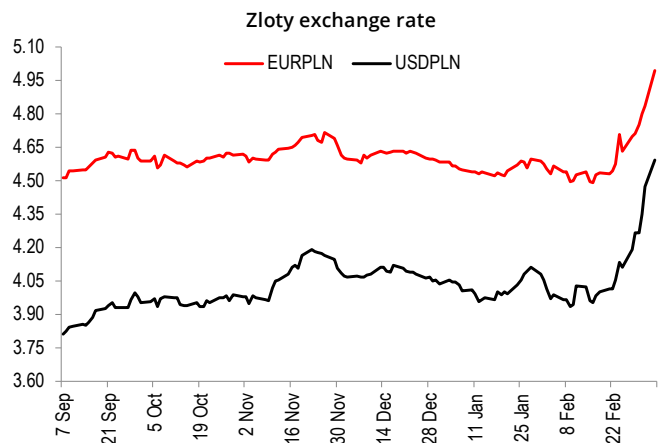
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	80	0	476	29
France	13	1	49	-3
Hungary	100	0	604	38
Spain	51	5	102	-3
Italy	55	2	161	-1
Portugal	36	2	90	-2
Ireland	15	2	73	1
Germany	10	2	-	-

\* 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 (4 March)</b>							
08:00	DE	Exports SA	Jan	% m/m	1.0	-2.8	0.9
09:00	HU	Industrial Production SA	Jan	% y/y	5.8	7.1	3.6
11:00	EZ	Retail Sales	Jan	% m/m	1.5	0.2	-2.7
14:30	US	Change in Nonfarm Payrolls	Feb	k	423	678	481
14:30	US	Unemployment Rate	Feb	%	3.9	3.8	4.0
<b>MONDAY (7 March)</b>							
08:00	DE	Factory Orders	Jan	% m/m	1.0	1.8	2.8
08:00	DE	Retail Sales	Jan	% m/m	1.5	2.0	-4.6
<b>TUESDAY (8 March)</b>							
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>3.25</b>	<b>3.25</b>	<b>-</b>
08:00	DE	Industrial Production SA	Jan	% m/m	0.5	2.7	1.1
11:00	EZ	GDP SA	4Q	% y/y	4.6	-	4.6
<b>WEDNESDAY (9 March)</b>							
09:00	HU	CPI	Feb	% y/y	8.1	-	7.9
<b>15:00</b>	<b>PL</b>	<b>NBP President Conference</b>					
<b>THURSDAY (10 March)</b>							
09:00	CZ	CPI	Feb	% y/y	10.4	-	9.9
9:30	HU	1W deposit rate		%	-	-	5.35
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0
<b>14:00</b>	<b>PL</b>	<b>MPC minutes</b>					
14:30	US	CPI	Feb	% m/m	0.8	-	0.6
14:30	US	Initial Jobless Claims	week	k	225.0	-	215.0
<b>FRIDAY (11 March)</b>							
08:00	DE	HICP	Feb	% m/m	0.9	-	0.9
09:00	CZ	Industrial Production	Jan	% y/y	-	-	0.4
16:00	US	Michigan index	Mar	pts	62.8	-	67.2

Source: Santander Bank Polska, Bloomberg, Parkiet

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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.