

Eyeopener

Trump announced reciprocal tariffs

Today NBP president's conference after the MPC left rates unchanged, PMI in services
MPC statement shows the Council is slowly opening to possibility of cuts in the upcoming quarters
USA announced reciprocal tariffs on almost all countries
Strengthening of European currencies, MPC triggered a correction on the domestic money market

Today, the NBP Governor will hold a conference following yesterday's MPC decision. We will also see the final March prints of the services PMIs of Germany and the euro area. Last night, March services PMI was already published in China and showed a slightly stronger improvement than the market expected. In addition, in the US, there will be last week's initial jobless claims as well as the March print of services ISM.

The MPC kept rates unchanged at its April meeting, in line with market and our expectations. This time the statement includes changes worth some attention, although they do not affect our view on future policy rate path. The MPC members signalled that (1) economic activity in 1Q25 might have been weaker than expected and similar to 4Q24; (2) Wage growth is still 'running at the high level', but a remark was added that current data point to a slowdown; (3) inflation in the coming months is now expected to be 'above' rather 'markedly above' the target and lower than previously thought. Moreover, a reference to rapidly rising services prices was removed from the statement. That said, the final paragraphs describing the MPC's stance and the level of rates consistent with sending CPI to the target in the medium term were verbatim copies of the March statement. A new element added, as we understand - as a counterbalance to the recent weaker data flow, was about the uncertainty with respect to trade policies of major economies. Also, the MPC members still emphasize in the statement the possible rise in electricity prices in 2H25 as there are still no legal arrangements that would tell them otherwise (but there are clear indications from government officials that it is very unlikely to happen). We expect the MPC to start cutting rates in 3Q, and to deliver 75bp of cuts in total this year. The dovish changes in the statement are generally in line with our view, and are showing that more and more members are moving from rejecting rate cuts in the near term altogether, to a more data-dependent approach.

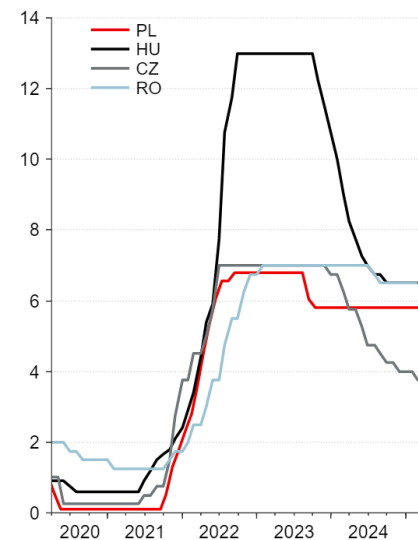
Donald Trump announced a list of '**reciprocal tariffs**' imposed on almost 200 countries and territories. Initial analyses of the tariff rates indicate that they are a linear function of the US trade deficit with a country relative to US imports from that country. The minimum tariff rate was set at 10%. In our view, such a design implies that the tariff rates are likely to be adjusted in the future. Products from the EU are to be charged 20%, from Japan 24%, from China 34% (in addition to the duties previously introduced). Canada, Mexico and Russia, among others, are not on the list. We expect the tariffed countries to react and the 'trade wars' to intensify, resulting in weaker economic growth and higher inflation in the short term.

Private sector employment in the US rose by 155k full-time equivalents (FTEs) in March, following an increase of 84k in February, according to the ADP report. This increase stood 35k FTEs above the market consensus. The increase in total employment was driven by an increase of around 24k in the goods-producing sector, including 21k in manufacturing, and around 132k in services. The data suggest that the US labour market remains in good shape.

On Wednesday, the zloty strengthened slightly against the euro, with the EURPLN exchange rate falling from 4.18 to 4.17. The strengthening of the zloty took place in parallel with the weakening of the dollar against the euro. Among the CEE currencies, the Hungarian forint also registered a strengthening against the euro, by around 0.5%, while the Czech koruna weakened slightly against the euro, by around 0.1%. This morning, the zloty is again at c. 4.18. Bloomberg agency reported that, to its knowledge, the European Commission is preparing short-term support packages for the European industries most threatened by US tariffs, which would aim to increase their competitiveness and improve the operation of the single market. This news supported the strengthening of European currencies.

Domestic bond yields saw negligible changes on Wednesday. There was also little activity in the core markets ahead of the US tariff announcement. Domestic IRS rates and FRAs registered a decline of 3-6 bp in the first half of the day, but the movement was later entirely reversed. In our view, bets on a rate cut already at yesterday's meeting were present (although not dominant) in the interest rate market, so the MPC's decision forced a correction in market rates. In our view, the current market valuation of the scale of the scale of monetary easing to occur this year is exaggerated. We expect that the NBP governor will oppose cuts in the near term at his today's speech, thus contributing to a further upward adjustment of market rates.

Policy interest rates in CEE, %



Source: LSEG Datastream, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Biały +48 517 881 807
Marcin Luźniński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.1809	CZKPLN	0.1671
USDPLN	3.8210	HUFPLN*	1.0334
EURUSD	1.0943	RONPLN	0.8405
CHFPLN	4.3826	NOKPLN	0.3683
GBPPLN	5.0025	DKKPLN	0.5603
USDCNY	7.2971	SEKPLN	0.3898

*for 100HUF

Last session in the FX market 02/04/2025

	min	max	open	close	fixing
EURPLN	4.1650	4.1888	4.1854	4.1689	4.1794
USDPLN	3.8315	3.8841	3.8786	3.8368	3.8707
EURUSD	1.0779	1.0872	1.0792	1.0867	

Interest rate market 02/04/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	5.00	0
PS0130 (5L)	5.36	0
DS1034 (10L)	5.74	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.34	-1	4.25	3	2.15	5
2L	4.85	1	3.95	-3	2.18	1
3L	4.65	2	3.86	-5	2.23	1
4L	4.59	0	3.86	-4	2.32	2
5L	4.59	0	3.87	-3	2.38	2
8L	4.71	0	3.91	-4	2.55	3
10L	4.81	0	3.96	-4	2.62	2

WIBOR rates

Term	%	Change (bps)
O/N	5.76	3
T/N	5.80	2
SW	5.82	3
1M	5.86	0
3M	5.85	0
6M	5.74	-1
1Y	5.52	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.78	1
3x6	5.52	-1
6x9	5.00	0
9x12	4.60	0
3x9	5.41	0
6x12	4.90	0

CDS rates and 10Y yield spread vs. German Bund

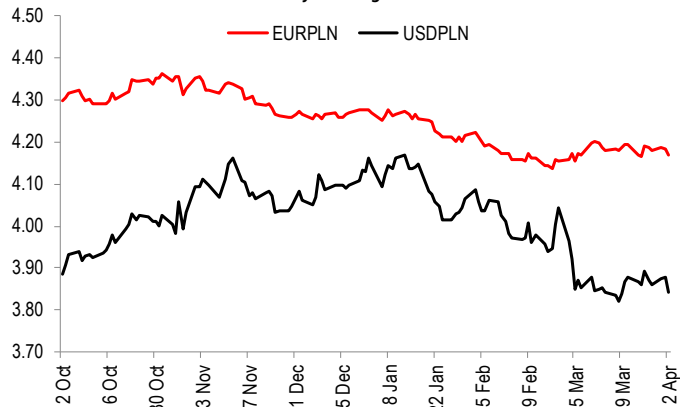
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	0	303	0
France	20	0	72	0
Hungary	125	0	460	4
Spain	34	0	63	-1
Italy	25	0	111	-3
Portugal	17	0	53	-1
Ireland	11	0	32	2
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

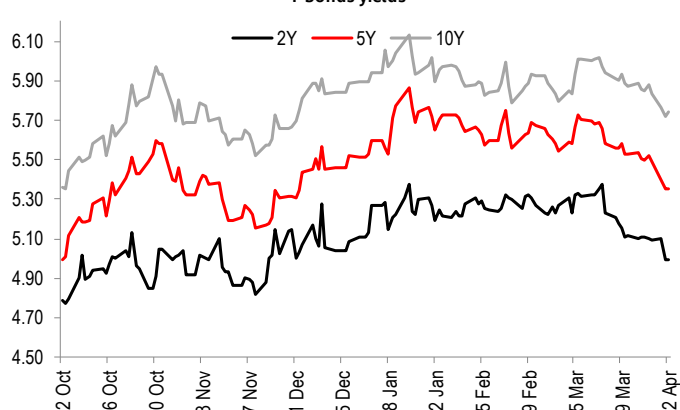
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

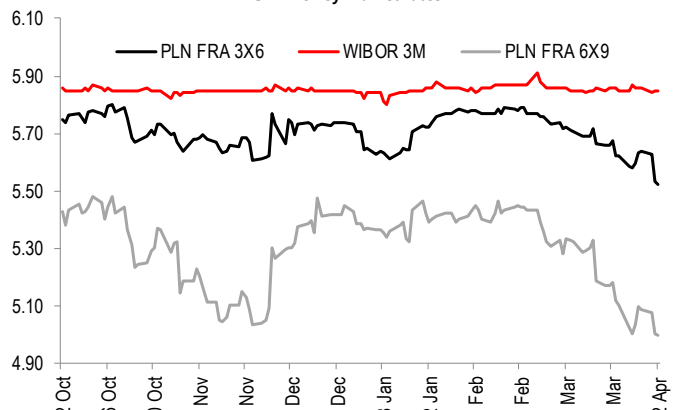
Zloty exchange rate



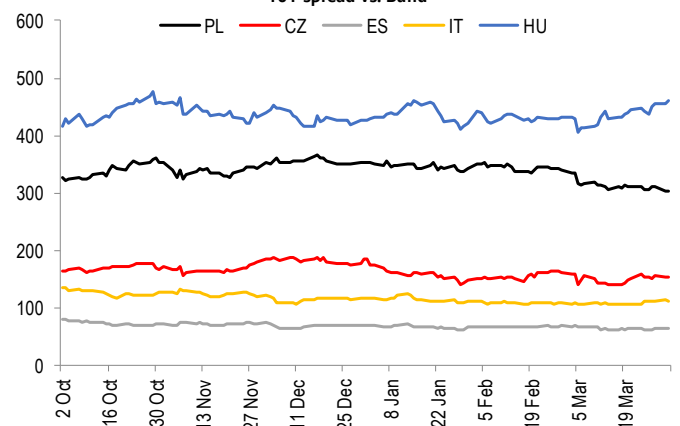
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (28 March)								
11:00	EZ	ESI	Mar	pct.	96.7	-	95.2	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	-	-	57.9
MONDAY (31 March)								
08:00	DE	Retail Sales	Feb	% m/m	0.0	-	0.8	0.7
10:00	PL	CPI	Mar	% y/y	5.0	4.9	4.9	4.9
14:00	DE	HICP	Mar	% m/m	0.4	-	0.4	0.5
TUESDAY (1 April)								
09:00	CZ	GDP SA	4Q	% y/y	1.8	-	1.8	1.4
09:00	PL	Poland Manufacturing PMI	Mar	pts	51.1	50.8	50.7	50.6
09:55	DE	Germany Manufacturing PMI	Mar	pts	48.3	-	48.3	46.5
10:00	PL	GG balance	2024	% GDP	-5.8	-6.2	-6.6	-5.1
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	48.7	-	48.6	47.6
11:00	EZ	Flash HICP	Mar	% y/y	2.2	-	2.2	2.4
11:00	EZ	Unemployment Rate	Feb	%	6.2	-	6.1	6.2
16:00	US	ISM manufacturing	Mar	pts	49.5	-	49.0	50.3
WEDNESDAY (2 April)								
	PL	MPC decision	Apr	%	5.75	5.75	5.75	5.75
14:15	US	ADP report	Mar	k	120	-	155	84
16:00	US	Durable Goods Orders	Feb	% m/m	-1.0	-	1.0	0.9
16:00	US	Factory Orders	Feb	% m/m	0.5	-	0.6	1.8
THURSDAY (3 April)								
03:45	CN	Caixin China PMI Services	Mar	pts	51.5	-	51.9	51.4
09:55	DE	Markit Germany Services PMI	Mar	pts	50.2	-	-	51.1
10:00	EZ	Eurozone Services PMI	Mar	pts	50.4	-	-	50.6
14:30	US	Initial Jobless Claims	weekly	k	225	-	-	224
15:00	PL	NBP Governor's Conference						
16:00	US	ISM services	Mar	pts	53.1	-	-	53.5
FRIDAY (4 April)								
08:00	DE	Factory Orders	Feb	% m/m	3.5	-	-	-7.0
08:30	HU	Industrial Production SA	Feb	% y/y	-5.8	-	-	-3.9
09:00	CZ	CPI	Mar	% y/y	2.5	-	-	2.7
14:30	US	Change in Nonfarm Payrolls	Mar	k	135	-	-	151
14:30	US	Unemployment Rate	Mar	%	4.1	-	-	4.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.