

6 March 2023

# Eyeopener

## Services pull Eurozone out of bottom

Today data on retail sales in the Eurozone and industrial orders in the US  
 Downward revision of preliminary PMIs for the Eurozone services sector  
 Zloty and forint weaker despite lack of dollar pressure  
 Polish yield curve in similar spot as a week ago, German around 20 bps higher

**Today** we will get to see euro zone retail sales for January. After a big drop in December, the data will probably show a partial rebound. In the afternoon in the US, there will be information on January durable goods orders and total industrial orders. China's annual parliamentary session adopted 5% as the target for annual economic growth. This was actually the lower end of expectations' range as it had previously suggested it could be 6%. Priority was given to economic stability and the creation of more urban jobs.

**Eurozone and German services PMI index** turned out to be lower than its preliminary reading released one week ago. However, it still indicated good economic activity in the sector. The rebound in services seems to have more than offset the weakness in manufacturing, making it look like the euro zone economy could start to rebound as early as 1Q this year. The new orders index climbed from 50.1 points to 52.2 points, order queues lengthened and optimism about future business conditions rose. However, cost pressures also remained strong.

The larger-than-expected drop in **Eurozone PPI inflation** in January seems to be contrary to recent upward surprises in inflationary data from main economies. However, data corrected for energy prices (-9.4% m/m) show a rise by 1.1% m/m instead of a decline by 2.8% m/m. In all major categories except energy, there was a continuation of producer price increases. It is difficult to speak of a receding inflationary pressure in the euro area after this data.

**EURUSD** oscillated around 1.06. Friday's service sector PMI data from the Eurozone and ISM data from the US were not enough to significantly boost exchange rate volatility. ECB Vice-President **Luis De Guindos** said that Eurozone HICP inflation will fall further and could be below 6% around mid-year. In contrast, the path of core inflation will be more stable. In his view, the interest rate cycle after March will be data-dependent. **ECB's Bostjan Vasle** (Bank of Slovenia) said that further rate hikes will be necessary after March.

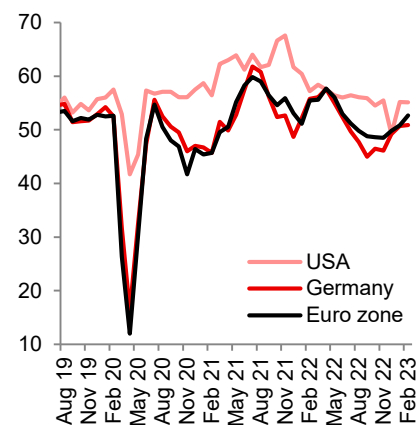
**EURPLN** rose to 4.71 from just below 4.70. The weakening of the zloty is the result of clear downward reductions in PMI data from Germany and the euro area.

**Other CEE currencies: EURCZK** rose from around 23.44 to around 23.47. The final GDP reading for 4Q indicated a clear economic slowdown in the Czech Republic. Rating agency Fitch affirmed the Czech Republic's rating at AA- with a negative outlook. Today's 4Q wage reading is likely to show a further weakening of wage pressures, reducing the likelihood of a possible CNB rate hike.

**EURHUF** rose to 379 from 375. Hungary's trade deficit for December turned out to be worse than in November. Moody's, which was due to review Hungary's rating on Friday, held off on releasing an announcement.

**Debt market:** Domestic yield curve fell across the width of the curve by around 10 bp on average. Slight declines occurred in the FRA curve. The steepness of the yield curve was reduced by around 10 bp. The changes are the result of a downward revision of the final PMI readings for February from the euro area and the ISM from the USA. The main markets also saw yields fall for similar reasons.

Services PMIs



Source: S&P Global, Santander

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### FX market

#### Today's opening

EURPLN	4,7050	CZKPLN	0,1999
USDPLN	4,4183	HUFPLN*	1,2301
EURUSD	1,0651	RUBPLN	0,0584
CHFPLN	4,7380	NOKPLN	0,4257
GBPPLN	5,3169	DKKPLN	0,6320
USDCNY	6,9168	SEKPLN	0,4223

\*for 100HUF

#### Last session in the FX market 03.03.2023

	min	max	open	close	fixing
EURPLN	4,6941	4,7117	4,6963	4,7083	4,7046
USDPLN	4,4196	4,4478	4,4261	4,4351	4,4341
EURUSD	1,0586	1,0629	1,0607	1,0614	-

### Interest rate market 03.03.2023

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6,38	-5
DS0727 (5Y)	6,52	-12
DS0432 (10Y)	6,54	-12

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,12	-5	5,54	1	3,71	1
2L	6,75	-7	5,19	-3	3,83	-2
3L	6,32	-8	4,78	-3	3,66	-3
4L	6,13	-8	4,51	-4	3,52	-3
5L	6,03	-9	4,32	-6	3,44	-3
8L	5,96	-10	4,04	-9	3,31	-3
10L	5,98	-11	3,96	-9	3,28	-4

#### WIBOR rates

Term	%	Change (bps)
O/N	6,54	-1
T/N	6,74	0
SW	6,83	0
2W	6,85	1
1M	6,89	1
3M	6,95	1
6M	7,00	0
1Y	7,10	0

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

Term	%	Change (bps)
1x4	7,01	2
3x6	7,01	-3
6x9	7,04	-8
9x12	6,78	-7
3x9	7,03	-6
6x12	7,09	-8

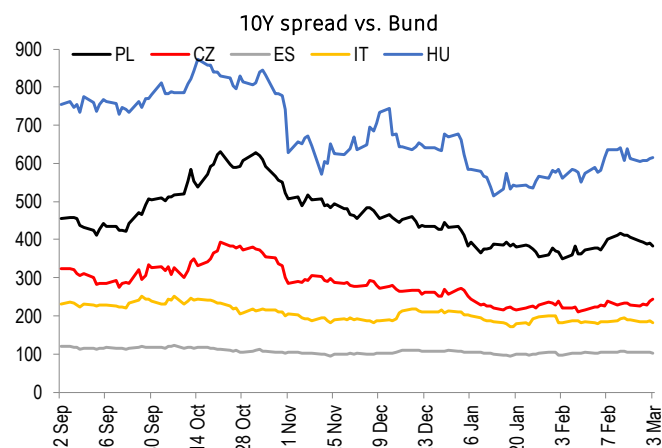
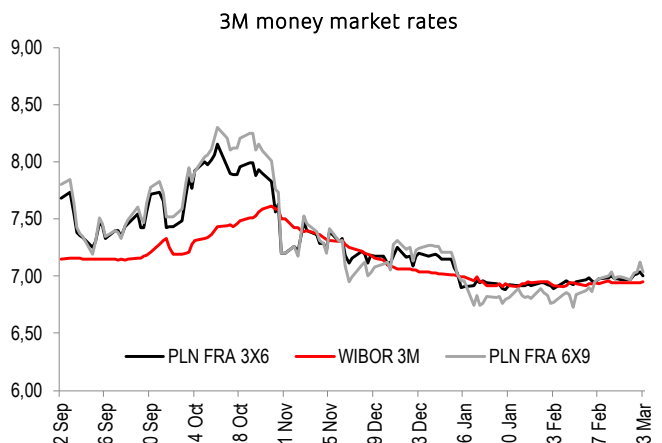
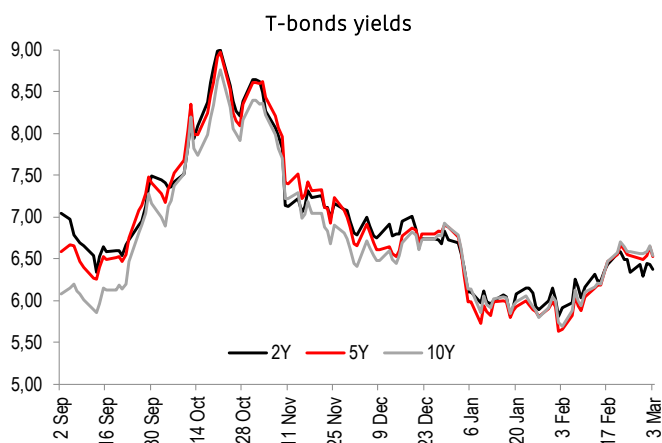
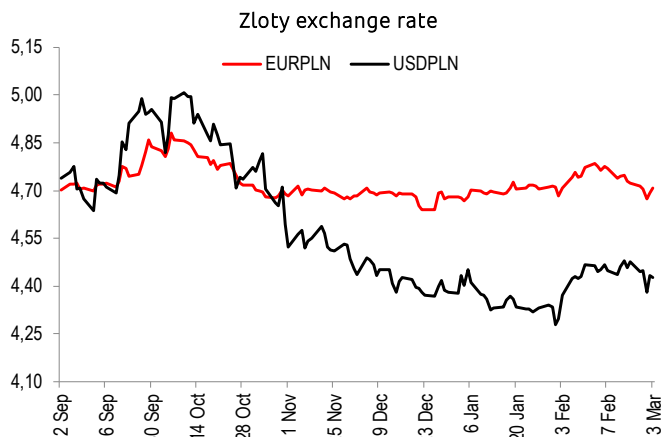
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	0	383	-8
France	10	0	49	0
Hungary	159	0	615	1
Spain	43	0	103	-1
Italy	38	0	182	-5
Portugal	28	0	88	-1
Ireland	18	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 (3 March)</b>								
02:45	CN	Caixin China PMI Services	Feb	pts	54.5	-	55.0	52.9
08:00	DE	Exports SA	Jan	% m/m	1.5	-	2.1	-5.9
09:00	CZ	GDP SA	4Q	% y/y	0.4	-	0.2	1.5
09:55	DE	Markit Germany Services PMI	Feb	pts	51.3	-	50.9	50.7
10:00	EZ	Eurozone Services PMI	Feb	pts	53.0	-	52.7	50.8
16:00	US	ISM services	Feb	pts	54.5	-	55.1	55.2
<b>MONDAY (6 March)</b>								
11:00	EZ	Retail Sales	Jan	% m/m	0.8	-	-	-2.7
16:00	US	Durable Goods Orders	Jan	% m/m	-	-	-	-4.5
16:00	US	Factory Orders	Jan	% m/m	-1.5	-	-	1.8
<b>TUESDAY (7 March)</b>								
08:00	DE	Factory Orders	Jan	% m/m	-1.0	-	-	3.2
08:30	HU	Industrial Production SA	Jan	% y/y	4.3	-	-	5.7
<b>WEDNESDAY (8 March)</b>								
	PL	MPC decision		%	6.75	6.75	-	6.75
08:00	DE	Industrial Production SA	Jan	% m/m	1.5	-	-	-3.1
08:00	DE	Retail Sales	Jan	% m/m	2.2	-	-	-4.9
08:30	HU	CPI	Feb	% y/y	25.4	-	-	25.7
11:00	EZ	GDP SA	4Q	% y/y	1.9	-	-	2.4
14:15	US	ADP report	Feb	k	200.0	-	-	106.0
<b>THURSDAY (9 March)</b>								
14:30	US	Initial Jobless Claims		k	200.0	-	-	190.0
<b>FRIDAY (10 March)</b>								
08:00	DE	HICP	Feb	% m/m	1.0	-	-	0.5
09:00	CZ	Industrial Production	Jan	% y/y	3.4	-	-	1.3
09:00	CZ	CPI	Feb	% y/y	16.6	-	-	17.5
14:30	US	Change in Nonfarm Payrolls	Feb	k	200.0	-	-	517.0
14:30	US	Unemployment Rate	Feb	%	3.4	-	-	3.4

Source: Santander Bank Polska. Bloomberg. Parkiet

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

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