

Eyeopener

Trump's first decisions do not cover tariffs

Today German ZEW, markets' reaction to D. Trump's first decisions
Kotecki: cuts no earlier than in July, Wnorowski: cuts in 2Q25
Zloty stronger, dollar weaker, domestic yields slightly higher

Today, we will see the January reading of the ZEW index of economic sentiment in Germany. The median forecast indicates that the index will register a slight decline, from 15.7 to 15.2pts, while its component measuring the current economic situation will remain at -93.1pts. Other than that, the economic calendar does not show any other publications for today. Global markets will react to Donald Trump's first declarations and decisions after being sworn in as the 47th US president. As announced, the new US president signed a number of decrees, but new tariffs were not among them. The president's decisions related to e.g. immigration, changes in the composition of the government, changes in geographical names or the withdrawal of the USA from certain international organisations.

MPC member Ludwik Kotecki said in an interview with Bloomberg that the Monetary Policy Council should not postpone monetary easing due to uncertainty about the inflationary impact of the withdrawal of the energy price cap, as it will be short-lived, while economic growth is quite weak and the gradual expiry of the QE programme will further tighten the already restrictive policy. Nevertheless, in his opinion, the first rate cuts will not take place before July, i.e. after the presidential election and the release of a new inflation projection. According to Kotecki, there is space for 50 to 100 bps of cuts this year. He also said that MPC members' statements about a possible start of discussions on rate cuts as early as March should fade away, as the NBP Governor had managed to convince them of his vision. Apparently, **Henryk Wnorowski** has not joined the group of the totally convinced, as in a statement to PAP Biznes he assessed that in March, after the release of the NBP's projection, there may be space to start discussing the prospect of monetary easing. In his opinion, the scenario of rate cuts in 2025 is still real, although not in 1Q, but also not as late as July (i.e. they are more likely in 2Q). Wnorowski disputed the assessment that the message from Governor Glapinski's recent conference was more hawkish, said it was too early to speculate on the total scale of cuts, and pointed to the withdrawal of the energy price cap, loose fiscal policy and still high wage dynamics as threats to the inflation outlook.

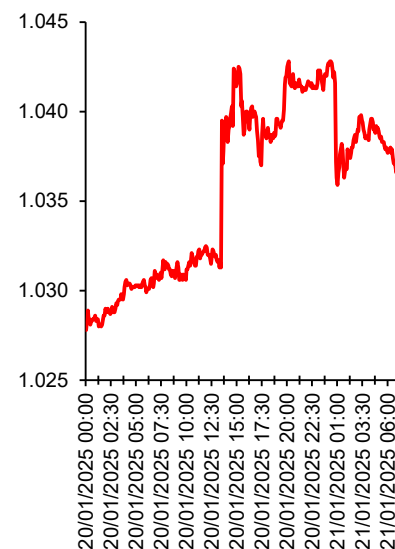
The minutes of the December MPC meeting stated that the majority of Council members believed that the withdrawal of the energy price cap would be important for the inflation outlook. As reported, the Council noted that the unfreezing of energy prices would also lead to higher inflation in 1H26, pushing back the projected timing of inflation's return to the target.

According to the IMF mission report on Poland, it is appropriate to maintain a restrictive monetary policy in the face of elevated core inflation, but by mid-year there should appear room for rate cuts of 50-100 bps. The IMF recommends a fiscal tightening in the order of 0.5 percentage points in 2025. According to the IMF, a reduction in the fiscal deficit would favour stronger rate cuts and the risks are asymmetric downwards for growth and upwards for inflation.

The zloty started the week by strengthening against the euro, which led the EURPLN exchange rate below 4.25 by the end of the day, in line with our suggestion from our last [Weekly Economic Update](#). The appreciation of the zloty and the CEE region's other currencies was supported by, among other factors, a sharp weakening of the US dollar (EURUSD exchange rate soared to 1.043), which was linked to media reports that the introduction of strong trade restrictions would not be among Donald Trump's first decisions after his inauguration. Overnight, there was a slight correction of Monday's movements when D. Trump reiterated that he was considering tariffs on Mexico and Canada.

Polish bond yields rose by 3-5 bps on Monday, stronger at the short end of the curve. Changes in IRS rates were limited, and FRA rates with transaction dates at least 12 months away registered slight declines, by 2-3 bps. Due to the holiday in the USA, the US market reaction to the first decisions of the new president will only be known today. The Ministry of Finance auctioned 44-week Treasury bills worth PLN5.38bn, with demand of PLN9.93bn and an average yield of 5.44%.

EURUSD over the last two days



Source: LSEG, Santander

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FX market

Today's opening			
EURPLN	4.2546	CZKPLN	0.1686
USDPLN	4.1015	HUFPLN*	1.0233
EURUSD	1.0373	RONPLN	0.8554
CHFPLN	4.5118	NOKPLN	0.3606
GBPPLN	5.0322	DKKPLN	0.5701
USDCNY	7.2772	SEKPLN	0.3702

*for 100HUF

Last session in the FX market						20/01/2025
	min	max	open	close	fixing	
EURPLN	4.2484	4.2602	4.2585	4.2493	4.2587	
USDPLN	4.0748	4.1350	4.1335	4.0865	4.1321	
EURUSD	1.0297	1.0430	1.0302	1.0397		

Interest rate market 20/01/2025

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.31	1
DS1029 (5L)	5.77	2
DS1034 (10L)	5.98	4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.66	3	4.48	0	2.37	0
2L	5.25	2	4.42	1	2.35	1
3L	5.07	3	4.41	1	2.35	1
4L	5.01	2	4.41	2	2.37	1
5L	5.03	4	4.41	1	2.38	0
8L	5.13	4	4.44	5	2.44	1
10L	5.21	3	4.46	1	2.48	0

WIBOR rates

Term	%	Change (bps)
O/N	5.67	-2
T/N	5.78	-1
SW	5.82	-1
1M	5.83	8
3M	5.85	0
6M	5.80	1
1Y	5.62	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.83	1
3x6	5.73	2
6x9	5.47	3
9x12	5.16	4
3x9	5.68	2
6x12	5.41	3

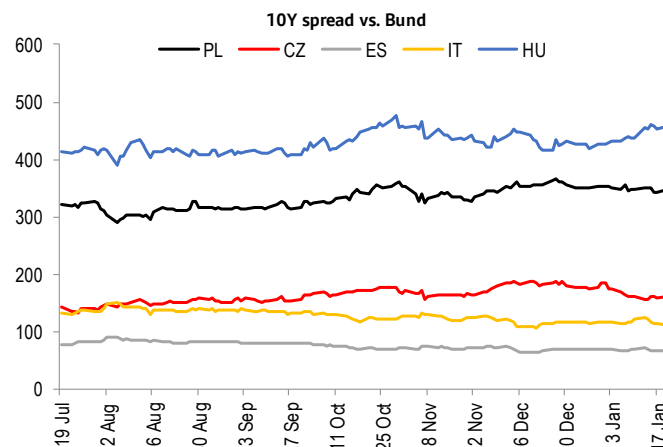
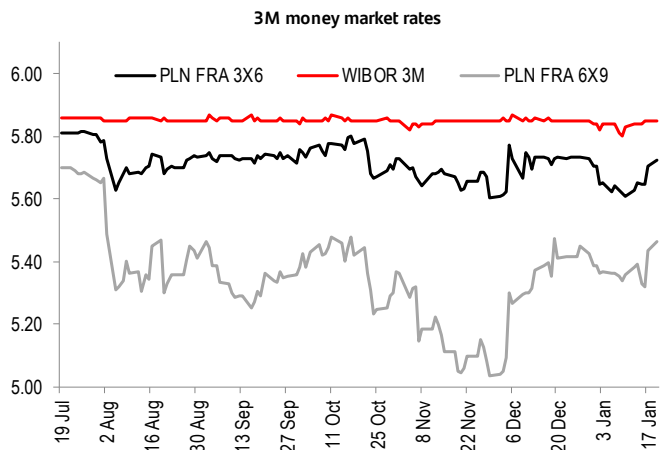
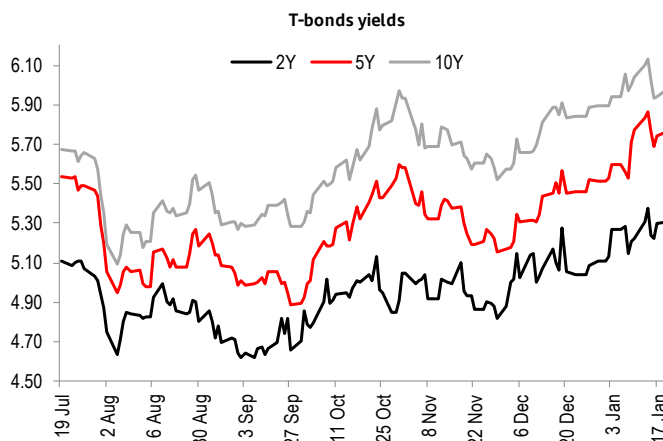
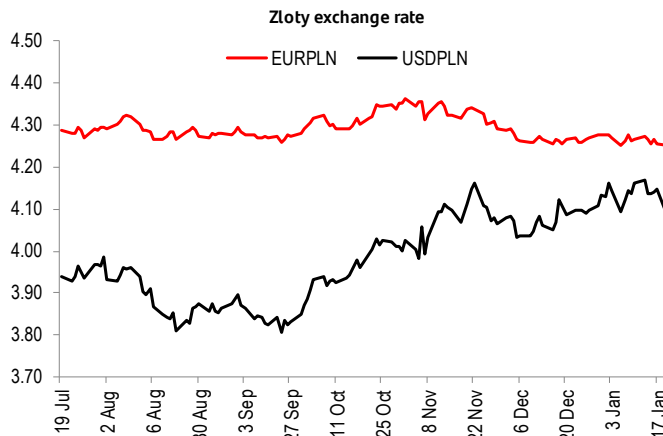
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	69	0	349	5
France	20	0	81	0
Hungary	122	0	458	4
Spain	34	0	66	1
Italy	25	0	112	-2
Portugal	18	0	45	0
Ireland	11	0	31	2
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (17 January)								
11:00	EZ	HICP	Dec	% y/y	2.4	-	2.4	2.2
14:30	US	Housing Starts	Dec	% m/m	-1.0	-	15.8	-3.7
15:15	US	Industrial Production	Dec	% m/m	0.3	-	0.9	0.2
MONDAY (20 January)								
No data releases								
TUESDAY (21 January)								
11:00	DE	ZEW Survey Current Situation	Jan	pts	-93.0	-	-	-93.1
WEDNESDAY (22 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	-0.5	-0.5	-	-0.5
10:00	PL	Average Gross Wages	Dec	% y/y	11.1	10.8	-	10.5
10:00	PL	Sold Industrial Output	Dec	% y/y	2.3	2.5	-	-1.5
10:00	PL	PPI	Dec	% y/y	-2.5	-2.5	-	-3.7
THURSDAY (23 January)								
10:00	PL	Construction Output	Dec	% y/y	-11.7	-8.7	-	-9.3
10:00	PL	Retail Sales Real	Dec	% y/y	3.9	4.3	-	3.1
14:30	US	Initial Jobless Claims	weekly	k	210	-	-	217
FRIDAY (24 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	42.9	-	-	42.5
09:30	DE	Markit Germany Services PMI	Jan	pts	51.0	-	-	51.2
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	45.5	-	-	45.1
10:00	EZ	Eurozone Services PMI	Jan	pts	51.5	-	-	51.6
14:00	PL	Money Supply M3	Dec	% y/y	8.7	9.0	-	8.7
16:00	US	Michigan index	Jan	pts	-	-	-	73.2
16:00	US	Existing Home Sales	Dec	% m/m	1.2	-	-	4.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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