

28 March 2025

Eyeopener

NBP governor sticks to the hawkish tone

Today European ESI indicators and US data
 NBP governor: no grounds to cut interest rates
 EURPLN moved around 4.19, domestic bond yields somewhat higher

Today, we will see the March Economic Sentiment Indicators for the EU economies, including Poland. The market expects the euro area's aggregate indicator to register an increase of 0.4 pts to 96.7 pts, pointing to a slight improvement. In addition, from the US we will get February data on personal income and expenditure, as well as PCE inflation, which almost touched the 2% y/y inflation target in September, before rebounding to around 2.5% y/y, where, according to the market, it may have remained also in February. In the US, there will also be the final March reading of the Michigan index. Among the ESI and Michigan results, it will be worth to look at the components describing consumer inflation expectations in response to the tariff wars - those in the US have rebounded since the end of the year from 2.8% y/y to 4.9% y/y (for inflation expected in a year).

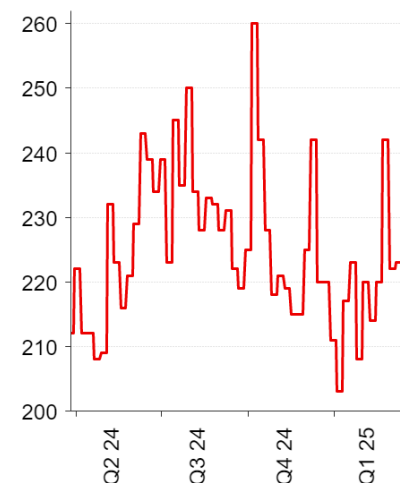
NBP Governor Adam Glapiński said during a speech at the congress of the Polish Banks' Association that there are currently no grounds to change interest rates. He argued that headline and core inflation are still elevated by, among other things, pro-inflationary regulatory issues, still high wage growth, accelerating economic growth, and loose fiscal policy. **NBP Deputy Governor Marta Kightley** presented a similar view in an interview with *Interia Biznes*. According to her, there are currently no grounds for a cut and, if one were to take place, the risks of consolidation of elevated inflation expectations and of high inflation would increase. Despite the chairman's hawkish tone, some MPC members have indicated in recent weeks that rate cuts could still take place this year. We expect that the first one could be made in July and amount to 25 bp. Throughout 2025, we expect 75 bp of cuts in total.

According to the third and final estimate, US GDP grew by 2.4% q/q on an annualised basis in 4Q24, 0.1 pp stronger than the previous estimate indicated. The upward revision was mainly due to a larger contribution from net exports. The number of US initial jobless claims last week came in at 224k, marginally lower than the median market forecast and below the previous week's figure. For the time being, the data does not show a significant effect of layoffs of civil servants carried out as part of the search for savings and cost-cutting in the federal administration.

Despite temporary fluctuations and a temporary rise near 4.20, EURPLN ended Thursday's session below 4.19. The slight weakening of the zloty occurred despite a parallel rise in EURUSD by around 0,3%. Other CEE currencies also weakened against the euro, the Czech koruna by more than 0.2% and the Hungarian forint by around 0.4%.

Polish bond yields registered slight increases of 2-3bp, slightly stronger in the middle of the curve. German bond yields fell by 1-4bp with a steepening of the curve by 3bp, and US bond yields were stable. At the last auction this month, the Finance Ministry sold bonds worth nearly PLN10bn, against a demand of around PLN12bn. PLN0.95bn were sold additionally at the greenshoe auction. Domestic IRS rates rose by 3-5bp with a flattening of the curve by 2bp, and FRA rates increased by 3-8bp, most strongly for contracts with transaction dates 9-15 months away. According to our view, markets have gone too far in pricing the scale of rate cuts in Poland this year in reaction to the recent weaker data from the economy and a correction of this movement is likely to take place

US initial weekly jobless claims, thousands



Source: LSEG Datastream, Santander

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FX market

Today's opening

EURPLN	4.1805	CZKPLN	0.1673
USDPLN	3.8721	HUFPLN*	1.0302
EURUSD	1.0796	RONPLN	0.8402
CHFPLN	4.3907	NOKPLN	0.3691
GBPPLN	5.0189	DKKPLN	0.5602
USDCNY	7.2624	SEKPLN	0.3868

*for 100HUF

Last session in the FX market 27.03.2025

	min	max	open	close	fixing
EURPLN	4.1798	4.2004	4.1845	4.1845	4.1913
USDPLN	3.8666	3.8967	3.8860	3.8757	3.8913
EURUSD	1.0753	1.0821	1.0768	1.0798	

Interest rate market

27.03.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0127 (2L)	5.10	-1
PS0130 (5L)	5.52	3
DS1034 (10L)	5.88	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.43	3	4.33	-1	2.18	-2
2L	4.94	5	4.10	-2	2.22	-1
3L	4.76	4	4.04	-2	2.28	-2
4L	4.71	3	4.03	-3	2.36	-2
5L	4.72	2	4.05	-1	2.43	0
8L	4.86	3	4.13	0	2.60	-1
10L	4.96	3	4.18	1	2.69	0

WIBOR rates

Term	%	Change (bps)
O/N	5.74	4
T/N	5.78	-2
SW	5.82	-2
1M	5.86	-1
3M	5.86	0
6M	5.76	0
1Y	5.53	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.81	1
3x6	5.63	4
6x9	5.10	6
9x12	4.71	7
3x9	5.52	3
6x12	5.00	7

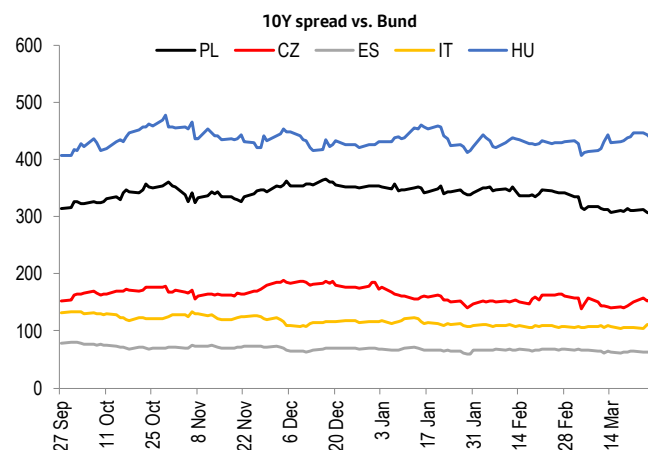
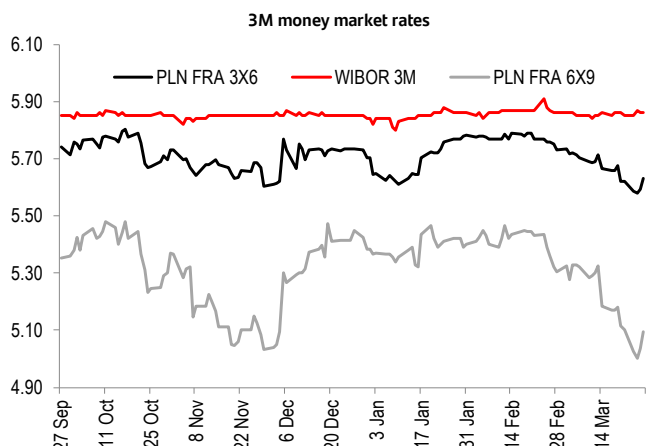
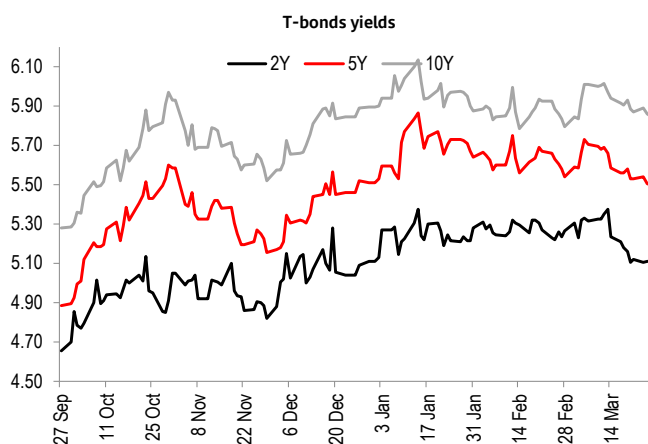
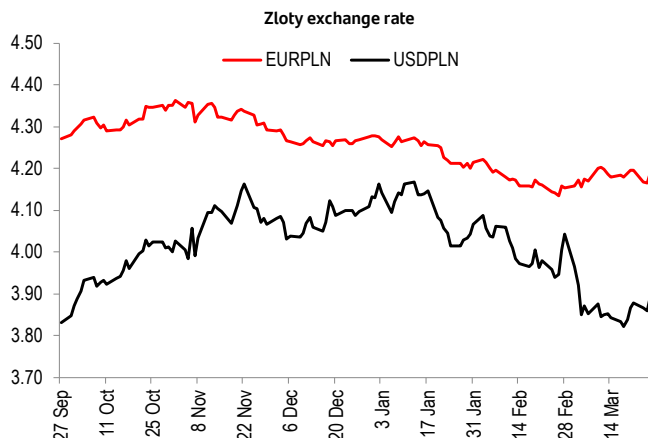
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	0	310	4
France	19	1	70	0
Hungary	125	0	451	13
Spain	33	0	62	0
Italy	25	1	111	0
Portugal	17	1	51	0
Ireland	10	0	29	-1
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	-	2.4	3.1
13:30	US	Initial Jobless Claims	weekly	k	225	-	224	225
15:00	US	Pending Home Sales	Feb	% m/m	1.0	-	2.0	-4.6
FRIDAY (28 March)								
11:00	EZ	ESI	Mar	pct.	96.7	-	-	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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