

12 April 2022

Eyeopener

Inflation from USA and Germany incoming

Today CPI in March for key economies

Zloty slightly weaker, domestic yields up

On Wednesday the Public Finance Committee to review A. Glapiński's candidacy

Today we will get to see inflation prints from Germany (flash data for this country has been already released, so market roughly knows what to expect) and from USA (it will be new information for markets). Inflation is still a key issue for central bank decisions in both the euro zone, where Germany is a critical part, and in the USA. Market expectations regarding the FOMC decision at the nearest meeting in May are already close to full pricing of 50bp rate hike and until the end of the year market sees over 220bp in total. Those expectations may change after the data release. Median of market analysts' forecasts according to Bloomberg poll is 1.2% m/m. Such high inflation was seen last time in 70s and early 80s, and then only once, in September 2005. Also, today the ZEW sentiment index will be released. Its previous reading (for March) was already at the pre-pandemic level as regards the current situation, but expectations index collapsed (a record drop m/m). Market expects that the April index will be almost as low as the lowest level during the pandemic (-49.5pts in March 2020). Today also is important day for Polish debt market – the Ministry of Finance will offer bonds worth between PLN1-4bn at the bond auction. Yesterday the Ministry announced that it is watching possibility to renew issuances in hard currencies, which would take some burden from the PLN market that had recently suffered a series of significant yield spikes (sometimes by more than 20bp per day).

On Wednesday the Public Finance Committee is to **review Adam Glapiński candidacy** for another term as the NBP president. It is thus possible that the Sejm will vote on this matter prior to Easter.

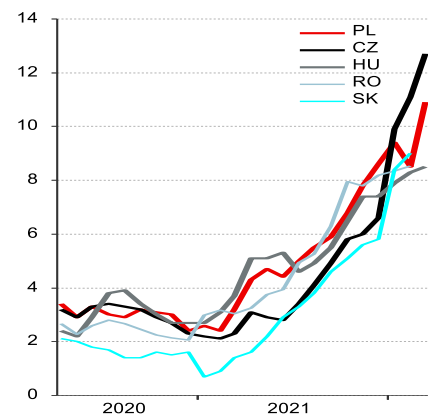
EURUSD remained close to 1.09, but this time ended the day below this level. Also EURCHF turned south strongly (below the lowest point of the last week), while main stock markets recorded losses. We think this could be explained by new worrying information from Ukraine – about preparations for a decisive (according to Russians) offensive in the East and about possible use of chemical weapons by Russia. The geopolitical factor can undermine further declines of oil price, which managed to go below 100\$ per Brent barrel.

EURPLN moved to 4.66 from 4.63 yesterday. As we suggested in our weekly, the risk for exchange rate is skewed upwards. The zloty's losses versus the euro (0.4%) were bigger than in case of the Czech koruna or the forint.

Other CEE currencies: EURHUF moved last week from around 368 towards 379 and yesterday it remained near this level. Czech koruna was slightly strengthening against the euro after another surprising CPI data – it jumped to its highest level in 24 years. Czech central bank referred to this level by pointing to impact of war in Ukraine on global commodity prices and thus also in Czech economy. The CNB comment added that the deviation up from the bank's forecast resulted from higher than assumed jump in fuel prices. The ruble lost yesterday 4% against dollar.

On the **interest rate market** the week started with another 20+ jump in local bond yields (the biggest move in 2Y segment, +25bp). Yield curves in core markets were also rising – German by 10bp, US by 6bp, but only at the long end. Asset swap spread 5Y and 10Y widened to levels observed during the global financial crisis – it could reflect investors' concern about the fiscal situation and the prospect of increasing supplies. The MinFin move towards increasing the supply of foreign currency bonds and a potential suspension of auctions (and instead utilisation of the large accumulated liquidity buffer, over PLN90bn at the end of February) could potentially decrease tensions in the domestic debt market.

CPI inflation in the CEE region, % y/y



Source: Refinitiv Datastream, Santander

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FX market

Today's opening			
EURPLN	4.6526	CZKPLN	0.1901
USDPLN	4.2836	HUFPLN*	1.2152
EURUSD	1.0861	RUBPLN	0.0518
CHFPLN	4.5945	NOKPLN	0.4853
GBPPLN	5.5709	DKKPLN	0.6254
USDCNY	6.3675	SEKPLN	0.4493

*for 100HUF

Last session in the FX market						11/04/2022
	min	max	open	close	fixing	
EURPLN	4.625	4.660	4.628	4.652	4.645	
USDPLN	4.246	4.280	4.250	4.279	4.259	
EURUSD	1.087	1.093	1.088	1.088	-	

Interest rate market 11/04/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.71	24
DS0726 (5Y)	6.81	19
DS0432 (10Y)	6.28	18

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.68	9	2.10	0	0.01	2
2L	6.65	8	2.73	-2	0.78	6
3L	6.41	9	2.85	-1	1.09	7
4L	6.16	9	2.84	1	1.22	8
5L	5.99	11	2.83	4	1.28	9
8L	5.57	10	2.82	6	1.41	10
10L	5.44	11	2.82	9	1.50	10

WIBOR rates

Term	%	Change (bps)
O/N	4.27	-13
T/N	4.51	-4
SW	4.58	-1
2W	4.59	0
1M	4.67	1
3M	5.37	5
6M	5.65	7
1Y	5.85	10

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.38	9
3x6	6.85	9
6x9	6.95	12
9x12	6.92	9
3x9	7.09	11
6x12	7.15	7

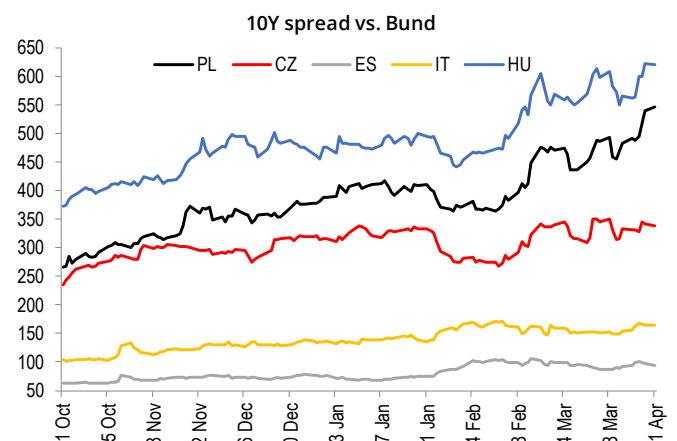
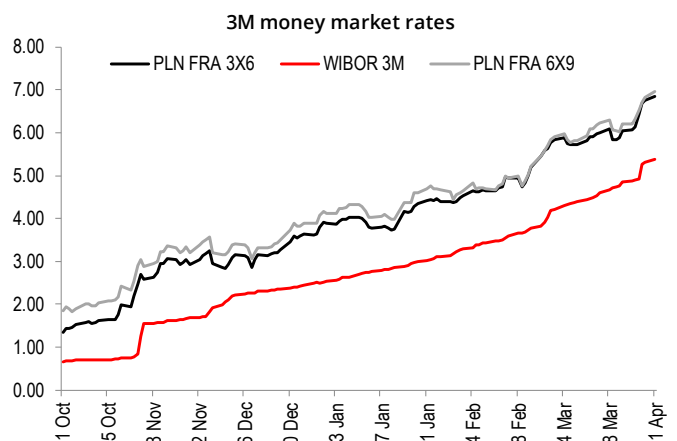
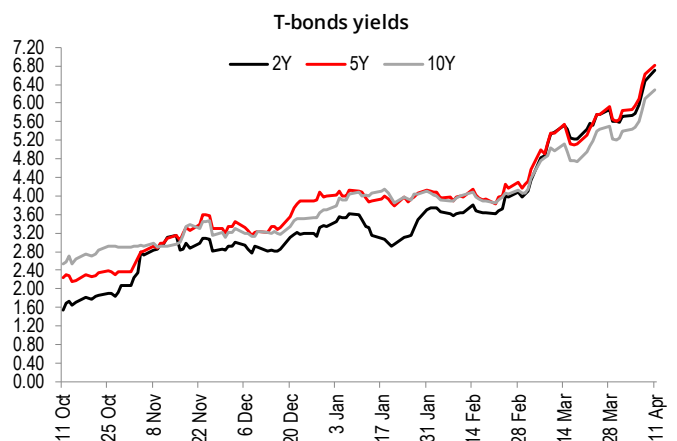
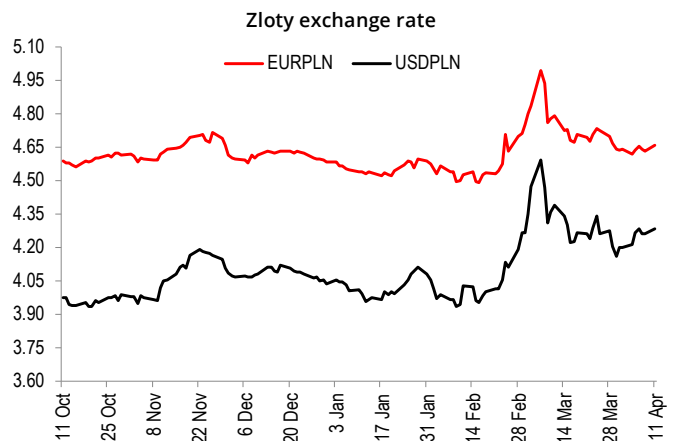
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	78	2	547	8
France	14	0	50	-6
Hungary	97	0	620	-2
Spain	43	0	94	-4
Italy	53	-1	165	-1
Portugal	30	0	90	-3
Ireland	14	0	60	0
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 (8 April)								
09:00	HU	CPI	Mar	% y/y	8.8	-	8.5	8.3
MONDAY (11 April)								
09:00	CZ	CPI	Mar	% y/y	12.2	-	12.7	11.1
TUESDAY (12 April)								
08:00	DE	HICP	Mar	% m/m	2.5	-	-	0.9
11:00	DE	ZEW Survey Current Situation	Apr	pts	-35.0	-	-	-21.4
14:30	US	CPI	Mar	% m/m	1.2	-	-	0.8
WEDNESDAY (13 April)								
11:00	EZ	Industrial Production SA	Feb	% m/m	0.0	-	-	0.0
14:00	PL	Current Account Balance	Feb	€mn	-2049	-2395	-	-64
14:00	PL	Trade Balance	Feb	€mn	-1541	-1503	-	-1186
14:00	PL	Exports	Feb	€mn	26094	26368	-	24669
14:00	PL	Imports	Feb	€mn	27670	27871	-	25855
THURSDAY (14 April)								
13:45	EZ	ECB Main Refinancing Rate	Apr.22	%	0.0	-	-	0.0
14:30	US	Initial Jobless Claims		k	200.0	-	-	166.0
14:30	US	Retail Sales Advance	Mar	% m/m	0.5	-	-	0.3
16:00	US	Michigan index	Apr	pts	58.8	-	-	59.4
FRIDAY (15 April)								
10:00	PL	CPI	Mar	% y/y	10.9	10.9	-	8.5
15:15	US	Industrial Production	Mar	% m/m	0.4	-	-	0.5

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

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