

Eyeopener

Optimistic signal from Ifo report

Today, central bank decision in Hungary, US consumer confidence
German Ifo indicators surprised positively
EURUSD higher, Polish bond yields less volatile than in core markets

Today in Hungary, the central bank is setting monetary policy parameters. It is widely expected to keep interest rates on hold (the main rate at 13.00% since last October). In the US, there will be March consumer sentiment data from the Conference Board, among others.

The **Ifo index describing business conditions in Germany** rose sharply in March although the market had expected stabilisation. Interestingly, the manufacturing and trade sectors contributed heavily to the rebound (their indices reached their highest since February 2022). This may be evidence of an improvement in global trade, which has tended to benefit the German economy thanks to the relatively high importance of foreign demand in the creation of its GDP. The construction sector, dependent on domestic demand, fared worse in the survey. This pattern of sectoral indicators is at odds with the March reading of the German PMI indices: surprisingly weak for manufacturing (lowest since June 2020) and strong for services (highest since May 2022).

Eurozone M3 money supply increased by 2.9% y/y in February, compared to a 3.5% y/y increase in January and with expectations for a deceleration to 3.2% y/y. Credit growth to households declined to 3.2% y/y from 3.6% previously and to non-financial corporations to 5.7% y/y from 6.1%.

Isabel Schnabel from the ECB said that the ECB's balance sheet will be significantly reduced over the next few years, but will not return to the levels seen before the 2007-2009 global financial crisis, due to the need to maintain adequate levels of liquidity in the financial system, as banks may want to hold larger liquidity buffers than they once did. She noted that changes are possible to the ECB's current policy of maintaining a wide spread between the deposit rate and the policy rate, in order to give banks more discretion over the levels of liquidity reserves they desire. This would increase the currency union's resilience to potential fragmentation shocks. She also stressed that financial markets are underestimating the risks associated with prolonged persistence of inflation at elevated levels.

January **data from the tourism market** showed that domestic tourists spent 12.9% more nights y/y in Polish hotels than a year earlier, and foreign tourists spent as much as 83.2% more nights y/y. The number of foreign tourists was higher than in the same period of 2019 for the first time since the outbreak of the pandemic.

The CSO's **new life expectancy tables** showed a marked increase in life expectancy for those reaching retirement age compared to the results a year ago (for a 65-year-old person, an increase of 13.8 months to 17.5 years). This is a factor negatively affecting the level of newly awarded pensions.

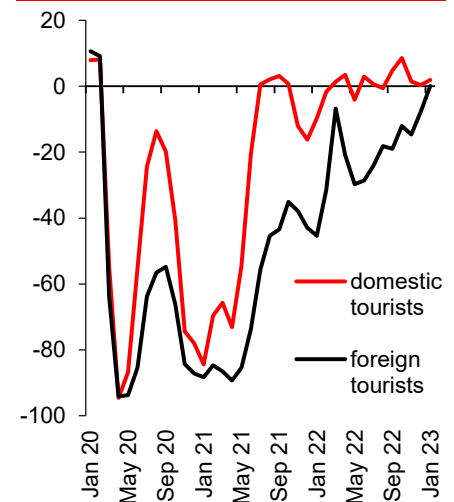
EURUSD moved from levels close to 1.075 to 1.08. The single currency was helped by better-than-expected Ifo indicators of sentiment in German industry for March, which were apparently not hurt by the recent turmoil on global financial markets.

EURPLN rose to around 4.69 from around 4.675. The zloty was hurt by rising interest rate expectations in the main markets. This morning, EURPLN reversed a part of this move.

Other CEE currencies: EURCZK rose from 23.67 to around 23.75 for similar reasons as EURPLN. EURHUF rose to 386 from 383, with the market expecting the MNB to leave interest rates unchanged today. Newly nominated Monetary Council member Eva Buza said that the main goal of MNB policy is the need to beat inflation. In her view, the peak of inflation was reached in January and it is possible to reduce inflation to single-digit levels by the end of the year. She also stressed that the MNB must help maintain confidence in local banks and the stability of the financial system.

Debt market: The domestic yield curve rose by about 3 bps on average across the board. Asset swap spreads narrowed thanks to a gradual improvement in sentiment in the core markets. The German yield curve rose by around 12 bp on average and the US yield curve rose by around 19 bp on average.

Number of nights spent by tourists, %
difference vs corresponding month of 2019



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.6830	CZKPLN	0.1969
USDPLN	4.3323	HUFPLN*	1.2018
EURUSD	1.0815	RUBPLN	0.0566
CHFPLN	4.7196	NOKPLN	0.4148
GBPPLN	5.3360	DKKPLN	0.6283
USDCNY	6.8817	SEKPLN	0.4182

*for 100HUF

Last session in the FX market 27/03/2023

	min	max	open	close	fixing
EURPLN	4.6796	4.6925	4.6859	4.6913	4.6856
USDPLN	4.3371	4.3603	4.3526	4.3487	4.3518
EURUSD	1.0743	1.0794	1.0765	1.0787	-

Interest rate market 27/03/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.01	1
DS0727 (5Y)	5.98	2
DS0432 (10Y)	6.06	4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.78	2	4.93	21	3.40	5
2L	6.20	4	4.31	23	3.26	5
3L	5.68	4	4.03	28	3.11	5
4L	5.47	4	3.78	20	3.04	8
5L	5.40	5	3.64	20	3.00	10
8L	5.36	8	3.52	16	2.91	6
10L	5.39	7	3.50	15	2.92	6

WIBOR rates

Term	%	Change (bps)
O/N	6.46	-1
T/N	6.68	-2
SW	6.84	1
2W	6.84	0
1M	6.84	-1
3M	6.90	0
6M	6.95	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.87	-2
3x6	6.80	3
6x9	6.57	2
9x12	6.13	2
3x9	6.79	2
6x12	6.54	2

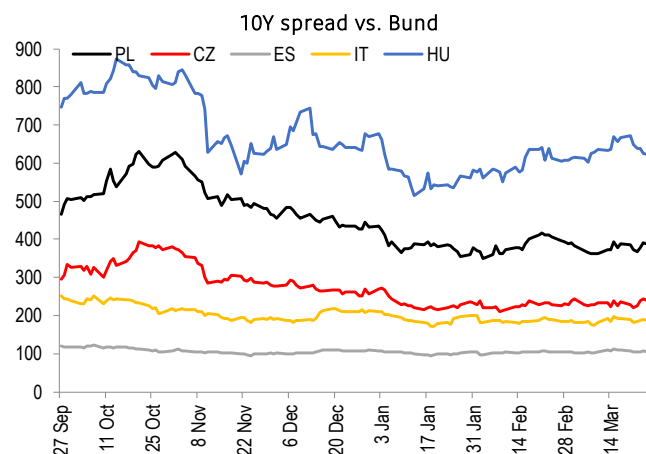
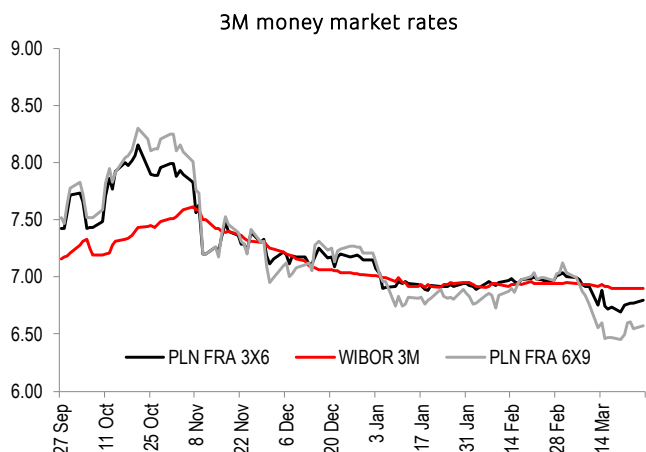
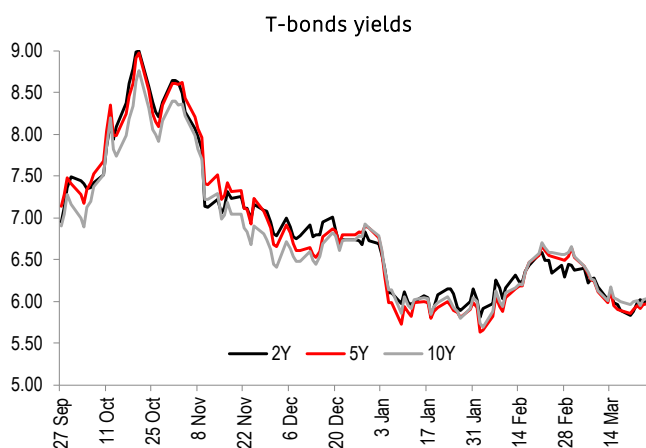
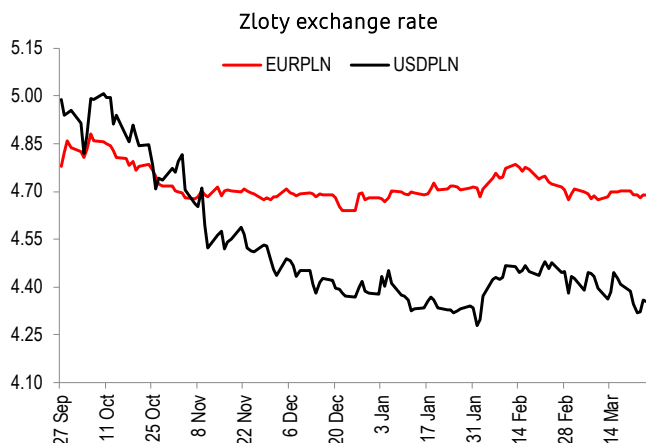
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	103	0	384	-6
France	15	0	52	-2
Hungary	173	0	617	-8
Spain	55	0	103	-3
Italy	50	0	184	-5
Portugal	37	0	89	-1
Ireland	21	0	42	-1
Germany	12	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	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (24 March)							
09:30	DE	Germany Manufacturing PMI	Mar	pts	47.0	44.4	46.3
09:30	DE	Markit Germany Services PMI	Mar	pts	51.0	53.9	50.9
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	49.0	47.1	48.5
10:00	EZ	Eurozone Services PMI	Mar	pts	52.5	55.6	52.7
13:30	US	Durable Goods Orders	Feb	% m/m	0.5	-1.0	-5.0
MONDAY (27 March)							
10:00	DE	Ifo Business Climate	Mar	pts	91.0	93.3	91.1
TUESDAY (28 March)							
14:00	HU	Central Bank Rate Decision	Mar/23	%	13.0	-	13.0
16:00	US	Consumer Conference Board	Mar	pts	101.5	-	102.9
WEDNESDAY (29 March)							
14:30	CZ	Central Bank Rate Decision	Mar/23		7.0	-	7.0
16:00	US	Pending Home Sales	Feb	% m/m	-2.25	-	8.13
THURSDAY (30 March)							
11:00	EZ	ESI	Mar	pct.	99.8	-	99.8
13:30	US	Initial Jobless Claims		k	197.0	-	191.0
14:00	DE	HICP	Mar	% m/m	0.9	-	1.0
14:30	US	GDP Annualized	4Q	% Q/Q	2.7	-	2.7
FRIDAY (31 March)							
09:00	CZ	GDP SA	4Q	% y/y	0.2	-	0.2
10:00	PL	CPI	Mar	% y/y	16.1	15.8	-
11:00	EZ	Flash HICP	Mar	% y/y	7.1	-	8.5
11:00	EZ	Unemployment Rate	Feb	%	6.6	-	6.6
14:00	PL	Current account balance	4Q	€mn		-2810	-
14:30	US	Personal Spending	Feb	% m/m	0.3	-	1.8
14:30	US	Personal Income	Feb	% m/m	0.3	-	0.6
14:30	US	PCE Deflator SA	Feb	% m/m	0.3	-	0.6
16:00	US	Michigan index	Mar	pts	63.4	-	63.4

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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