

15 April 2022

Eyeopener

Today details of March CPI

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ECB did not do anything, while the market hoped for some suggestion of hikes
Domestic bonds took cue from rising core bond yields

Today the full CPI inflation data will be released; the flash reading showed a jump to 10.9% y/y in March. We expect the final data to confirm this level and the fact that apart from spike in prices of fuel, energy and food, core inflation kept rising in March. In many countries Friday is already market holiday and the market liquidity is likely to be minimal today.

ECB did not change interest rates, did not change the pace of asset purchases reduction and did not include new hints in the statement, suggesting interest rate hikes in the near term. Amid such conservative approach, investors, who used to price-in interest rate hikes earlier than at the very end of this year, felt disappointed and euro has weakened. The ECB president explained at the press conference that the risk of higher inflation and weaker than expected economic growth has increased. In her view, it is highly likely that the asset purchases will end in the following quarter and even though she repeated the misty suggestion that the first interest rate hike will take place between this week and a couple of months since ending QE, later news services reported comments from unnamed ECB officials that there is growing consensus in the bank in favour of interest rate hike in 3Q22 and it could be 25bp rate move. The door to interest rate hikes may be opened at the June ECB meeting with the update of projections; investors will then look for any suggestions in the post-meeting statement.

The preliminary reading of **US consumer sentiment** was better than the median of market forecasts and the main reason for this were better expectations about financial situation. What is more, the improvement of the expectations happened despite high and stable indicators of inflation expectations – so it is not an expression of the belief that inflation would soon drop, but of strong wage bargaining power on the labour market. Despite the unexpected improvement in April, the consumer sentiment index and expected financial situation index did not get out of the downside trend.

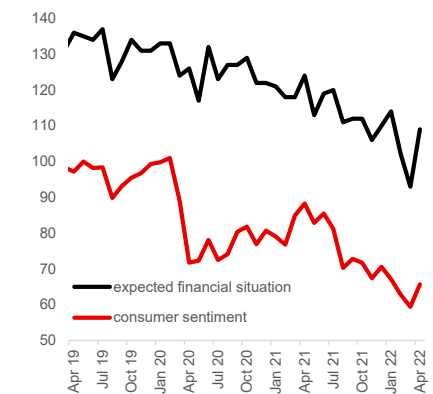
EURUSD dropped suddenly from 1.09 below 1.08 seeing no suggestions from the ECB that a rate hike is coming. In the end a large part of this decline was reversed and EURUSD was at market close in the same place as on Wednesday morning. The further rise of oil price (Brent reached US\$111 per barrel) could be the reason behind weaker demand on bond markets and yesterday we saw a rebound of yields.

EURPLN became a bit more agitated around the time of the ECB decision, but eventually did not move day-on-day, keeping close to 4.64. Neither the zloty, nor CZK and HUF showed any reaction to the news that Russia threatened to send nuclear weapons to the Baltic due to Finland's and Sweden's change of view regarding NATO membership.

Other CEE FX: the forint and the koruna were also traded without any sense of investors about the direction in which these currencies should go now. EURCZK stayed within a tight trading range from previous days. EURHUF tried to break below an important technical level at 375 (the local trough from a week ago but also the resistance level that constrained the exchange rate in the second half of March).

On the interest rate market only the 2Y Polish bond managed to defend levels achieved during the recent strengthening (around 6.20%), while the belly and the longer end corrected 13bp higher. US curve went up by 10bp and the German one steepened by 10bp in a bear steepener move. Last days showed that the calmer oil market and market's belief that the inflation is approaching its peak (first downward surprise with core inflation in USA) can support bonds.

University of Michigan survey, US consumer sentiment



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.6369	CZKPLN	0.1893
USDPLN	4.2919	HUFPLN*	1.2226
EURUSD	1.0804	RUBPLN	0.0535
CHFPLN	4.5471	NOKPLN	0.4874
GBPPLN	5.5974	DKKPLN	0.6232
USDCNY	6.3693	SEKPLN	0.4494

*for 100HUF

Last session in the FX market						14/04/2022
	min	max	open	close	fixing	
EURPLN	4.629	4.654	4.637	4.632	4.645	
USDPLN	4.240	4.321	4.247	4.292	4.258	
EURUSD	1.076	1.092	1.091	1.080	-	

Interest rate market 14/04/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.27	-1
DS0726 (5Y)	6.48	10
DS0432 (10Y)	5.95	10

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.50	4	2.12	6	0.01	0
2L	6.42	5	2.70	10	0.74	1
3L	6.15	5	2.79	11	1.05	1
4L	5.91	4	2.82	12	1.19	4
5L	5.76	5	2.82	12	1.29	6
8L	5.43	6	2.84	13	1.46	7
10L	5.30	6	2.86	12	1.58	10

WIBOR rates

Term	%	Change (bps)
O/N	4.30	5
T/N	4.53	5
SW	4.58	1
2W	4.60	1
1M	4.74	2
3M	5.51	4
6M	5.78	2
1Y	5.97	2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.41	7
3x6	6.64	0
6x9	6.71	6
9x12	6.60	6
3x9	6.89	3
6x12	6.91	4

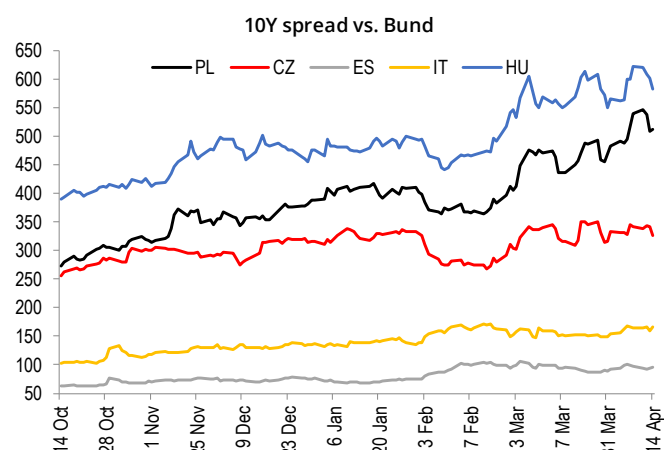
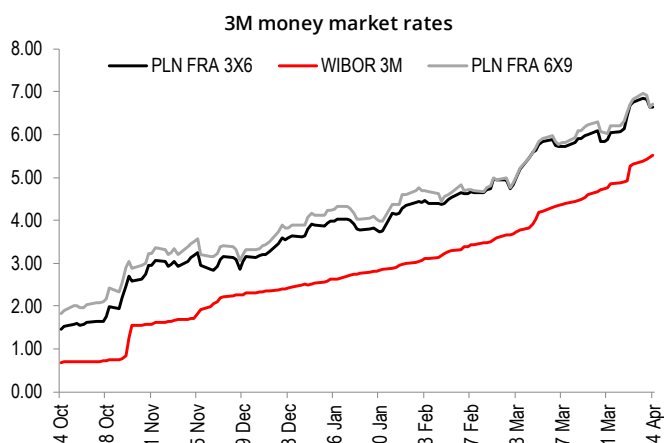
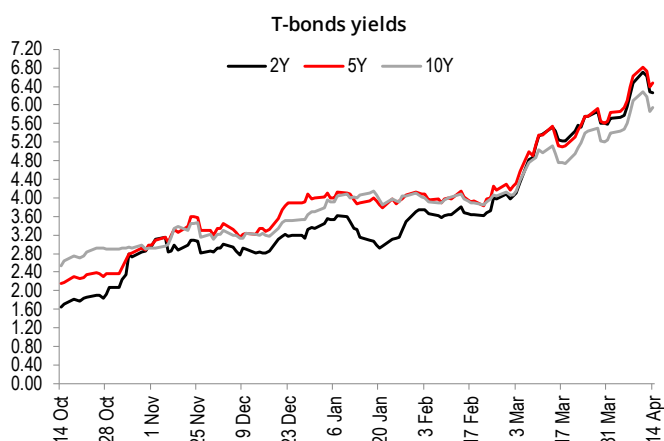
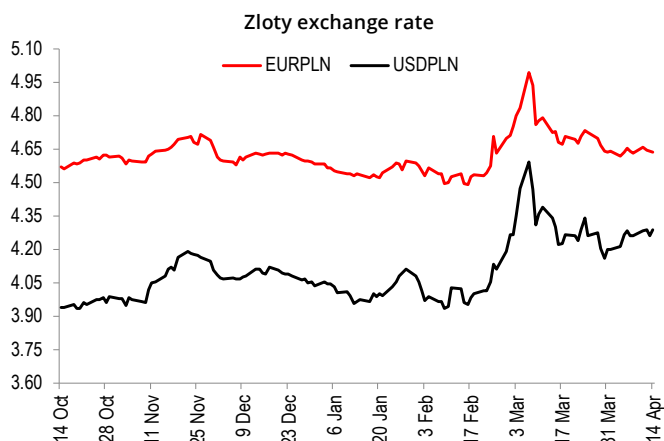
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	80	0	511	3
France	13	0	50	0
Hungary	97	0	583	-18
Spain	42	0	95	2
Italy	52	0	165	6
Portugal	30	0	101	0
Ireland	13	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 (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	-	2.5	0.9
11:00	DE	ZEW Survey Current Situation	Apr	pts	-35.0	-	-30.8	-21.4
14:30	US	CPI	Mar	% m/m	1.2	-	1.2	0.8
WEDNESDAY (13 April)								
14:00	PL	Current Account Balance	Feb	€mn	-2049	-2395	-2871	-638
14:00	PL	Trade Balance	Feb	€mn	-1541	-1503	-1741	-1669
14:00	PL	Exports	Feb	€mn	26094	26368	25270	25166
14:00	PL	Imports	Feb	€mn	27670	27871	27011	26835
THURSDAY (14 April)								
13:45	EZ	ECB Main Refinancing Rate	Apr.22	%	0.0	-	0.0	0.0
14:30	US	Initial Jobless Claims		k	200	-	185	167
14:30	US	Retail Sales Advance	Mar	% m/m	0.5	-	0.5	0.8
16:00	US	Michigan index	Apr	pts	58.8	-	65.7	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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