

29 March 2022

Eyeopener

Cheaper oil made the markets calmer

Few important data releases today

MPC's Kochalski: there is still room for rate hikes

ECB set EUR swap line for NBP

Today the calendar of data releases is light. Markets may pay attention to Conference Board consumer confidence and JOLTS in the USA. In the morning German GfK index of consumer confidence fell in March (from -8.5 to -15.5, vs expected -14) with the worst reading of expected future income since early 2009.

Yesterday there were not many important macro releases. US wholesale inventories were slightly better than expected, Dallas Fed manufacturing index decreased clearly.

According to FAO, war in Ukraine implies a risk of significant drop of global food production and a surge in prices, and a consequence may be the humanitarian crisis in Latin America and the Caribbean, where the "hunger zone" may expand by 13 million people.

ECB has set up the swap line for the NBP worth EUR10bn until 15 January 2023. The line is supposed to secure potential liquidity needs of the banking sector resulting from the war in Ukraine. The Financial Stability Committee assessed that the Polish banking sector is resilient to the shock related to the war in Ukraine. According to the Committee the most important threat for the sector is still the litigation risk connected with the FX mortgage loans. The Committee criticised the legal solutions leading to cancellation of the existing loan agreements which are against the principles of economics and social justice.

MPC member Cezary Kochalski said there is still room for interest rate hikes due to the inflationary pressure, although the Council should remember not to squash economic growth, which is still predicted at a solid level. We expect to see two more interest rate hikes by 75bp at the nearest meetings.

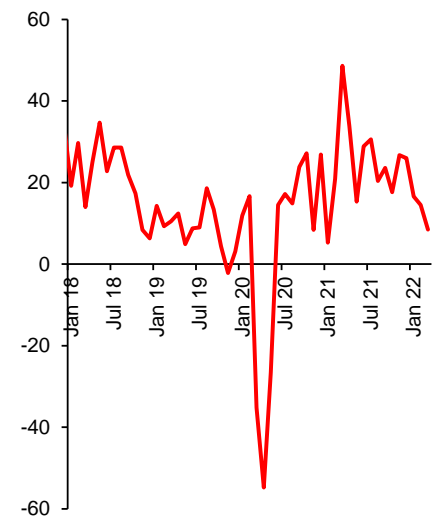
Markets started the week with a drop of crude oil price by over US\$10. Even though the representative of the United Arab Emirates said that the OPEC+ due to meet on Thursday will probably not promise higher oil supply in May than scheduled so far, but more important was the negative demand factor i.e. the Shanghai's lockdown. Amid such big oil price drop equity markets showed slight gains and bonds in core markets strengthened (only the yield of 2Y UST increased by 4bp). EURUSD was still close to 1.10 and both EUR and USD were dominating other developed countries' currencies.

Yesterday after the close of the European session **EURPLN** was close to 4.70 despite strong jump to 4.74 in the morning. On one hand, this is the second time over the last few days when the zloty is suddenly hit more than the forint or the Czech koruna without any major signal from the global markets (we cannot say that Monday or last Thursday were risk-off days, yet the zloty took a blow). On the other hand, these zloty losses are temporary – they did not start a depreciation trend. We think that the prospect of Polish CPI reaching 10% in March already (release this Friday) might offer the zloty some support in the coming days. For this appreciation to happen PLN would still need a positive signal in negotiations between Russia and Ukraine on ceasefire.

In the **CEE region**: EURCZK was close to 24.6 in the morning and ended the day there. This level is important from the technical point of view and the exchange rate might remain nearby for some time. The forint, in contrast to the zloty and the koruna failed to offset the Monday morning loss versus the euro, but widened it to 0.5%. EURHUF climbed slightly above 375, which is the upper bound of the trading range over last two weeks (lower bound: 370). In such circumstances new negative information about war in Ukraine could mean a major forint sell-off.

The **interest rate market** saw a continuation of domestic bond sell-off, raising the curve by 8bp. Polish IRS curve and core markets saw only the front end going up. The German yield curve 2-10Y spread fell below 70bp and the US one to 13bp from 20bp. At the same time, expectations for remaining rate hikes in the USA in 2022 stayed at 8.5 x 25bp with six rate-setting meetings still to go.

Dallas Fed index – output in manufacturing



Source: Ifo institute, Santander

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FX market

Today's opening			
EURPLN	4.6947	CZKPLN	0.1907
USDPLN	4.2730	HUFPLN*	1.2454
EURUSD	1.0987	RUBPLN	0.0459
CHFPLN	4.5758	NOKPLN	0.4917
GBPPLN	5.5936	DKKPLN	0.6310
USDCNY	6.3673	SEKPLN	0.4507

*for 100HUF

Last session in the FX market						28/03/2022
	min	max	open	close	fixing	
EURPLN	4.686	4.737	4.687	4.705	4.702	
USDPLN	4.268	4.314	4.278	4.285	4.278	
EURUSD	1.094	1.100	1.095	1.097	-	

Interest rate market 28/03/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	5.85	9
DS0726 (5Y)	5.92	15
DS0432 (10Y)	5.51	8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.94	5	1.99	5	-0.13	1
2L	6.00	5	2.58	6	0.49	3
3L	5.81	6	2.71	8	0.77	1
4L	5.61	1	2.66	3	0.90	3
5L	5.46	0	2.62	1	0.97	2
8L	5.15	-2	2.57	1	1.11	1
10L	5.05	-4	2.53	-2	1.20	0

WIBOR rates

Term	%	Change (bps)
O/N	3.25	-8
T/N	3.43	-4
SW	3.55	0
2W	3.78	8
1M	3.99	6
3M	4.66	6
6M	4.96	6
1Y	5.05	5

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.47	7
3x6	6.08	8
6x9	6.29	7
9x12	6.32	9
3x9	6.36	8
6x12	6.54	7

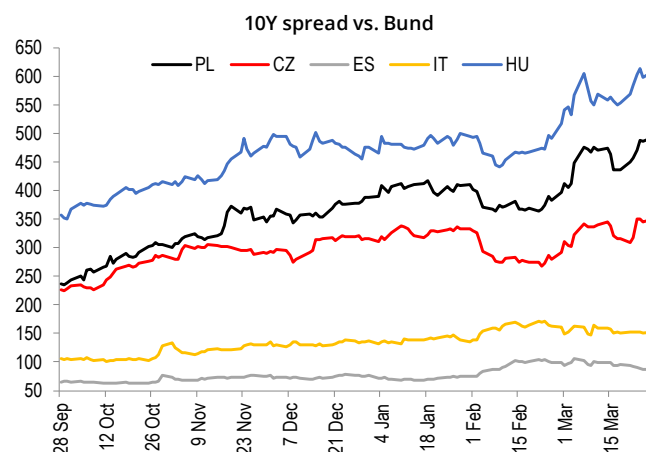
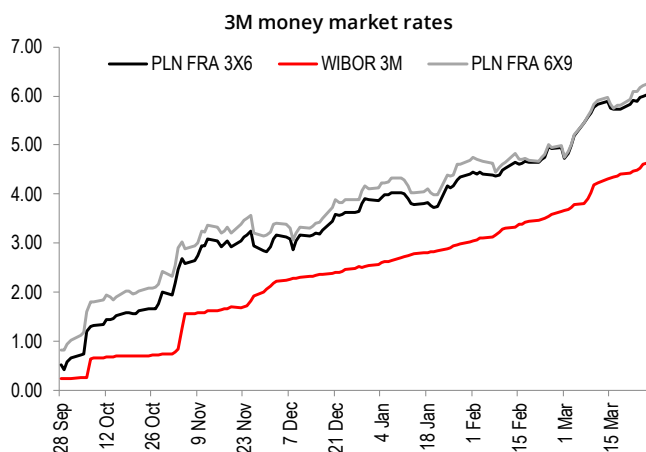
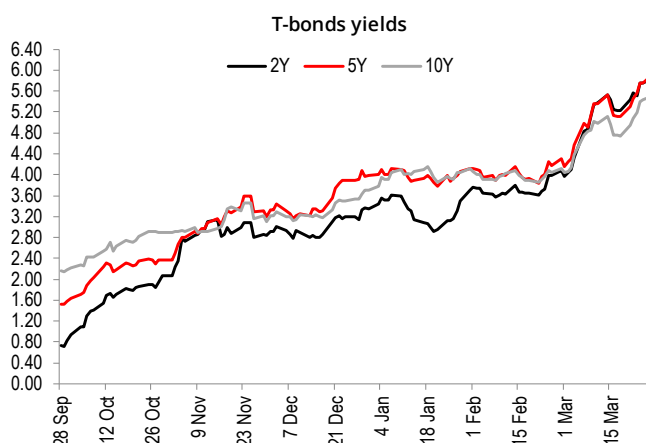
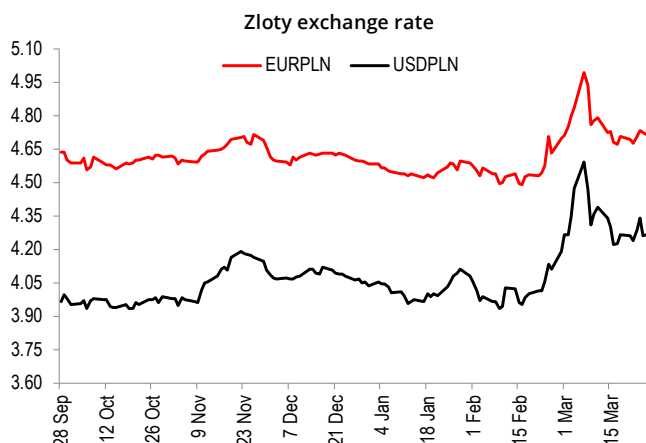
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	81	-1	493	7
France	14	0	42	-1
Hungary	97	0	608	10
Spain	42	0	88	1
Italy	51	0	153	2
Portugal	31	0	77	1
Ireland	15	0	55	-3
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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