

29 March 2023

## Eyeopener

### Too early for rate cuts

Today, Czech central bank will decide about interest rates; Hungary kept rates on hold  
MPC's Dąbrowski against too soon rate cuts; Tyrowicz and Kotecki in favour of hikes  
Zloty stronger, Polish bonds keep climbing higher

**Today**, the Czech central bank will decide on interest rates, with market expectations clearly pointing to no change, just like in the case of Hungarian central bank meeting yesterday. We will also get to see the US housing market data.

**MPC's Ireneusz Dąbrowski** said yesterday that "there will be no hasty reduction of interest rates in Poland" and the current market turmoil indicates that it is way too early to end Polish tightening cycle. Dąbrowski is seen as the most dovish among the ten MPC members, which is due to the fact that as recently as last autumn he was openly saying that the hiking cycle should be ended, with the first rate cuts possible before the end of 2023. Interestingly, he changed his mind just at the time when the problems of banks abroad are prompting investors to reduce rather than increase the scale of expected rate rises. For us, his statement is all the more important as he was a close associate of Adam Glapiński and it seems to us that his statements may be close to the views of the NBP president. **Joanna Tyrowicz**, seen in turn as the most hawkish MPC member, said in an interview with PAP that nothing in the NBP's communication justifies interest rate cuts in 2023 and such a decision lacks any substantive justification. In her view, the declining level of market rates (pricing-in possibility of future rate cuts) lowers the transmission of the MPC's earlier decisions, which "should prompt the MPC to tighten its communication and raise rates". **Ludwik Kotecki**, on the other hand, believes that the MPC should show that it is worried about the disinflation process being too slow and even a small interest rate hike would confirm this.

**The S&P rating agency** kept its forecast for Poland's economic growth in 2023 at 0.9% y/y (we think it will be 0.7%), and raised its forecast for 2024 to 3.4% from 3.2% (our forecast is 3.8%). The agency, like us, does not expect rate cuts by the MPC in 2023, but sees cuts of 150bp and 175bp in the following years.

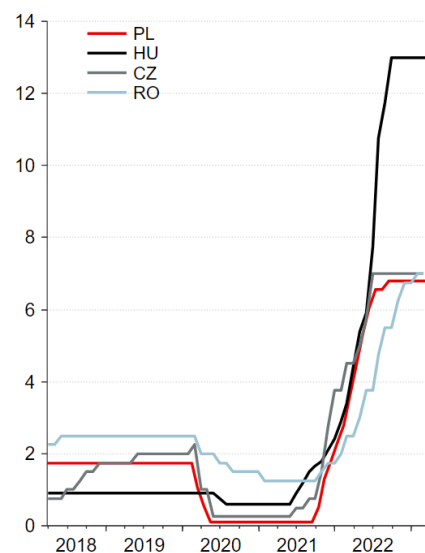
**EURUSD** moved from around 1.08 to 1.0850, going up on further improvement in global market sentiment as concerns about the health of the banking sector on both sides of the Atlantic weakened.

**EURPLN** declined from the area of 4.69 to the vicinity of 4.67. The zloty was helped by signals from the MPC negating the possibility of an imminent announcement of an official end to the rate hike cycle in Poland and a rapid transition to the process of lowering NBP rates.

**Other CEE currencies:** the EURCZK fell to 23.62 from 23.76. The market is waiting for today's CNB decision, which we believe will not change the current monetary policy. The prevailing belief in the CNB board is that it is better to keep interest rates at their current level for longer than to try to raise them higher in order to sooner move to the stage of rate cuts. The EURHUF fell from 385 to 381. The MNB, as expected, did not change interest rates. The post-decision communication stated the need to maintain the current level of rates for an extended period of time in order to allow inflation to fall steadily towards the target. Disinflationary processes should accelerate after March, supported among other things by falling price expectations. Achievement of the inflation target is forecast for 2025. MNB intends to continue using high-interest overnight deposits and liquidity transactions to stabilise the local financial market. From 31 March 2023, the bank additionally intends to use euro swap operations for energy import transactions.

**Debt market:** The domestic yield curve kept going upwards slowly for another day in a row. Interest rate expectations also rose slightly, albeit to a very modest extent due to the dovish stance of the NBP clearly reluctant to any rate hikes, which the market has long been factoring into its calculations. In the core markets, yields also rose, albeit at a slowing pace.

Policy rates in CEE, %



Source: Refinitiv Datastream, Santander

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### FX market

#### Today's opening

EURPLN	4.6781	CZKPLN	0.1977
USDPLN	4.3208	HUFPLN*	1.2305
EURUSD	1.0825	RUBPLN	0.0563
CHFPLN	4.6848	NOKPLN	0.4156
GBPPLN	5.3206	DKKPLN	0.6278
USDCNY	6.8893	SEKPLN	0.4163

\*for 100HUF

#### Last session in the FX market 28/03/2023

	min	max	open	close	fixing
EURPLN	4.6764	4.6858	4.6812	4.6779	4.6816
USDPLN	4.3117	4.3350	4.3293	4.3141	4.33
EURUSD	1.0804	1.0846	1.0810	1.0841	-

### Interest rate market 28/03/2023

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.04	3
DS0727 (5Y)	6.03	4
DS0432 (10Y)	6.09	3

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.79	1	4.98	5	3.42	1
2L	6.22	2	4.40	9	3.31	5
3L	5.73	4	4.08	5	3.16	5
4L	5.51	4	3.87	10	3.06	2
5L	5.43	3	3.73	9	3.01	1
8L	5.38	1	3.56	4	2.96	5
10L	5.41	2	3.54	4	2.97	5

#### WIBOR rates

Term	%	Change (bps)
O/N	6.54	8
T/N	6.68	0
SW	6.83	-1
2W	6.83	-1
1M	6.84	0
3M	6.90	0
6M	6.95	0
1Y	7.06	0

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

Term	%	Change (bps)
1x4	6.91	4
3x6	6.79	-1
6x9	6.60	3
9x12	6.18	5
3x9	6.80	0
6x12	6.58	4

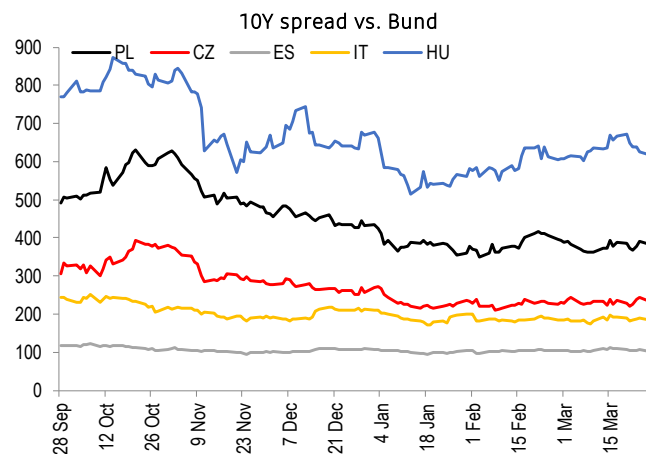
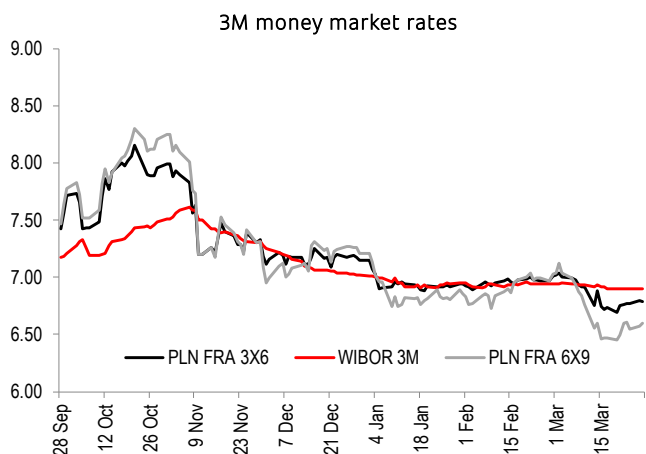
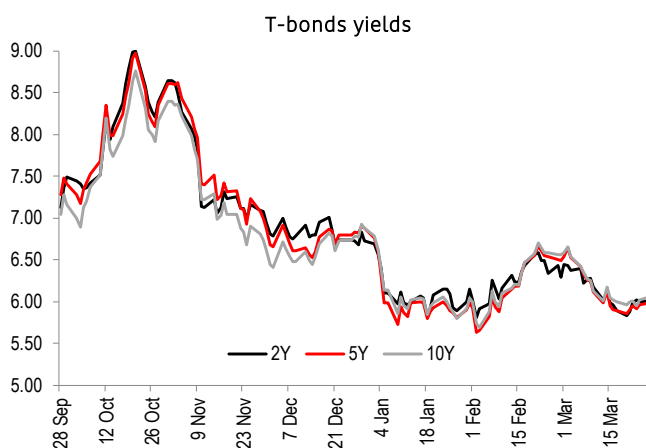
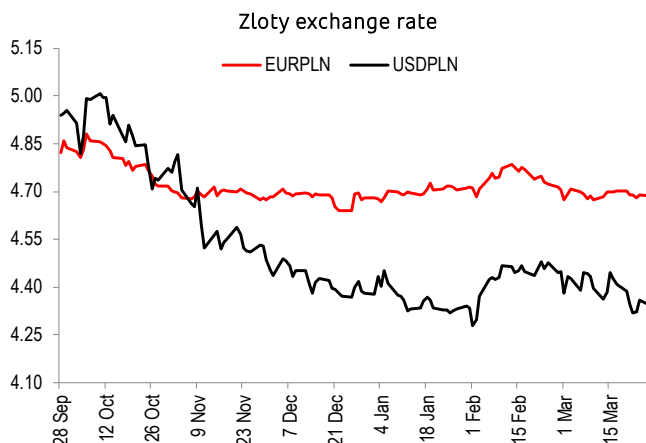
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	105	2	381	-3
France	14	-1	52	0
Hungary	173	0	605	-13
Spain	53	-2	104	1
Italy	48	-2	185	1
Portugal	37	0	90	1
Ireland	20	-1	43	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*
<b>FRIDAY (24 March)</b>							
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
<b>MONDAY (27 March)</b>							
10:00	DE	IFO Business Climate	Mar	pts	91.0	93.3	91.1
<b>TUESDAY (28 March)</b>							
14:00	HU	Central Bank Rate Decision		%	13.0	13.0	13.0
16:00	US	Consumer Conference Board	Mar	pts	101.5	104.2	103.4
<b>WEDNESDAY (29 March)</b>							
14:30	CZ	Central Bank Rate Decision			7.0	-	7.0
16:00	US	Pending Home Sales	Feb	% m/m	-2.25	-	8.13
<b>THURSDAY (30 March)</b>							
11:00	EZ	ESI	Mar	pct.	99.8	-	99.8
13:30	US	Initial Jobless Claims		k	197	-	191
14:00	DE	HICP	Mar	% m/m	0.9	-	1.0
14:30	US	GDP Annualized	4Q	% Q/Q	2.7	-	2.7
<b>FRIDAY (31 March)</b>							
09:00	CZ	GDP SA	4Q	% y/y	0.2	-	0.2
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Mar</b>	<b>% y/y</b>	<b>16.1</b>	<b>15.8</b>	<b>-</b>
11:00	EZ	Flash HICP	Mar	% y/y	7.1	-	8.5
11:00	EZ	Unemployment Rate	Feb	%	6.6	-	6.6
<b>14:00</b>	<b>PL</b>	<b>Current account balance</b>	<b>4Q</b>	<b>€mn</b>		<b>-2810</b>	<b>-</b>
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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