

16 March 2023

Eyeopener

All eyes on the ECB

Today ECB meeting, Polish core CPI for January and February, C/A for January
 Polish CPI inflation up to 18.4% y/y in February, the data surprised with high inflation inertia
 Banks sold off yesterday on global stock exchanges
 Zloty stable compared to the CEE losses, domestic yields lower

Today, we will get Polish core inflation for January and February as well as C/A data for January, including the trade balance in goods and services. The focus of global markets will be on the ECB which at its previous meeting pretty much promised a 50bp rate hike today. However, this pledge was made before the current turbulence in the banking sectors of the US and Europe. In our view, the ECB will deliver the rate hike and will keep stressing that further decisions will depend on data and developments in financial situation. This does not mean that this is going to be an easy decision – in recent days the calming down of the situation on the US markets was to a large extent a consequence of a quick reaction by Federal institutions, even if they went against the trend of monetary policy tightening.

CPI rose to 18.4% y/y in February, in line with our forecast and a bit lower than the market consensus (18.5%), while the data for January were revised down from 17.2% to 16.6% y/y. We think this is the peak of inflation in y/y terms. However, the monthly price dynamics were well above expectations - prices rose by 1.2% m/m in February against our forecast of 0.7% m/m and the market consensus of 0.8%, and by 2.5% m/m in January (revised from 2.4%). Despite the annual inflation rates in January and February coming below consensus, the data show much higher inflation inertia than expected – the price momentum is still very strong and shows no signs of abating. These data suggest a higher inflation trajectory towards the end of 2023 than we thought, and reduce the likelihood of reaching inflation levels that could lead the MPC to contemplate rate cuts. More about it in our [Economic comment](#).

Yesterday, there was a sell-off in **Credit Suisse** shares after the governor of the National Bank of Saudi Arabia ruled out the possibility of further increases in the Swiss bank's financing due to regulatory barriers and in view of the need for additional clarification by the US market regulator following the release of a delayed annual report. The markets' nervous reaction follows a marked increase in risk aversion that occurred in recent days after two regional banks in the US unexpectedly collapsed: Silicon Valley Bank and Signature Bank. The bank announced today that it will reach for SNB facilities that could strengthen its liquidity position by up to CHF 50 billion.

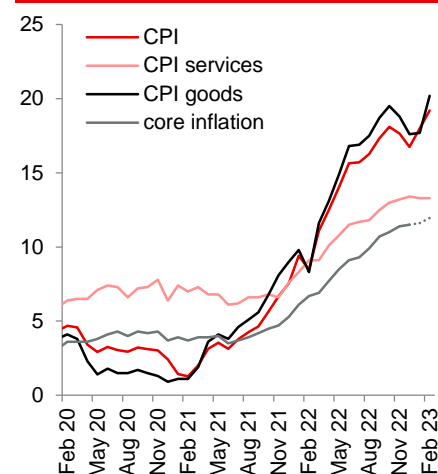
EURUSD from levels above 1.07, fell below 1.06. At the beginning of the European session, the exchange rate tried to continue the previous day's rise, but a sharp repricing of Credit Suisse shares turned the course in the opposite direction.

EURPLN fluctuated in a wide range around the 4.70 level, with the rate fluctuating between 4.68 and 4.72, eventually ending the day near the opening levels. The high stability of the zloty's quotations against the CEE region's currencies is due to investors' high confidence in the stability of the Polish banking system.

Other CEE currencies: **EURCZK** rose from 23.77 to 24.05. **EURHUF** rose to 396 from 389. During the day, the rate even crossed the psychological level of 400. The turmoil associated with Credit Suisse clearly spooked investors in the smaller CEE financial markets.

Debt market: Domestic yield curve gave back much of the previous day's gains. On Wednesday, following the release of CPI inflation data for February, the 10-year yield rose to around 6.27%, but strong repricing of yields in the core markets related to concerns about Credit Suisse's financial condition brought it down to levels near 6%. Asset swap spreads widened again.

Main CPI measures, % y/y



Source: GUS, NBP, Santander

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FX market

Today's opening

EURPLN	4.6980	CZKPLN	0.1950
USDPLN	4.4292	HUFPLN*	1.1895
EURUSD	1.0611	RUBPLN	0.0580
CHFPLN	4.7708	NOKPLN	0.4113
GBPPLN	5.3467	DKKPLN	0.6309
USDCNY	6.9056	SEKPLN	0.4186

*for 100HUF

Last session in the FX market 15.03.2023

	min	max	open	close	fixing
EURPLN	4.6823	4.7182	4.7027	4.7065	4.7015
USDPLN	4.3710	4.4706	4.3809	4.4655	4.403
EURUSD	1.0514	1.0743	1.0737	1.0542	-

Interest rate market 15.03.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.99	-12
DS0727 (5Y)	5.95	-19
DS0432 (10Y)	6.04	-14

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.73	-10	4.56	-37	3.24	-25
2L	6.08	-15	4.27	-32	3.34	-20
3L	5.60	-17	4.01	-18	3.23	-20
4L	5.38	-18	3.81	-22	3.16	-14
5L	5.28	-18	3.64	-30	3.11	-10
8L	5.21	-18	3.55	-22	2.93	-14
10L	5.23	-18	3.49	-24	2.93	-13

WIBOR rates

Term	%	Change (bps)
O/N	6.58	1
T/N	6.73	0
SW	6.84	1
2W	6.83	2
1M	6.87	0
3M	6.92	-1
6M	6.98	-1
1Y	7.08	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.87	-5
3x6	6.74	-14
6x9	6.46	-14
9x12	6.03	-14
3x9	6.77	-10
6x12	6.47	-14

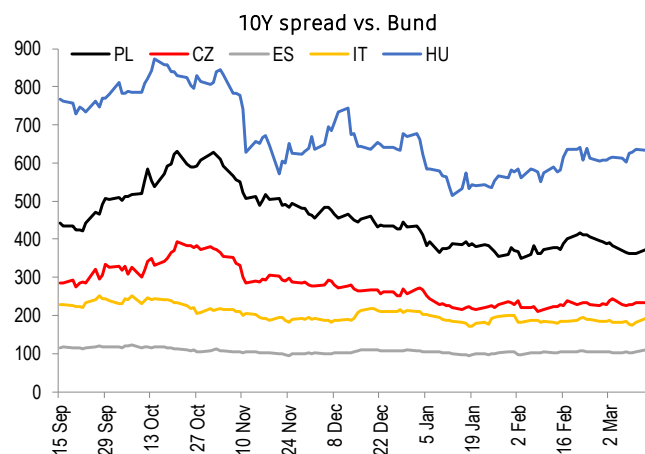
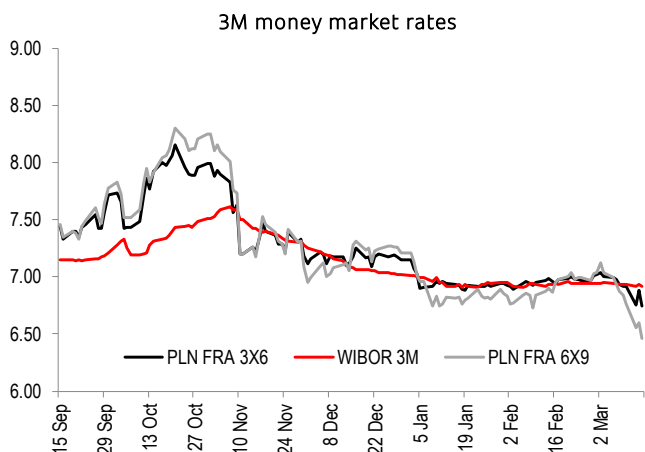
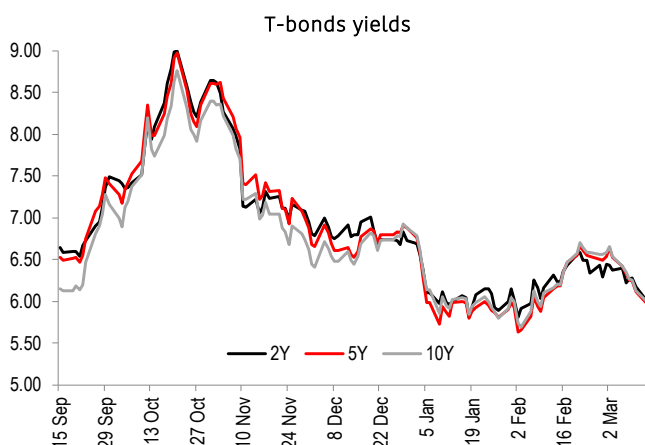
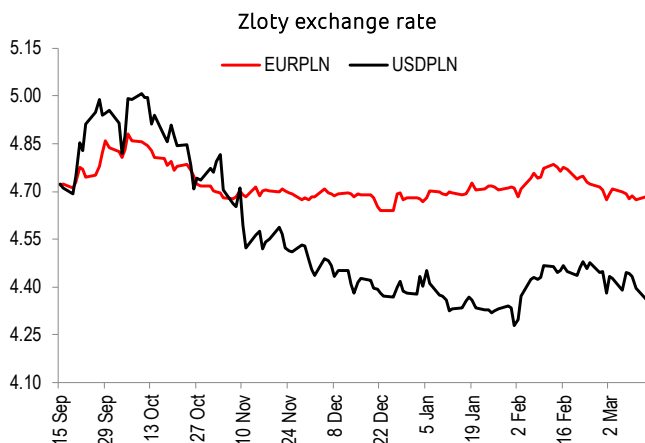
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	94	2	393	20
France	14	3	56	3
Hungary	166	3	669	34
Spain	53	2	113	6
Italy	50	2	198	12
Portugal	35	1	98	7
Ireland	21	3	54	9
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			
FRIDAY (10 March)								
08:00	DE	HICP	Feb	% m/m	1.0	-	1.0	0.5
09:00	CZ	Industrial Production	Jan	% y/y	3.2	-	1.3	2.3
09:00	CZ	CPI	Feb	% y/y	16.6	-	16.7	17.5
14:30	US	Change in Nonfarm Payrolls	Feb	k	225.0	-	311.0	504.0
14:30	US	Unemployment Rate	Feb	%	3.4	-	3.6	3.4
MONDAY (13 March)								
No key events or releases								
TUESDAY (14 March)								
13:30	US	CPI	Feb	% m/m	0.4	-	0.4	0.5
WEDNESDAY (15 March)								
10:00	PL	CPI	Feb	% y/y	18.5	18.4	18.4	16.6
11:00	EZ	Industrial Production SA	Jan	% m/m	0.5	-	0.7	-1.3
13:30	US	Retail Sales Advance	Feb	% m/m	0.1	-	-0.4	3.2
THURSDAY (16 March)								
13:30	US	Housing Starts	Feb	% m/m	0.1	-	-	-4.5
14:00	PL	CPI Core	Jan	% y/y	11.8	11.8	-	11.5
14:00	PL	CPI Core	Feb	% y/y	11.9	11.9	-	x
14:00	PL	Current Account Balance	Jan	€mn	-995	-1020	-	-2526
14:00	PL	Trade Balance	Jan	€mn	-1200	-1326	-	-2716
14:00	PL	Exports	Jan	€mn	27281	26458	-	26040
14:00	PL	Imports	Jan	€mn	28034	27784	-	28756
14:15	EZ	ECB Main Refinancing Rate	Mar.23	%	3.5	-	-	3.0
14:30	US	Initial Jobless Claims		k	195	-	-	211
FRIDAY (17 March)								
11:00	EZ	HICP	Feb	% y/y	8.5	-	-	8.6
14:15	US	Industrial Production	Feb	% m/m	0.5	-	-	0.0
15:00	US	Michigan index	Mar	pts	67.0	-	-	67.0

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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