

## Eyeopener

### Upside surprise in Fed's preferred inflation measure

Today ESI indicators for EU countries, US durable goods orders  
US PCE inflation surprised sharply upwards  
Zloty still strong, Polish yield curve increased the positive slope

**Today** we will get to see the ESI indexes of business and consumer sentiment in EU countries, US data on durable goods orders and more numbers on the US real estate market (pending home sales).

The Russian aggression against Ukraine triggered significant changes in many aspects of the economic system. In particular, it has affected the **Polish exports**. Sales of domestic goods to Russia has halved, and almost doubled to Ukraine. At the same time, Poland began to sell more products to former USSR countries and we do not rule out that at least a part of these products is then re-exported to the Russian market. On the other hand, Poland is re-exporting some Ukrainian goods, especially cereals and vegetable oils and fats. More in [Economic comment](#).

The **world trade volume index**, estimated by CPB, fell by 0.9% m/m in December. This was the third consecutive decline, but not as strong as in November (-1.7% m/m). Weaker trade volumes are indicative of slower growth in the global economy in 4Q22. In our view easing tensions in global logistics and positive signals from leading indicators of global business activity should lead to a rebound in world trade in the course of this year.

The Fed's preferred inflation indicator, **PCE inflation**, surprised sharply upwards in January and rose to 5.4% y/y. The reading for December was revised upwards from 5% to 5.3%. Core PCE inflation rose to 4.7% against a market consensus of 4.3%. The reading for December was revised upwards from 4.4% to 4.6% y/y. Fed's Loretta Mester (currently a non-voting member of the FOMC) commented the data by saying that the US central bank would need to tighten monetary policy more. In her view, the risks from a too soft policy still outweigh the risks from a too tight monetary policy. However, she declined to answer whether a higher reading on the Fed's favourite inflation measure means that a 50bp rate hike at the next meeting is necessary. In her view, what is more important than the scale of the next hike is to highlight the direction in which monetary policy should be heading.

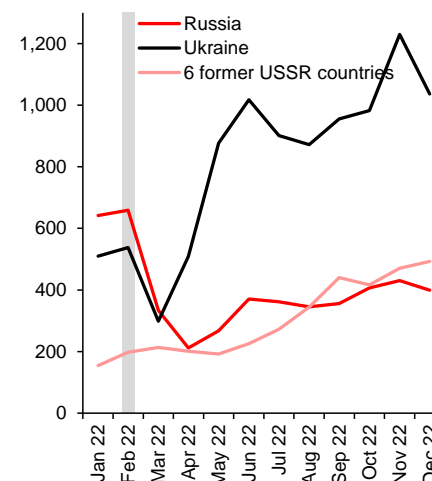
**EURUSD** has slipped below 1.055 from levels just below 1.06. Further strengthening of the dollar was the result of an upward surprise by the PCE core inflation reading - the Fed's favourite inflation measure, and an increase in expectations of the US terminal rate.

**EURPLN** slipped to 4.72. The relatively strong levels of the zloty despite the strengthening of the dollar in global markets are the result of the local market pulling back from pricing in rate cuts before the end of this year.

**EURCZK** remained near 23.65. **EURHUF** fluctuated around 380. The forint awaits Tuesday's MNB meeting.

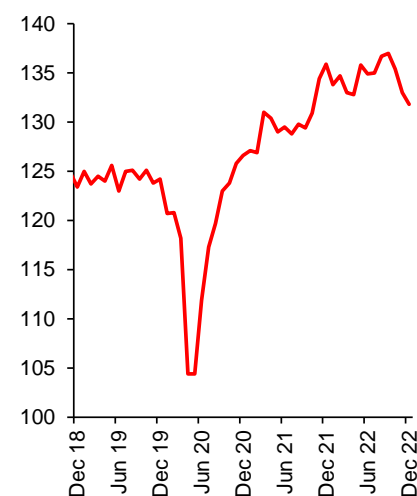
**Debt market:** Domestic yield curve, despite attempts to descend, eventually returned to the vicinity of Friday's opening levels - with the exception of its short end. Contributing to the upward retreat in Polish yields were surprisingly high PCE inflation readings from the US, which provided arguments for the view that global inflation may prove more persistent, which could delay a possible cycle of interest rate cuts e.g. by the NBP. The market does not believe that a dovish NBP can raise rates above 6.75%, but the continued steepening of the positively sloping Polish curve relative to the pronounced inversion of curves in the core markets indicates that the market lacks confidence that the current level of rates will be sufficient to bring down inflation in Poland quickly.

Polish export do several countries, €mn



Source: Eurostat, Santander

World trade volume according by CPB, 2007=100



Source: CPB, Santander

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### FX market

#### Today's opening

EURPLN	4.7179	CZKPLN	0.2009
USDPLN	4.4773	HUFPLN*	1.2308
EURUSD	1.0536	RUBPLN	0.0592
CHFPLN	4.8045	NOKPLN	0.4332
GBPPLN	5.3936	DKKPLN	0.6406
USDCNY	6.9679	SEKPLN	0.4284

\*for 100HUF

#### Last session in the FX market 24.02.2023

	min	max	open	close	fixing
EURPLN	4.7160	4.7270	4.7235	4.7175	4.7245
USDPLN	4.4528	4.4839	4.4575	4.4735	4.463
EURUSD	1.0534	1.0602	1.0597	1.0543	-

### Interest rate market 24.02.2023

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.34	-15
DS0727 (5Y)	6.54	-1
DS0432 (10Y)	6.58	-1

#### IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.08	-1	5.51	4	3.54	6
2L	6.69	0	5.13	11	3.66	11
3L	6.27	0	4.73	14	3.49	11
4L	6.07	-1	4.45	13	3.36	9
5L	6.00	1	4.27	11	3.27	8
8L	5.92	0	4.01	8	3.15	6
10L	5.94	1	3.94	8	3.13	6

#### WIBOR rates

Term	%	Change (bps)
O/N	6.45	-7
T/N	6.74	0
SW	6.84	1
2W	6.84	-1
1M	6.90	-1
3M	6.94	0
6M	7.00	0
1Y	7.10	0

#### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	6.96	2
3x6	6.97	-1
6x9	6.99	0
9x12	6.73	1
3x9	7.01	0
6x12	7.04	1

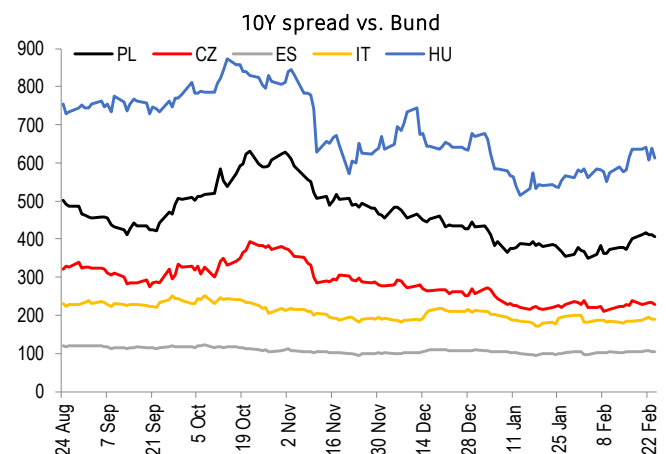
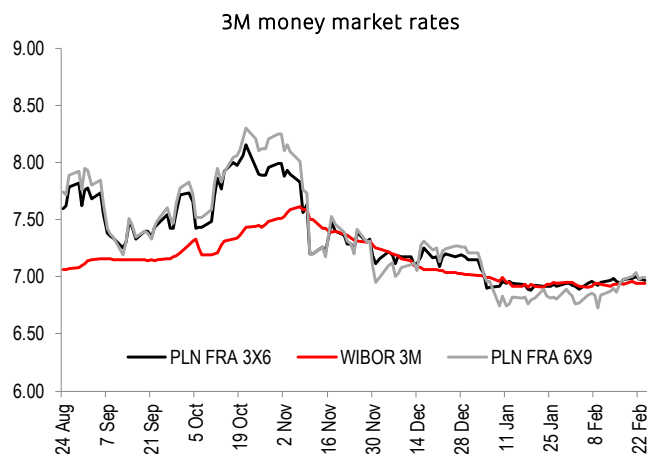
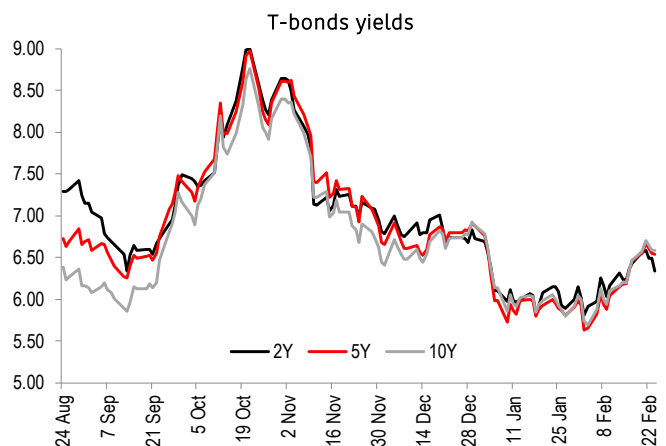
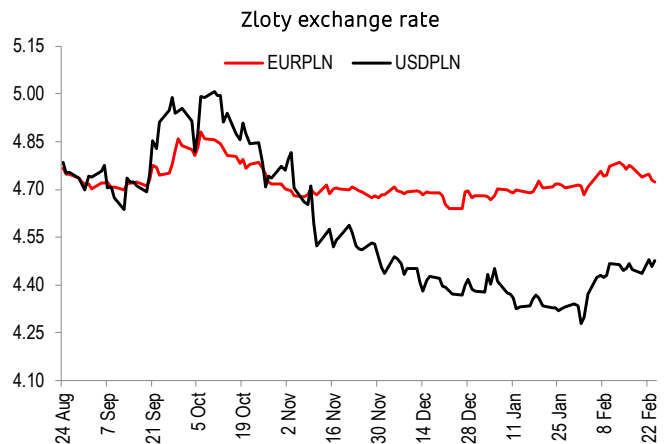
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	98	0	405	-6
France	10	0	48	0
Hungary	168	0	614	-25
Spain	45	0	105	1
Italy	38	-3	190	1
Portugal	30	0	90	1
Ireland	17	0	50	1
Germany	11	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



## Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
<b>FRIDAY (24 February)</b>								
08:00	DE	GDP WDA	4Q	% y/y	1.1	-	0.9	1.4
14:30	US	Personal Spending	Jan	% m/m	1.3	-	1.8	-0.1
14:30	US	Personal Income	Jan	% m/m	1.0	-	0.6	0.3
14:30	US	PCE Deflator SA	Jan	% m/m	0.5	-	0.6	0.2
16:00	US	Michigan index	Feb	pts	66.4	-	67.0	64.9
16:00	US	New Home Sales	Jan	% m/m	0.7	-	7.2	7.2
<b>MONDAY (27 February)</b>								
11:00	EZ	ESI	Feb	pct.	101.0	-	-	99.9
14:30	US	Durable Goods Orders	Jan	% m/m	-3.9	-	-	5.6
16:00	US	Pending Home Sales	Jan	% m/m	0.9	-	-	2.53
<b>TUESDAY (28 February)</b>								
10:00	PL	<b>GDP</b>	4Q	<b>% y/y</b>	<b>2.0</b>	<b>2.0</b>	-	<b>3.6</b>
14:00	HU	Central Bank Rate Decision	Feb.23	%	13.0	-	-	13.0
16:00	US	Consumer Conference Board	Feb	pts	108.4	-	-	107.1
<b>WEDNESDAY (1 March)</b>								
09:00	PL	<b>Poland Manufacturing PMI</b>	Feb	<b>pts</b>	<b>47.7</b>	<b>48.5</b>	-	<b>47.5</b>
09:55	DE	Germany Manufacturing PMI	Feb	pts	46.5	-	-	47.3
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	48.5	-	-	48.8
14:00	DE	HICP	Feb	% y/y	9.0	-	-	9.2
16:00	US	ISM manufacturing	Feb	pts	47.8	-	-	47.4
<b>THURSDAY (2 March)</b>								
08:30	HU	GDP	4Q	% y/y	0.4	-	-	4.0
11:00	EZ	Flash HICP	Feb	% y/y	8.1	-	-	8.5
11:00	EZ	Unemployment Rate	Jan	%	6.6	-	-	6.6
14:30	US	Initial Jobless Claims	Feb.23	k	200.0	-	-	192.0
<b>FRIDAY (3 March)</b>								
02:45	CN	Caixin China PMI Services	Feb	pts	54.8	-	-	52.9
08:00	DE	Exports SA	Jan	% m/m	2.0	-	-	-5.9
09:00	CZ	GDP SA	4Q	% y/y	0.4	-	-	1.5
09:55	DE	Markit Germany Services PMI	Feb	pts	51.3	-	-	50.7
10:00	EZ	Eurozone Services PMI	Feb	pts	53.0	-	-	50.8
16:00	US	ISM services	Feb	pts	54.5	-	-	55.2

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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