

Eyeopener

MPC wants to keep hiking rates

Glapiński: current interest rate level is not high at all
 During the weekend EC president visits Poland, France holds elections
 Polish bonds much weaker, zloty only slightly stronger

Today is the last working day ahead of the weekend visit of the European Commission's head in Poland and the presidential elections in France. Ursula von der Leyen confirmed the approval of the recovery fund for Bulgaria during her Thursday's visit in this country, but there is not much hope that the same will happen in Poland and we do not think that the market will be eager to make any bets on this subject today. French polls recently started showing that the results of the election will be a close call. This may be translating into weaker euro and more choppy trade, which can influence the zloty as well. Today the EU is to announce new sanctions against Russia, allegedly on chosen persons, transport, ban on Russian coal purchases.

NBP president Adam Glapiński stressed yesterday at the press conference that the 100bp rate hike was not a frontloading and does not imply sooner end of the tightening cycle. He refused to point to any target interest level, saying that the next MPC decisions will be data-dependent. Current level of interest rate 4.5% "is not high at all" according to Glapiński. We have no doubts that this is still not the end of monetary tightening cycle yet. However, a repeat of the 100bp rate hike would require another big surprise from inflation, which we do not anticipate at the moment. We think that the most likely scenario is another 50bp rate hike in May and then one or two more similar moves in the next months. More in [Economic Comment](#).

Poland's FX reserves decreased in March by EUR1.7bn, to EUR142bn, which corresponds to c. 5 months of imports or 24% of GDP. According to our estimates, the FX-adjusted value of reserves, excluding gold and SDR, fell by c.EUR3bn (c.2%), almost twice as much as in February, and by a similar amount as in January. It confirms that the NBP's outright interventions to defend the currency against the selloff at the beginning of war in Ukraine were quite limited in size.

The ruling PiS party presented the draft **amendment to the constitution**, introducing the exclusion of spending on defence from the public debt limit at 60% of GDP.

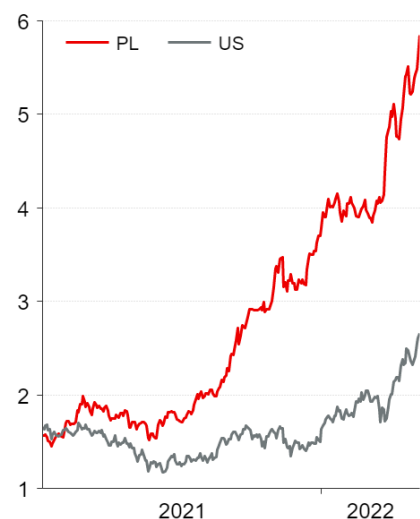
James Bullard, FOMC member viewed as a hawk, said that the interest rate should go up to 3.5% in 2H22 in order to fight such high inflation, while the market is expecting it to reach 2.5% at the end of the year. German industrial output was slightly weaker than expected in y/y terms (3.2% instead of 3.7%) given shortages in components. Euro zone retail sales was close to expectations (slightly weaker m/m, a bit better y/y) – it is worth noting that food purchases were lower (-0.5% m/m after January decline by 0.2% m/m) and food purchases were strong (3.2% m/m). Stock markets reacted with further declines. **EURUSD** was volatile, but did not leave the previous day's trading range and was below 1.09 at the end of the session. Today it is moving down.

EURPLN, after the intriguing rise above 4.66 after the rate hike, on Thursday dropped more than 0.01PLN below the level from before the MPC decision. Neither the words of Adam Glapiński that Jerome Powell asked him personally to tell the public that the Fed will provide NBP with dollar liquidity if needed, nor his statement that the monetary policy will be run in a way that supports the zloty, made the EURPLN extend the drop below what it achieved ahead of the press conference.

Other CEE FX: the Czech koruna was losing vs. the euro for the third day running, but the total loss is still just 0.7%, compared to the forint down 2.5% in the same period. The Hungarian central bank left the 1W deposit rate at 6.15% for the third week. Hungary's international reserves rose in March by c.2% to EUR37bn, while Czech reserves by 0.6% to EUR157.6bn. USDRUB dropped below 80.

On the **interest rate market** there was a significant sell-off of POLGBs sending the whole yield curve c. 25bp higher and IRS curve going up the most on the short end by 20bp. Yield rises on core markets were much smaller (3bp on 10Y Bund and 6bp on UST). The financial market started pricing-in the next rate hikes even more aggressively, with FRA1x4 at 6.23%, i.e. 97bp above yesterday's WIBOR, and FRA6x9 ended the day at 6.7%. We think the central bank will neither move as quickly nor as high. The NBP governor asked about the plans for POLGBs in the bank's portfolio which will mature in late April (>PLN7bn), said the reinvestment is an option, but there is still time to decide.

Yields of 10Y bonds, %



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.6363	CZKPLN	0.1888
USDPLN	4.2658	HUFPLN*	1.2116
EURUSD	1.0865	RUBPLN	0.0547
CHFPLN	4.5628	NOKPLN	0.4839
GBPPLN	5.5696	DKKPLN	0.6231
USDCNY	6.3588	SEKPLN	0.4511

*for 100HUF

Last session in the FX market 07/04/2022

	min	max	open	close	fixing
EURPLN	4.624	4.666	4.659	4.639	4.648
USDPLN	4.232	4.278	4.269	4.257	4.273
EURUSD	1.086	1.094	1.091	1.090	-

Interest rate market 07/04/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.22	26
DS0726 (5Y)	6.39	30
DS0432 (10Y)	5.84	24

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.47	24	2.06	0	-0.07	2
2L	6.42	20	2.69	-1	0.65	3
3L	6.15	18	2.80	-1	0.94	4
4L	5.88	16	2.78	2	1.07	3
5L	5.70	14	2.73	2	1.13	3
8L	5.28	10	2.70	5	1.27	3
10L	5.13	7	2.67	4	1.35	3

WIBOR rates

Term	%	Change (bps)
O/N	4.45	74
T/N	4.55	32
SW	4.58	33
2W	4.58	32
1M	4.62	32
3M	5.26	34
6M	5.46	27
1Y	5.64	34

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.22	26
3x6	6.68	24
6x9	6.71	18
9x12	6.64	13
3x9	6.89	21
6x12	6.93	16

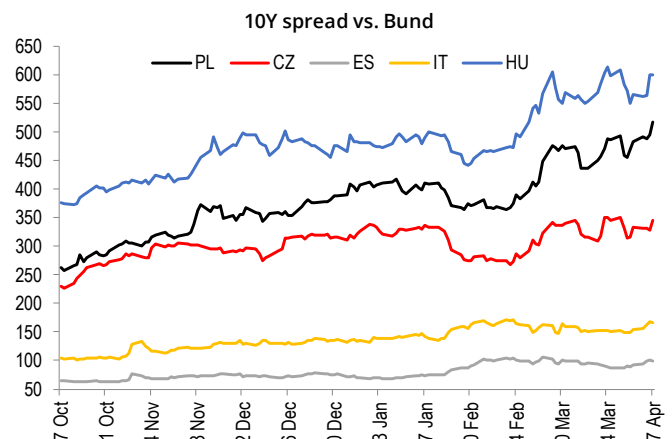
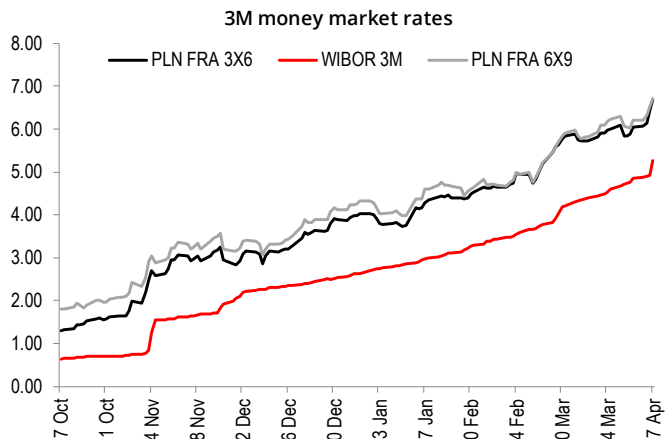
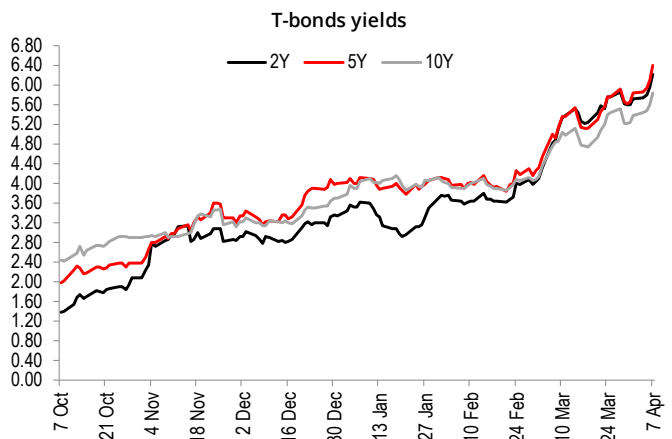
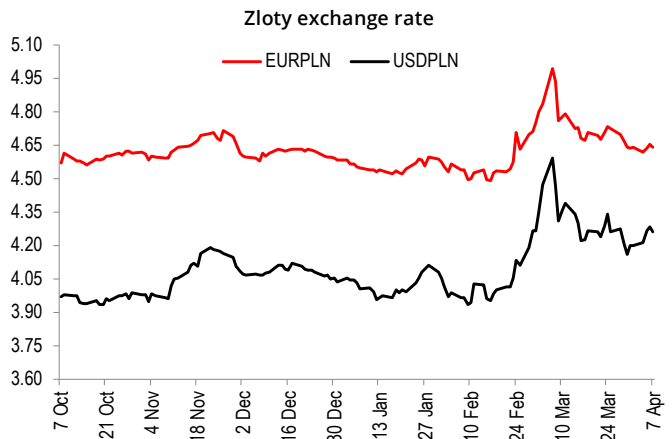
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	76	0	516	21
France	14	0	54	0
Hungary	97	0	600	1
Spain	43	0	99	-1
Italy	54	0	166	-2
Portugal	30	0	92	-2
Ireland	14	0	64	-2
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	-	4.5	7.1
09:55	DE	Markit Germany Services PMI	Mar	pts	55.0	-	56.1	55.8
10:00	EZ	Eurozone Services PMI	Mar	pts	54.8	-	55.6	55.5
16:00	US	ISM services	Mar	pts	58.6	-	58.3	56.5
WEDNESDAY (6 April)								
	PL	MPC decision		%	4.00	4.25	4.50	3.50
03:45	CN	Caixin China PMI Services	Mar	pts	49.8	-	42.0	50.2
08:00	DE	Factory Orders	Feb	% m/m	-0.1	-	-2.2	2.3
09:00	CZ	Industrial Production	Feb	% y/y	2.5	-	-0.3	4.0
20:00	US	FOMC Meeting Minutes	16 mar					
THURSDAY (7 April)								
08:00	DE	Industrial Production SA	Feb	% m/m	0.2	-	0.2	1.4
11:00	EZ	Retail Sales	Feb	% m/m	0.6	-	0.3	0.2
14:30	US	Initial Jobless Claims	week	k	199	-	166	171
15:00	PL	NBP governor's press conference						
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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