

Eyeopener

US CPI slightly below forecast

Today Polish C/A balance, euro zone production, Czech inflation
 Kotecki: 25bp rate hike would show MPC determination in fight against inflation
 Zloty stronger, EURUSD rose close to 1.10

Today Poland's balance of payments data for February: we expect a slightly weaker result than the market, but overall forecasts point to a gradual narrowing of the current account deficit. The already released CPI inflation in Czechia was in line with expectations of a decline to 15.0% y/y from 16.7%. Also this morning, China showed surprisingly strong foreign trade data: export in USD rose 14.8% y/y while a 7.1% decline was expected, import dropped by 1.4% y/y instead of the expected 6.4%. Industrial production in the euro area and new jobless claims in the USA are still due today.

March **inflation in the US** was slightly below forecasts for the headline rate (5.0% y/y against forecasts of 5.1% y/y), and in line with consensus for core inflation (5.6% y/y). CPI inflation eased from 6.0% y/y in the previous month mainly on lower energy prices, but core inflation was higher than the month before. Overall, the data still point to strong price pressures, especially in services. The final reading of March HICP **inflation in Germany** published this morning confirmed its decline from 9.3% y/y to 7.8%, with the data showing the persistence of food and services price increases (core inflation increased slightly).

The **FOMC minutes** confirmed speculation that there were a few voices in favour of holding off on rate hikes at the March meeting. On the other hand, some members put forward a 50bp hike as adequate for economic conditions. The decision to raise by 25bp thus took into account both the risk of more difficult access to financing as a result of the turmoil in the US banking sector and the fact that, in the eyes of the committee, inflation remains too high and labour market demand too strong. The document signals that the FOMC still intends to deliver some tightening of monetary policy.

MPC's Ludwik Kotecki said that a 25bp rate hike would show the MPC's determination to fight for lower inflation. In his view, as long as the NBP projection does not show a credible decline in inflation to the target, there is no reason to start discussing rate cuts.

Luis de Guindos (ECB vice-president) said that the central bank is quite optimistic about the fall in the headline inflation rate, but not so much when it comes to core inflation, with data pointing to high persistence. **Robert Holzmann (Austria)**, on the other hand, said that the inflation outlook indicated that a 50 basis point hike would be needed in May. Rates should also go up in the following months, in his view, with quantitative tightening accelerating from July on.

According to the IMF, Poland's public finance deficit will be 4.5% of GDP in 2023 and 3.8% in 2024. Our forecasts are similar, although we believe the deficit could exceed 5% in 2023.

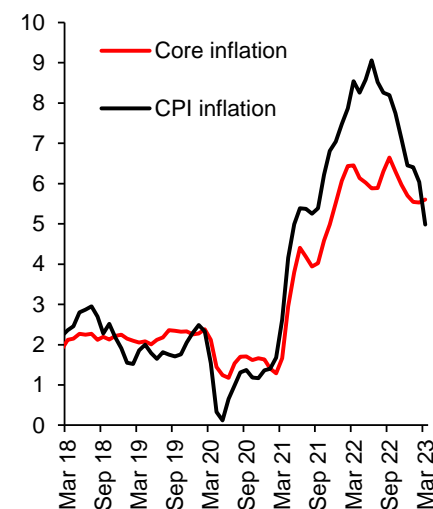
EURUSD rose near 1.10 from near 1.09. The dollar lost on a lower CPI inflation reading, which slightly lowered expectations for the Fed's rate target. The FOMC minutes did not revert the EURUSD rise. The exchange rate was further helped by hawkish statements from ECB members.

EURPLN fell from around 4.67 to the area of 4.65. The zloty was supported by an improvement in global market sentiment and an increase in interest rate expectations in the Polish FRA market.

Other CEE currencies: **EURCZK** fell to 23.33 from 23.45. Jan Kubicek from the CNB said that he currently sees no possibility of a rate cut in the fall, as market expectations suggest. A loosening of monetary policy would only be possible if core inflation enters a downward trend. On the other hand, if the fiscal situation develops as poorly as it did in 1Q, and on top of that wages would start to grow significantly then the CNB may decide to raise rates. In his opinion, the Czech koruna is not overvalued. The **EURHUF**, despite fluctuations during the day, held steady near 374. The forint was unable to benefit from improved sentiment in global markets due to a higher-than-expected reading of Hungarian core inflation, which set a new record (25.7% y/y vs. 25.2% previously). The headline CPI inflation rate declined only slightly. Minutes from the NBH's latest meeting confirmed the central bank's hawkish stance, which intends to keep rates at elevated levels for an extended period in order to lower inflation expectations.

Debt market: Domestic yield curve rose by an average of about 4 bps, while the IRS curve rose by about 10 bps across the board. The increases were helped by higher interest rate expectations in Poland and the euro zone. The German yield curve rose, while the US yield curve fell at the short end and in the middle.

US inflation, % y/y



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.6508	CZKPLN	0.1989
USDPLN	4.2339	HUFPLN*	1.2327
EURUSD	1.0986	RUBPLN	0.0517
CHFPLN	4.7197	NOKPLN	0.4052
GBPPLN	5.2860	DKKPLN	0.6241
USDCNY	6.8744	SEKPLN	0.4092

*for 100HUF

Last session in the FX market 12.04.2023

	min	max	open	close	fixing
EURPLN	4.6512	4.6739	4.6668	4.6517	4.666
USDPLN	4.2330	4.2799	4.2720	4.2368	4.2713
EURUSD	1.0914	1.0999	1.0924	1.0986	-

Interest rate market 12.04.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.26	1
WS0428 (5Y)	6.17	4
DS1033 (10Y)	6.22	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.91	7	5.00	-4	3.62	6
2L	6.45	10	4.27	-7	3.47	8
3L	5.94	11	3.86	-9	3.28	8
4L	5.69	11	3.65	-7	3.16	7
5L	5.57	10	3.50	-9	3.09	6
8L	5.47	10	3.38	-5	3.00	5
10L	5.49	10	3.36	-6	3.00	5

WIBOR rates

Term	%	Change (bps)
O/N	6.61	8
T/N	6.72	-1
SW	6.83	0
2W	6.84	0
1M	6.85	-1
3M	6.90	0
6M	6.95	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.91	3
3x6	6.87	5
6x9	6.75	9
9x12	6.40	13
3x9	6.89	6
6x12	6.77	13

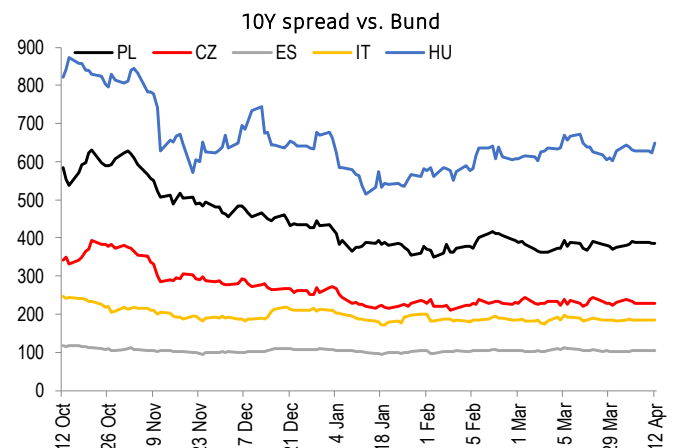
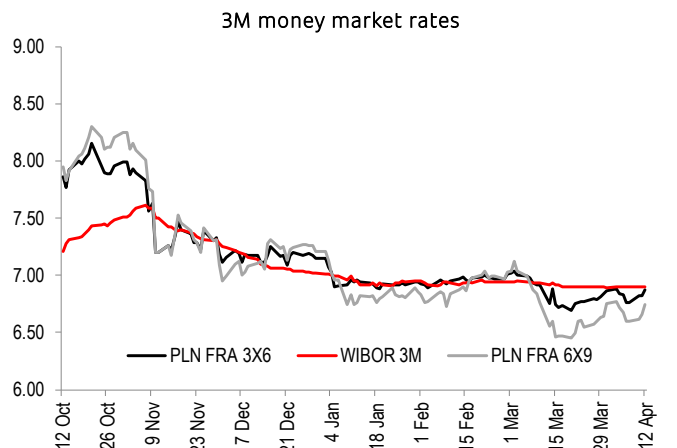
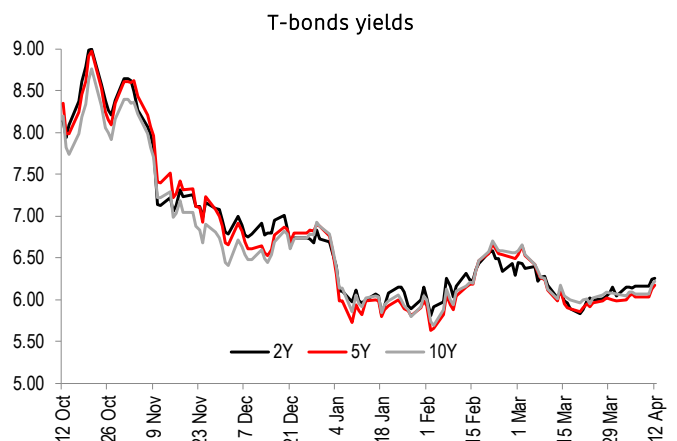
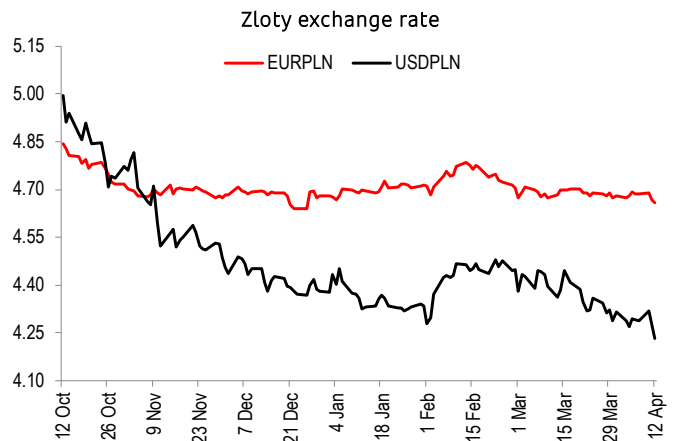
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	97	-2	386	0
France	14	0	52	0
Hungary	169	0	649	25
Spain	50	3	105	-1
Italy	47	0	185	-1
Portugal	37	1	87	-1
Ireland	19	0	45	-3
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 VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (7 April)								
14:30	US	Change in Nonfarm Payrolls	Mar	k	230	-	236	326
14:30	US	Unemployment Rate	Mar	%	3.6	-	3.5	3.6
MONDAY (10 April)								
	PL	Holiday						
TUESDAY (11 April)								
11:00	EZ	Retail Sales	Feb	% m/m	-0.8	-	-0.8	0.8
WEDNESDAY (12 April)								
08:30	HU	CPI	Mar	% y/y	24.9	-	25.2	25.4
14:30	US	CPI	Mar	% m/m	0.2	-	0.1	0.4
20:00	US	FOMC Meeting Minutes	Mar.23		-			0.0
THURSDAY (13 April)								
08:00	DE	HICP	Mar	% m/m	1.1	-	1.1	1.1
09:00	CZ	CPI	Mar	% y/y	15.0	-		16.7
11:00	EZ	Industrial Production SA	Feb	% m/m	1.0	-		0.7
14:00	PL	Current Account Balance	Feb	€mn	347	-416		1429
14:00	PL	Trade Balance	Feb	€mn	96	-815		1225
14:00	PL	Exports	Feb	€mn	26809	25945		26809
14:00	PL	Imports	Feb	€mn	26346	26760		25584
14:30	US	Initial Jobless Claims		k	200	-		228
FRIDAY (14 April)								
10:00	PL	CPI	Mar	% y/y	16.2	16.2		18.4
14:30	US	Retail Sales Advance	Mar	% m/m	-0.5	-		-0.4
15:15	US	Industrial Production	Mar	% m/m	0.3	-		0.0
16:00	US	Michigan index	Apr	pts	61.8	-		62.0

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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