

Eyeopener

Markets less volatile

Today services PMIs in Europe

German bond yields lower, Polish stable

EURPLN below the recent support line, forint the weakest among CEE currencies

Today in the morning we will get to see services PMI in Europe. These from Germany and from the euro zone – the most important for the assessment of the Polish economic outlook – were released in flash form already over a week ago. It turned out that in the month marked by war in Ukraine, sanctions against Russia, commodity price shock and supply disruptions these gauges fell less than feared by the market. Let us remind, however, that in case of PMI indices covering the industrial manufacturing the final numbers were markedly below flash readings. We will also get to see industrial output in Hungary, but the data comes from February, i.e. from the pre-war reality, and markets are currently more interested in development of the rule-of-law conflict between Hungary and the EU after a landslide victory of Viktor Orban in Sunday parliamentary elections. We can also see more information about new sanctions against Russia (there are signals that EU's embargo on Russian energy goods is becoming more likely).

Yesterday's good results of Germany export in February was a positive signal. Pre-war set of industry-related German data will be supplemented by output and orders, due for release on Wednesday and Thursday. US orders proved in line with expectations.

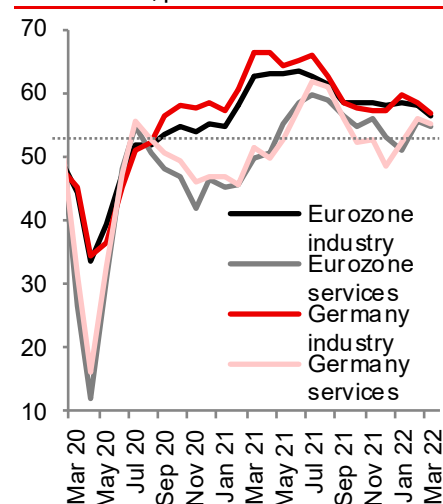
On Monday markets were calmly turning to risk-averse moods given that new sanctions against Russia were being prepared. **EURUSD** prolonged its decline below 1.10 and some European stock markets ended the day below zero. Core market yields were declining, especially in Germany. Brent oil price went up again, even though the USA started releasing its reserves and even before it managed to reach a through slightly below 100\$ per barrel, reached in mid-March.

EURPLN broke through a technical support at 4.64 and stopped only at 4.62. We think that it will spend the time left until the MPC decision tomorrow between 4.60 and 4.65 on the back of expectations for bold action of the NBP given the large upside surprise with the March CPI (we think a rate hike by 75bp is likely). We have doubts if EURPLN could hold on to current levels if the MPC was to deliver a 50bp rate hike and then reinforce it with a hawkish comment. Such manoeuvre was made recently by the Czech central bank and did not disturb the appreciation trend of the koruna, but this was also exactly what the Polish MPC and governor Adam Glapiński already did at the previous meeting (remarks by some members that came later challenged the declaration of the Council's ultra-hawkish stance) and the market may be not fall for this again. More news about the Polish recovery and resilience plan being either almost approved by the EC or delayed by an unspecified period had no impact on the zloty, apparently labelled as information noise.

Other CEE currencies: EURCZK was moving for almost the whole day along the downside trend from previous sessions, but in the final move it offset the daily decline. The forint did not move that much: it lost 0.5% to the euro and over 1% to the dollar, but it was enough to make it yesterday's worst performing currency in the EM space. Compared to the daily losses seen after the start of the Russian invasion on Ukraine, the yesterday one was not particularly large.

On the **interest rate market** the Polish bond yields were stable. However this cannot be seen as a complete success given the decline of yields in Germany from 3bp in 2Y to 7bp in 10Y and local swap rates falling by 5bp in 5Y and 7bp in 10Y. These are the first days of the quarter and investors seem to be reluctant to open directional positions on POLGBs faced with the uncertainty regarding the Russia-Ukraine war. The rise of oil price may soon remind the markets about the inflation problem and renew the upward trend in global yields.

PMI indicators, pts.



Source: Markit, Santander

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FX market

Today's opening			
EURPLN	4.6229	CZKPLN	0.1895
USDPLN	4.2141	HUFPLN*	1.2516
EURUSD	1.0967	RUBPLN	0.0513
CHFPLN	4.5471	NOKPLN	0.4840
GBPPLN	5.5271	DKKPLN	0.6212
USDCNY	6.3625	SEKPLN	0.4471

*for 100HUF

Last session in the FX market						04/04/2022
	min	max	open	close	fixing	
EURPLN	4.611	4.648	4.636	4.619	4.637	
USDPLN	4.192	4.224	4.195	4.199	4.207	
EURUSD	1.098	1.105	1.105	1.099	-	

Interest rate market

04/04/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	5.73	2
DS0726 (5Y)	5.85	2
DS0432 (10Y)	5.43	4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.96	1	1.99	-2	-0.12	1
2L	5.94	0	2.62	-4	0.55	0
3L	5.69	-2	2.71	-5	0.81	-1
4L	5.45	-2	2.66	-4	0.93	-1
5L	5.29	-2	2.58	0	0.98	-2
8L	4.95	-4	2.46	-4	1.09	-3
10L	4.85	-4	2.43	1	1.17	-4

WIBOR rates

Term	%	Change (bps)
O/N	3.61	10
T/N	3.69	11
SW	4.11	28
2W	4.11	10
1M	4.29	8
3M	4.88	4
6M	5.13	3
1Y	5.24	4

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.58	2
3x6	6.07	2
6x9	6.21	0
9x12	6.19	0
3x9	6.30	1
6x12	6.39	-3

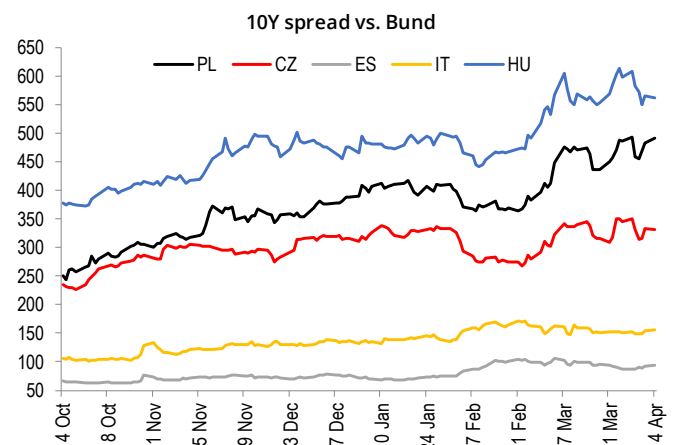
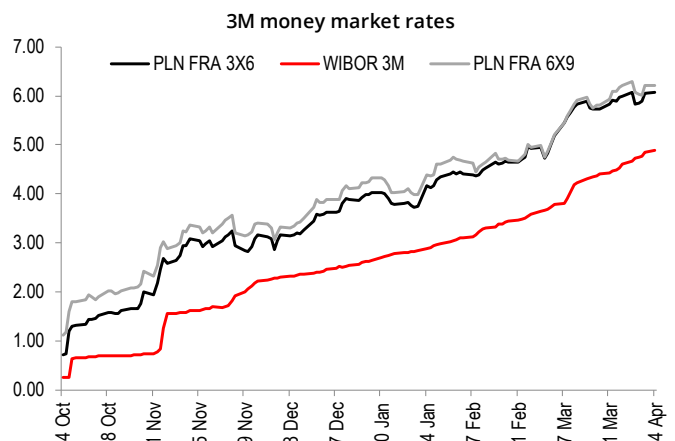
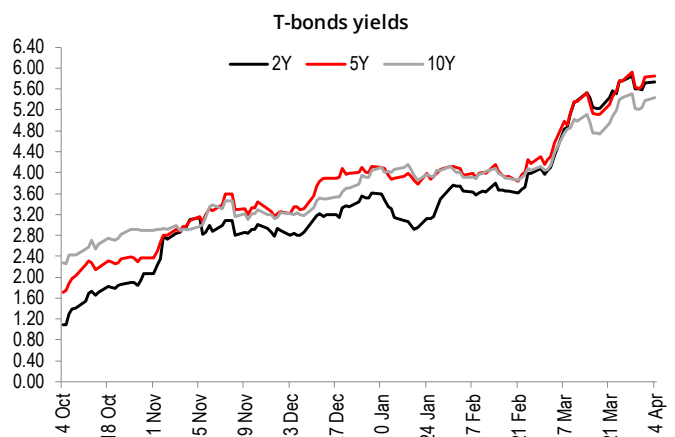
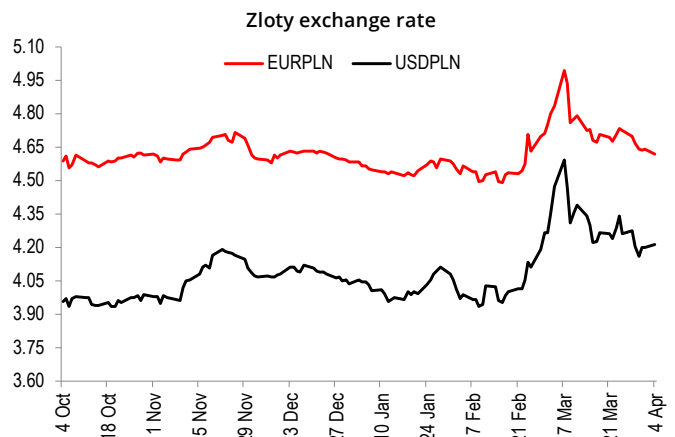
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	76	-5	491	9
France	14	0	49	3
Hungary	97	0	561	-4
Spain	40	0	94	2
Italy	50	1	156	1
Portugal	30	0	85	1
Ireland	14	0	60	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 (1 April)								
09:00	PL	Poland Manufacturing PMI	Mar	pts	53.1	52.0	52.7	54.7
09:55	DE	Germany Manufacturing PMI	Mar	pts	57.6	-	56.9	58.4
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	57.0	-	56.5	58.2
10:00	PL	CPI	Mar	% y/y	10.1	10.0	10.9	8.5
11:00	EZ	Flash HICP	Mar	% y/y	6.7	-	7.5	5.9
14:30	US	Change in Nonfarm Payrolls	Mar	k	490	-	431	750
14:30	US	Unemployment Rate	Mar	%	3.7	-	3.6	3.8
16:00	US	ISM manufacturing	Mar	pts	58.5	-	57.1	58.6
MONDAY (4 April)								
08:00	DE	Exports SA	Feb	% m/m	2.0	-	6.4	-3.0
16:00	US	Durable Goods Orders	Feb	% m/m	-2.2	-	-2.1	-2.2
16:00	US	Factory Orders	Feb	% m/m	-0.6	-	-0.5	1.5
TUESDAY (5 April)								
09:00	HU	Industrial Production SA	Feb	% y/y	1.9	-	-	7.1
09:55	DE	Markit Germany Services PMI	Mar	pts	55.0	-	-	55.8
10:00	EZ	Eurozone Services PMI	Mar	pts	54.8	-	-	55.5
16:00	US	ISM services	Mar	pts	58.6	-	-	56.5
WEDNESDAY (6 April)								
	PL	MPC decision		%	4.00	4.25	-	3.50
03:45	CN	Caixin China PMI Services	Mar	pts	49.8	-	-	50.2
08:00	DE	Factory Orders	Feb	% m/m	-0.1	-	-	1.8
09:00	CZ	Industrial Production	Feb	% y/y	2.5	-	-	3.7
20:00	US	FOMC Meeting Minutes	16 mar					
THURSDAY (7 April)								
08:00	DE	Industrial Production SA	Feb	% m/m	0.2	-	-	2.7
11:00	EZ	Retail Sales	Feb	% m/m	0.6	-	-	0.2
14:30	US	Initial Jobless Claims	week	k	199	-	-	202
FRIDAY (8 April)								
09:00	HU	CPI	Mar	% y/y	8.8	-	-	8.3

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

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