

9 March 2022

Eyeopener

MPC raised rates by 75bp

Rates up 75bp, today NBP governor's press conference
 A day of relief for the zloty and Polish government bonds
 USA bans imports of Russian oil, gas and coal, Russia prepares an export ban

Today the NBP governor's press conference is scheduled at 15:00 CET. Possibly, we will hear more about the rationale behind 75bp rate hike and the policy outlook. Moreover, JOLTS data will be released in the US. Hungary inflation data are out already (8.3% y/y vs. 8.1% consensus). Despite declines in Asian equity markets there is no sign in the morning of reviving strong demand for safe haven currencies USD, CHF and JPY, which may suggest that the yesterday's market stabilisation could be extended.

Monetary Policy Council decided to hike main interest rates by 75bp, the main reference rate to 3.50%. The Council opted for a move that one can see as a compromise solution, on one hand trying to support the currency and to respond to quickly worsening inflation outlook with a slightly bigger move than previously (+50bp), while on the other hand possibly trying to avoid excessive tightening. The inflation projection trajectory in the next two years is stunningly high, which – amid GDP growth slowing but still not far from the potential – could justify a meaningful monetary tightening, in our view. It will be interesting whether the NBP president shares such view at today's press conference. Please see more in our [Economic Comment](#).

US imposed a ban on imports of Russian oil, gas and coal. The European Commission is working on the **new sanctions** package against Russia and Belarus. So far the EC has proposed reducing dependence on Russian gas by 2/3 in 2022 (currently c.40% of EU's gas imports come from Russia). In turn, the Russian president signed the order to ban exports of selected products and commodities (the government is to name affected countries in two days). Yesterday there was also information that Ukraine is no longer insisting on joining NATO and is open for compromise regarding the status of the separatist republics – those news triggered a relief rally in the financial markets.

Final **data on euro zone GDP** in 4Q21 showed an increase by 0.3% q/q and 4.6% y/y. Growth was generated mostly by a strong rebound in investment (+3.5% q/q), while private consumption declined by 0.6% q/q. The euro zone's GDP managed to rise above the pre-pandemic level (0.2% higher than in 4Q19), but the new negative shock of war in Ukraine will undermine growth prospects in 1Q22. The **Hungarian central bank** hiked its collateralised loan rate by 100bp to 6.40% at an extraordinary meeting in order to raise cost of speculative positions against the forint. Other central bank rates remained unchanged. **NFIB optimism indicators** for small US companies declined to 95.7pts, the lowest level since January 2021. Companies were again pointing that inflation is the main obstacle to growth. According to media reports, EU is mulling new common bonds to finance defence and energy policies – EU summit is scheduled for 10-11 March. So far, the Commission denied.

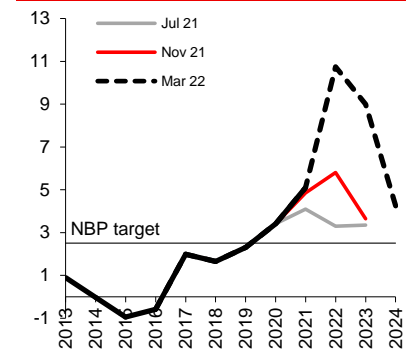
Meeting of Sejm's Public Finance Committee, which was supposed to pass its opinion on **Maciej Rudnicki's candidacy to the MPC**, was cancelled.

The **zloty** gained 1.8% vs the euro and 2.4% vs the dollar yesterday thanks to hopes that the less strict Ukraine's stance on NATO membership will open the way to ending the war. The MPC decision directed the EURPLN upwards given strong market expectations for a stronger hike, but eventually the FX pair ended the day lower than before the decision.

In the **CEE region** the forint outperformed peers, supported by central bank's actions. It gained 2% versus the euro while the Czech koruna 1.5%. EURCZK escaped through the bottom of the narrow band of 25.5-25.9 valid since the Czech central bank started to intervene.

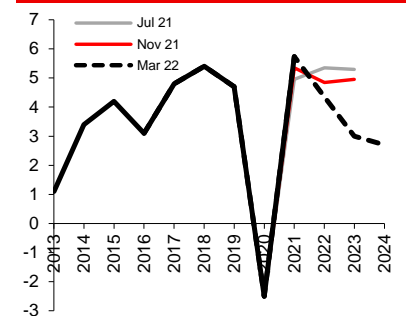
The domestic **interest rate market** saw some correction of German and US bonds (by about 10bp) as stock markets stabilised. The domestic curve went up, but less than its core peers. A marked rise was continued on the PLN swap curve with 10Y rate up by 27bp. FRA rates also climbed, with 6x9 being the highest (5.61%). We think that even if governor Glapiński does not signal more space for rate hikes, above 4.0%, the market will still bet for such a scenario, assuming that hikes might come as a necessity given high inflation, widening current account balance and fiscal balance and undervalued currency.

CPI growth according to NBP projections (projection mid-points)



Source, NBP, Santander

GDP growth according to NBP projections (projection mid-points)



Source, NBP, 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	4.8775	CZKPLN	0.1914
USDPLN	4.4700	HUFPLN*	1.2727
EURUSD	1.0914	RUBPLN	0.0376
CHFPLN	4.8085	NOKPLN	0.4980
GBPPLN	5.8587	DKKPLN	0.6547
USDCNY	6.3188	SEKPLN	0.4504

*for 100HUF

Last session in the FX market 08.03.2022

	min	max	open	close	fixing
EURPLN	4.860	4.996	4.973	4.930	4.912
USDPLN	4.461	4.601	4.579	4.530	4.512
EURUSD	1.085	1.092	1.086	1.088	-

Interest rate market 08.03.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	4.87	5
DS0726 (5Y)	4.91	-8
DS0432 (10Y)	4.83	8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.27	15	1.38	6	-0.29	4
2L	5.27	18	1.78	7	0.08	5
3L	5.02	19	1.85	9	0.26	6
4L	4.82	25	1.85	5	0.38	6
5L	4.62	24	1.85	9	0.48	6
8L	4.37	27	1.89	9	0.70	8
10L	4.32	26	1.91	7	0.82	8

WIBOR rates

Term	%	Change (bps)
O/N	2.59	2
T/N	3.46	76
SW	3.46	17
2W	3.46	16
1M	3.50	15
3M	3.91	10
6M	4.30	7
1Y	4.48	14

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.01	-3
3x6	5.58	14
6x9	5.59	14
9x12	5.58	16
3x9	5.90	11
6x12	5.86	17

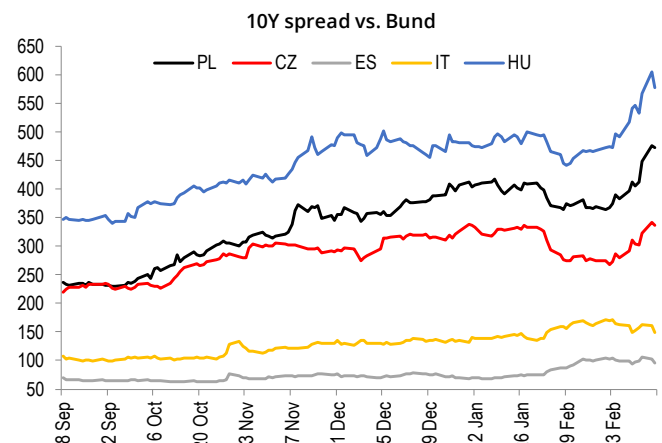
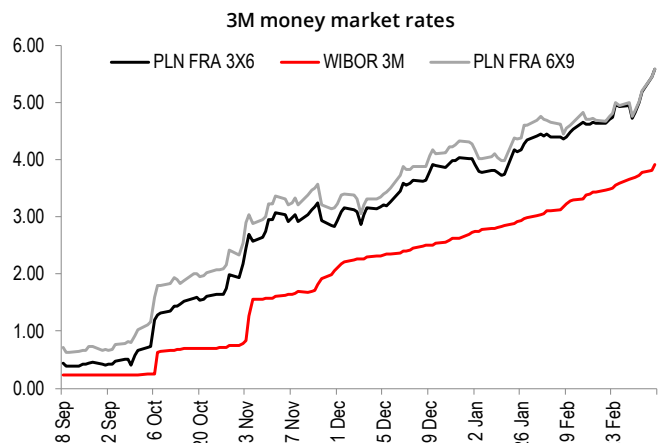
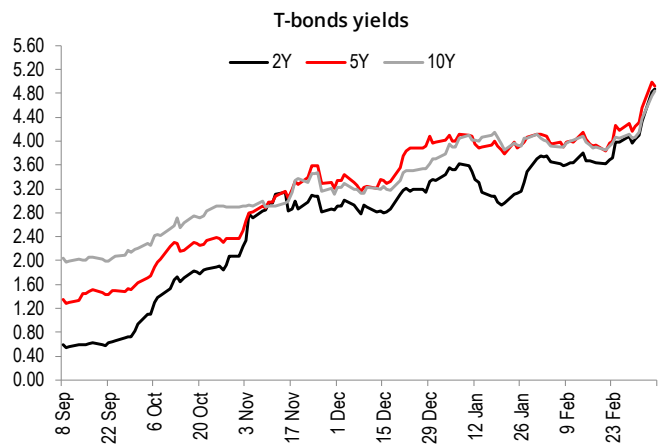
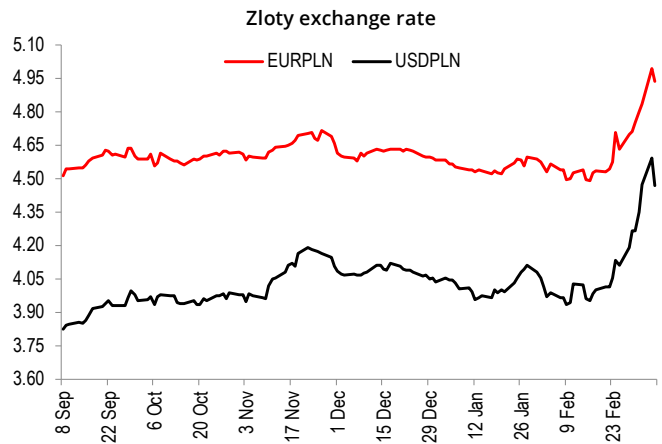
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	80	0	472	-4
France	13	0	45	-4
Hungary	100	0	578	-26
Spain	43	-7	95	-8
Italy	53	-3	149	-12
Portugal	30	-5	82	-8
Ireland	15	0	66	-7
Germany	10	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 (4 March)							
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
MONDAY (7 March)							
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
TUESDAY (8 March)							
	PL	MPC decision		%	3.25	3.25	3.50
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	4.0
WEDNESDAY (9 March)							
09:00	HU	CPI	Feb	% y/y	8.1	8.3	7.9
15:00	PL	NBP President Conference					
THURSDAY (10 March)							
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
14:00	PL	MPC minutes					
14:30	US	CPI	Feb	% m/m	0.8	-	0.6
14:30	US	Initial Jobless Claims	week	k	225.0	-	215.0
FRIDAY (11 March)							
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.