

28 March 2022

Eyeopener

More worries about inflation and stagnation

No important macroeconomic data today

Ifo index collapsed due to the war

Zloty regained 0.05PLN vs. the euro on Friday as easily as it had lost it on Thursday

Domestic yields were still going up on Friday, but it was not a bad day for POLGBs

Today no important macroeconomic data. Market is likely to be preparing to more important events at the end of the week. We are starting the week with new information on lockdown in half of Shanghai populated by 26mn people and this is likely to put more pressure on global supply chains. Bank of Japan announced unlimited purchases of government bonds at 0.25% yield given strong global sell-off of debt securities (10Y Treasuries reached 2.50%). Ceasefire negotiations between Russia and Ukraine are to be held between Monday and Wednesday.

Ifo index surprised markedly to the downside and fell to 90.8pts in March from 98.5pts in February. Decline of the index was due to a collapse in expectations gauge given the Russian aggression on Ukraine. The manufacturing sector saw the most considerable decline in optimism, with its index recording the largest monthly decline in history. February's pending home sales in the USA declined by 4.1% m/m while a slight increase was expected. The measure declined for the fourth time in a row and this is probably due to rising market interest rates and thus financing costs, discouraging potential buyers.

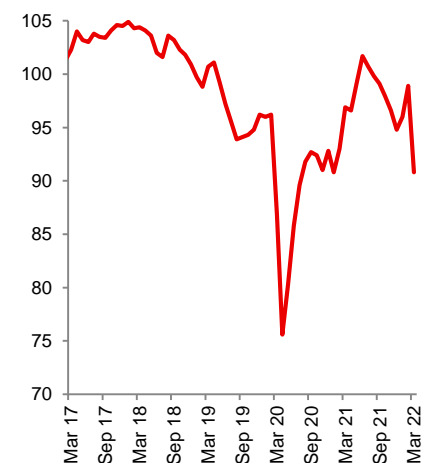
As a result of talks between the USA and the EU, the USA promised to deliver additionally at least 15bn m3 of **LNG gas** this year.

Thursday **zloty** weakening by over PLN0.05 against the euro and Friday reversal of this move reminded investors of the current volatility levels. Thanks to the Friday strengthening the zloty also avoided registering a loss against the euro on the weekly chart. The issue of imminent approval of Polish Recovery Fund is still valid and in our view keeps offering potential for EURPLN's decline below 4.68. We think that soon the rate may return to 4.60-4.65 range, especially if Friday's inflation surprises to the upside again.

Other CEE currencies: the Czech koruna again moved towards 24.6 versus the euro on Friday – the level which was already tested last week from the above, and which was a technical resistance for EURCZK in January and February. On Thursday the CNB decision is due and expectations point to a 50b hike. The impact of the meeting on the koruna may be unconventional – recent comments from the central bank showed some differences in views of the board whether it should fight inflation with stronger hikes or with more aggressive FX interventions. Thus, a lower rate hike on Thursday can equal a stronger inclination of the CNB to directly support the koruna with FX operations, and the other way round. On Friday also the forint gained against the euro.

On the **interest rate market** the increasing scale of fiscal easing starts taking its toll and the last debt auctions are showing that financing the increased borrowing needs may not be easy. This week the CPI data release may put a pressure on bond yields. Last Friday was quite favourable for the Polish debt market: yields increased only a couple of basis points, as did the swap curve and German bond yields. It would seem that amid UST yields soaring 10-15bp and rising scale of FOMC rate hikes priced-in this year (to 206bp), the depreciation of Polish bonds could have been even bigger. This week starts with a continuation of strong US bonds selloff, mainly at the short end of the curve, and the total size of Fed rate hikes expected this year jumped by additional 10bp since Friday evening.

Ifo index (Germany)



Source: Ifo institute, Santander

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FX market

Today's opening			
EURPLN	4.7057	CZKPLN	0.1905
USDPLN	4.2916	HUFPLN*	1.2523
EURUSD	1.0962	RUBPLN	0.0458
CHFPLN	4.5950	NOKPLN	0.4952
GBPPLN	5.6397	DKKPLN	0.6323
USDCNY	6.3687	SEKPLN	0.4539

*for 100HUF

Last session in the FX market						25/03/2022
	min	max	open	close	fixing	
EURPLN	4.696	4.769	4.767	4.704	4.746	
USDPLN	4.276	4.327	4.326	4.279	4.313	
EURUSD	1.098	1.103	1.103	1.099	-	

Interest rate market 25/03/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	5.76	0
DS0726 (5Y)	5.76	0
DS0432 (10Y)	5.43	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.89	6	1.94	7	-0.14	4
2L	5.94	6	2.53	13	0.47	5
3L	5.74	3	2.62	12	0.76	9
4L	5.60	6	2.63	15	0.87	7
5L	5.46	5	2.61	15	0.95	7
8L	5.17	4	2.56	11	1.10	5
10L	5.08	4	2.54	8	1.19	5

WIBOR rates

Term	%	Change (bps)
O/N	3.33	0
T/N	3.47	-3
SW	3.55	0
2W	3.70	4
1M	3.93	3
3M	4.60	8
6M	4.90	3
1Y	5.00	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.40	7
3x6	6.00	3
6x9	6.22	4
9x12	6.23	5
3x9	6.28	7
6x12	6.47	8

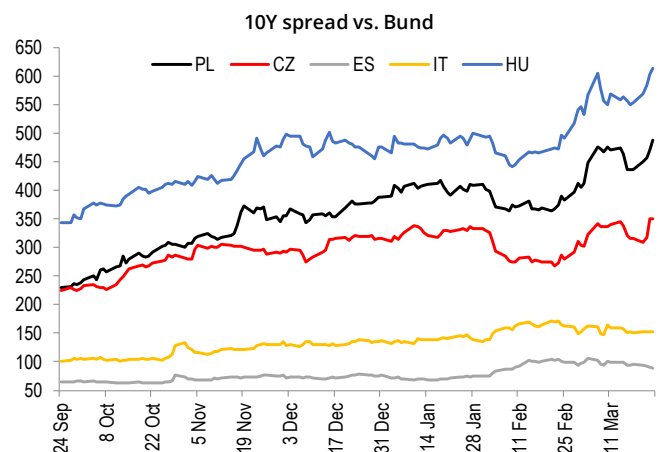
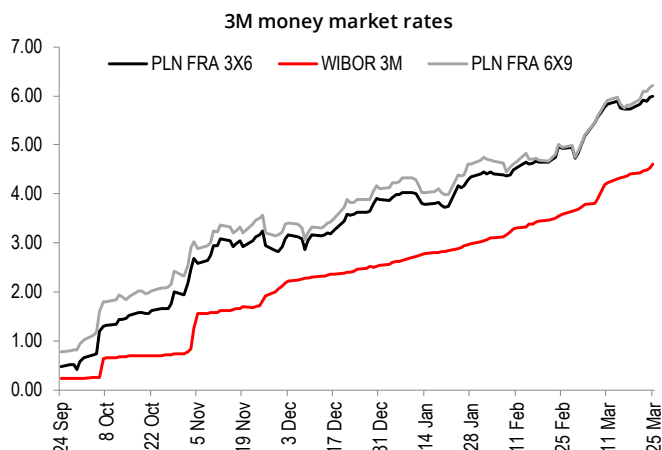
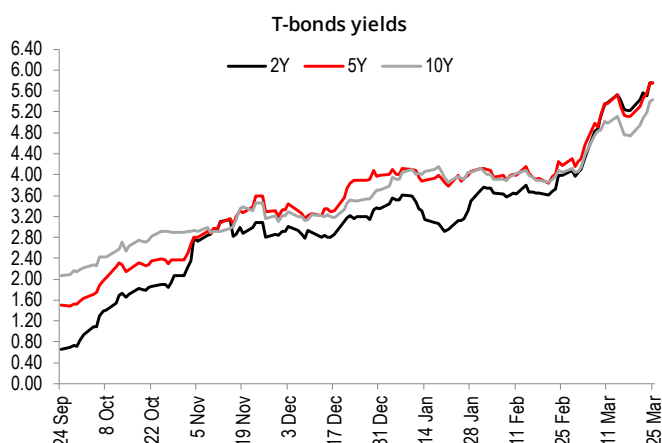
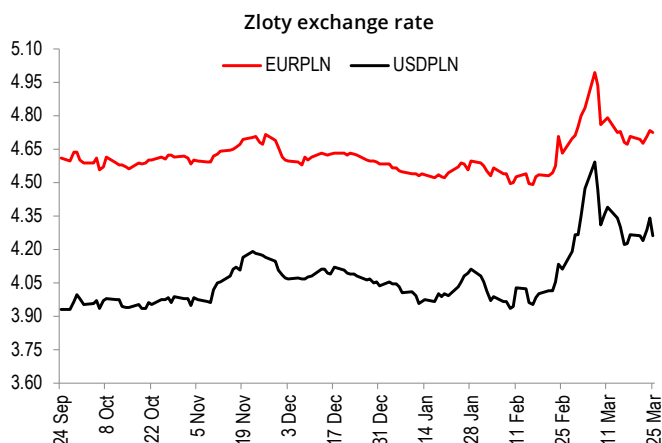
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	83	0	488	17
France	14	0	45	-1
Hungary	97	0	613	10
Spain	42	0	89	-2
Italy	50	-2	153	1
Portugal	30	0	78	-2
Ireland	15	0	59	1
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 (25 March)								
10:00	DE	IFO Business Climate	Mar	pts	94.1	-	90.8	98.9
15:00	US	Michigan index	Mar	pts	59.7	-	59.4	59.7
15:00	US	Pending Home Sales	Feb	% m/m	1.0	-	-4.1	-5.7
MONDAY (28 March)								
No important data releases								
TUESDAY (29 March)								
16:00	US	Consumer Conference Board	Mar	pts	107.8	-	-	110.5
WEDNESDAY (30 March)								
11:00	EZ	ESI	Mar	pct.	109.7	-	-	114.0
14:00	DE	HICP	Mar	% y/y	6.6	-	-	5.5
14:15	US	ADP report	Mar	k	425.0	-	-	475
14:30	US	GDP Annualized	4Q	% Q/Q	7.1	-	-	2.3
THURSDAY (31 March)								
03:30	CN	China Manufacturing PMI	Mar	pts	50.0	-	-	50.2
08:00	DE	Retail sales	Feb	% y/y	6.1	-	-	10.4
09:00	CZ	GDP SA	4Q	% y/y	3.6	-	-	3.5
11:00	EZ	Unemployment Rate	Feb	%	6.7	-	-	6.8
13:30	US	Initial Jobless Claims		k	200.0	-	-	187
14:30	US	Personal Spending	Feb	% m/m	0.5	-	-	2.1
14:30	US	Personal Income	Feb	% m/m	0.5	-	-	0.0
14:30	CZ	Central Bank Rate Decision			5.0	-	-	4.5
FRIDAY (1 April)								
09:00	PL	Poland Manufacturing PMI	Mar	pts	52.7	52.0	-	54.7
09:30	DE	Germany Manufacturing PMI		pts	57.6	-	-	57.6
10:00	EZ	Eurozone Manufacturing PMI		pts	57.0	-	-	57.0
10:00	PL	CPI	Mar	% y/y	9.8	10.0	-	8.5
11:00	EZ	Flash HICP	Mar	% y/y	6.5	-	-	5.8
14:30	US	Change in Nonfarm Payrolls	Mar	k	475	-	-	678
14:30	US	Unemployment Rate	Mar	%	3.7	-	-	3.8
16:00	US	ISM manufacturing	Mar	pts	58.4	-	-	58.6
	PL	Poland's rating review by S&P						

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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