

27 March 2025

Eyeopener

Equal chance of rate cuts and stable rates?

Today US data on GDP, jobless claims and real estate
 MPC's Dąbrowski sees equal chance of rate cuts and no cuts in 2025
 Domański: extension of energy price freeze may not be needed
 Trump signed executive order imposing 25% tariffs on all cars imported to the USA
 Złoty with the largest loss among EM currencies yesterday

Today, we will see the third and final estimate of US GDP growth in 4Q24. According to the previous estimate, its annualised rate stood at 2.3% q/q, following a 3.1% q/q increase in 3Q. US GDP growth will spur greater interest only next month, when the first result for 1Q25 will be released, currently estimated by the Atlanta Fed's model at around -2% q/q. In addition, today, there will also be data from the US on the number of initial jobless claims in the last week, as well as pending home sales in February.

Ireneusz Dąbrowski of the MPC assessed in a statement for Bloomberg that the probability of an interest rate cut in 2025 is equal to the probability of interest rates being left unchanged until the end of the year. He added that a rate cut in 3Q would be possible if the July projection shows a faster decline in inflation than the central bank currently assumes and does not point to an acceleration of inflation in 2027. Dąbrowski also described himself as a 'supporter of the cycle of cuts when they do occur'. We expect the first interest rate cut to be delivered in July, and the total scale of easing to reach 75 bp this year.

Minister of Finance Andrzej Domański stated on Polish Radio's Third Program that there would probably be no need to extend the maximum energy price for households, as prices on the wholesale energy market are often lower than the frozen prices. Earlier statements by government representatives indicate that there is a readiness to extend the price freeze in the event that new electricity prices are set by the regulator above the current price cap for households. In our inflation forecast, we have assumed that there will be no increase in energy bills in 4Q25, because if energy tariffs do not fall sufficiently, the government will decide to extend the price freeze.

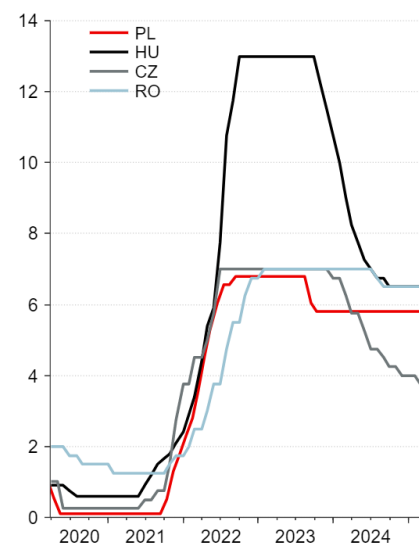
The Czech National Bank (CNB) kept the main interest rate at 3.75%, as expected. CNB Governor Ales Michl said that all options are on the table when it comes to the next monetary policy decisions (both rate cuts and increases are possible), due to rising inflationary risks. Michl pointed, among other things, to inflationary risks from a possible escalation of tariff wars and the announced increase in defence spending in Europe, but also to a persistent rise in food and service prices, increased wage pressure, and a possible increase in public spending.

Donald Trump signed an executive order imposing 25% tariffs on all cars imported into the USA. The previous tariff was equal to 2.5%. The regulation is to also apply to car parts, it will enter into force on 2 April and will be a permanent change with no country exemptions. Canadian government meets today to decide on retaliatory action. Trump threatened Canada and the EU with another tariffs if the two tighten collaboration with harm to the US business. He added that pharmaceuticals, lumber and wood products might be next on the list for imposition of tariffs.

On Wednesday, the Polish zloty corrected most of the appreciation against the euro that it had registered at the beginning of the week. The EURPLN rose by around 0.5%, from 4.16 to above 4.18. The Hungarian forint also weakened against the euro, although on a slightly smaller scale, by less than 0.3%. The Czech koruna was the best performing of the CEE currencies, gaining around 0.1% against the euro, supported, among other things, by statements from the CNB president, according to whom the central bank may consider both rate cuts and increases in the future.

Yields on domestic bonds declined slightly on Wednesday, by around 2bp for 5Y bonds and by around 4bp for 10Y bonds. 2Y bonds registered only negligible changes. Yields also fell in Germany, by around 1bp along the entire length of the curve, while in the USA yields rose by 0-3bp, more strongly at the long end of the curve. Besides, domestic IRS rates rose by less than 1bp at the short end of the curve and fell by around 1 bp on the rest of the curve. FRA rates registered increases of 1-3 bp, slightly stronger at the short end of the curve.

Policy rates of CEE central banks, %



Source: LSEG Datastream, Santander

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FX market

Today's opening			
EURPLN	4.1838	CZKPLN	0.1677
USDPLN	3.8824	HUFPLN*	1.0445
EURUSD	1.0775	RONPLN	0.8410
CHFPLN	4.3956	NOKPLN	0.3684
GBPPLN	5.0172	DKKPLN	0.5607
USDCNY	7.2627	SEKPLN	0.3872

*for 100HUF

Last session in the FX market						26.03.2025
	min	max	open	close	fixing	
EURPLN	4.1620	4.1903	4.1640	4.1846	4.1686	
USDPLN	3.8544	3.8912	3.8612	3.8794	3.8614	
EURUSD	1.0766	1.0802	1.0785	1.0787		

Interest rate market

26.03.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0127 (2L)	5.11	0
PS0130 (5L)	5.50	-1
DS1034 (10L)	5.85	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.40	2	4.34	0	2.20	-2
2L	4.89	0	4.12	1	2.23	-4
3L	4.72	0	4.06	1	2.30	-4
4L	4.69	-1	4.06	1	2.39	-2
5L	4.70	-2	4.06	1	2.43	-4
8L	4.83	-3	4.13	2	2.61	-1
10L	4.93	-3	4.17	2	2.69	-2

WIBOR rates

Term	%	Change (bps)
O/N	5.70	0
T/N	5.80	0
SW	5.84	1
1M	5.87	1
3M	5.86	-1
6M	5.76	-1
1Y	5.54	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.80	1
3x6	5.60	1
6x9	5.04	4
9x12	4.65	1
3x9	5.49	2
6x12	4.93	4

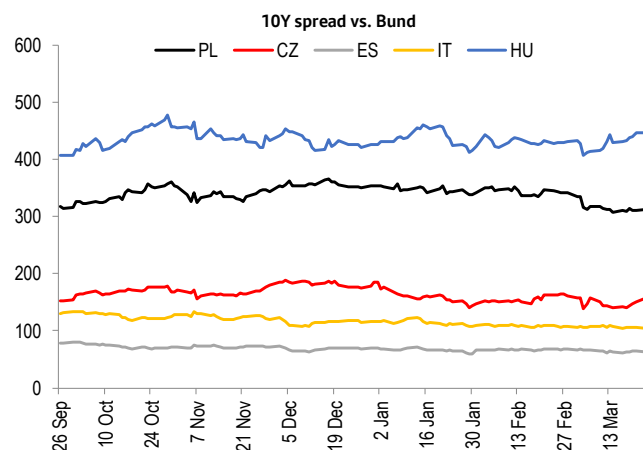
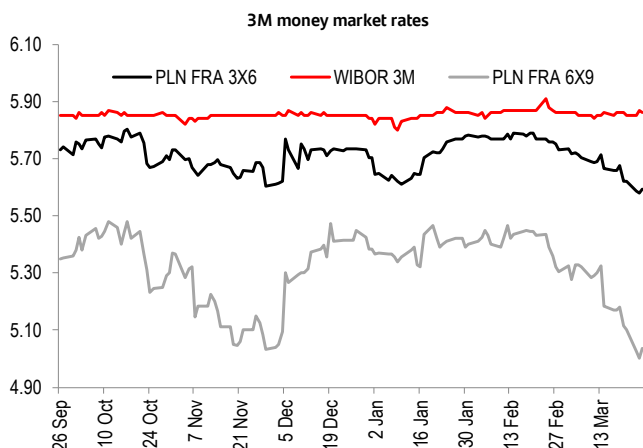
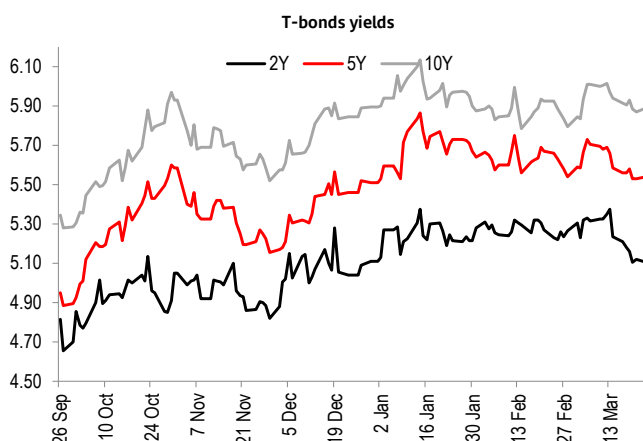
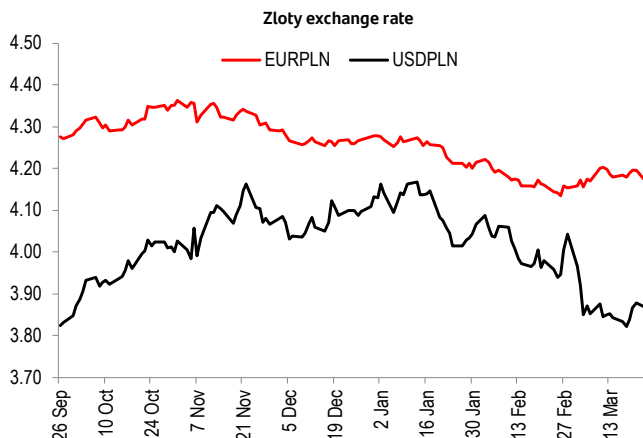
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	0	306	-1
France	19	0	69	1
Hungary	125	0	438	-6
Spain	33	0	63	0
Italy	25	0	111	0
Portugal	17	0	52	0
Ireland	10	0	30	0
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			
MONDAY (24 March)								
09:30	DE	Germany Manufacturing PMI	Mar	pts	47.0	-	48.3	46.5
09:30	DE	Markit Germany Services PMI	Mar	pts	52.0	-	50.2	51.1
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	48.2	-	48.7	47.6
10:00	EZ	Eurozone Services PMI	Mar	pts	51.1	-	50.4	50.6
10:00	PL	Retail Sales Real	Feb	% y/y	3.4	3.3	-0.5	4.8
14:00	PL	Money Supply M3	Feb	% y/y	9.1	9.0	9.1	9.4
TUESDAY (25 March)								
10:00	DE	IFO Business Climate	Mar	pts	86.7	-	86.7	85.3
10:00	PL	Unemployment Rate	Feb	%	5.4	5.5	5.4	5.4
14:00	HU	Central Bank Rate Decision	Mar	%	6.50	-	6.50	6.50
15:00	US	Consumer Conference Board	Mar	pts	94.2	-	92.9	98.3
15:00	US	New Home Sales	Feb	% m/m	4.0	-	1.8	-6.9
WEDNESDAY (26 March)								
13:30	US	Durable Goods Orders	Feb	% m/m	-1.1	-	0.9	3.3
14:30	CZ	Central Bank Rate Decision	Mar		3.75	-	3.75	3.75
THURSDAY (27 March)								
13:30	US	GDP Annualized	4Q	% q/q	2.3	-	-	3.1
13:30	US	Initial Jobless Claims	weekly	k	225	-	-	223
15:00	US	Pending Home Sales	Feb	% m/m	1.3	-	-	-4.6
FRIDAY (28 March)								
11:00	EZ	ESI	Mar	pct.	96.9	-	-	96.3
13:30	US	Personal Spending	Feb	% m/m	0.5	-	-	-0.2
13:30	US	Personal Income	Feb	% m/m	0.4	-	-	0.9
13:30	US	PCE Deflator SA	Feb	% m/m	0.3	-	-	0.3
15:00	US	Michigan index	Mar	pts	57.9	-	-	64.7

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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