



Poland Daily

HEADLINES:

POL: Market participants focus on PLN exchange rate and performance of other CE3 currencies: HUF and CZK that were subject to speculative attack yesterday early afternoon. PLN weakened from 4.70 PLN per EUR around 8pm to 4.75 at 12.30 and to 4.8060 about 14.15. The NBP initially reacted intervening verbally via statement that Poland's economic growth would remain strong despite inflationary pressure from energy commodities. The NBP underlined that small share of Russia and Ukraine in Poland's exports would help limiting negative impact on Poland's economy. NBP said that PLN weakening was not consistent with strong fundamentals of Poland's economy neither with direction of monetary policy. The central bank subsequently intervened in the FX market selling some amount of foreign currencies for PLN. As a result the zloty firmed to 4.7325 PLN per EUR and temporary firmed to 4.6830 to stabilize at 4.75 in the end of the day. Today in the morning the EUR/PLN tested and broke 4.8050. The NBP may counteract speculative attacks on the zloty in the short-term, but high risk premium stemming from war in Ukraine will render FX interventions difficult. As a result the zloty is likely to remain weak and fundamentally much undervalued during the war in Ukraine.

POL: In February manufacturing PMI rose to 54.7 from 54.5 in January due to increase in new orders, including foreign ones and rise in output. In February inflationary pressure from commodity prices alleviated but companies reported distorted supplies and increased delivery times. Rising energy commodity prices and potential distortions to delivery of basic raw materials after outbreak of the war will be another shocks that companies will have to cope with.

THE DAY AHEAD...

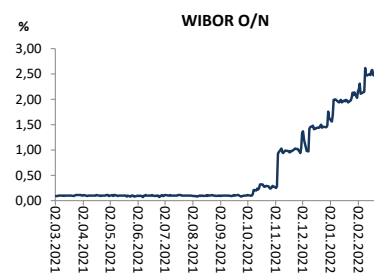
USA: ADP employment (Feb)

HUN: GDP (Q4)

TODAY'S FOCUS:

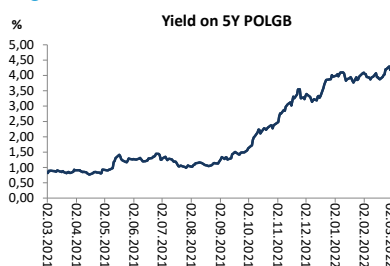
Escalating war in Ukraine and its geopolitical, economic and financial implications (including impact on the zloty) will continue to dominate market sentiment today.

Figure 1: WIBOR O/N



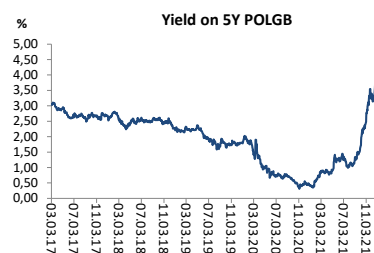
Source: Bloomberg

Figure 2: Yield on 5Y POLGB



Source: Bloomberg

Figure 3: Yield on 5Y POLGB – long term trend



Source: Bloomberg

DIARY (Today)

Country	GMT	Release	DB Expected	Actual	Consensus
HUN	8:00	GDP (Q4)		2,0% (7,1%)	2,1% (7,2%)
USA	13:15	ADP change in employment (Feb)	200k		375k



Foreign Exchange

Today in the morning the zloty was 2.9% weaker versus the USD, weakened by 2.6% versus the CHF and was 1.7% weaker versus the EUR compared to previous NBP fixing. The zloty weakened to 4.8260 PLN per EUR, 4.7360 PLN per CHF and 4.35 PLN per USD at 11.40. Further NBP FX interventions can't be ruled out.

The USD was 1.2% firmer versus the EUR on rising risk aversion due to escalation of Russian-Ukraine war.

Fixed Income

The yields on Poland's government bonds rose by 1bps in all tenors.

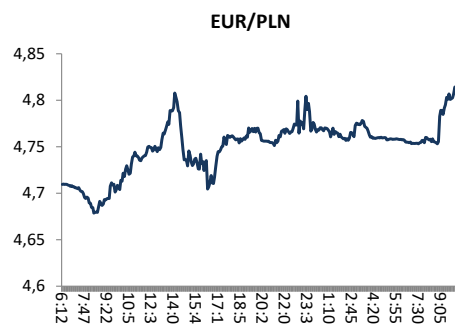
Interest Rates

Today the O/N bid rate should be within a range of 2.60% - 2.80%. Swap rates were 4-5bps down in all tenors.

Equities

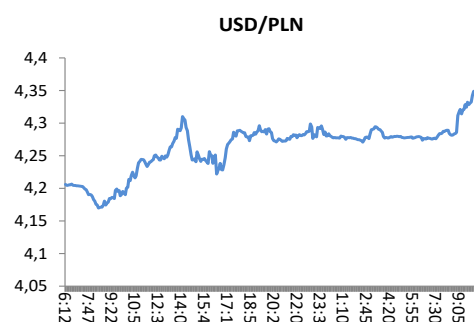
Yesterday the Dow Jones index closed 1.76% down and the S&P 500 index fell by 1.55%. Today in the morning the FTSE 100 index was 0.70% up, the CAC 40 index was 0.43% down and the DAX index was 0.48% down. The Nikkei index closed 1.68% down. Today in the morning the WIG index rose by 0.31% and the WIG20 index was 1.03% up.

EUR/PLN



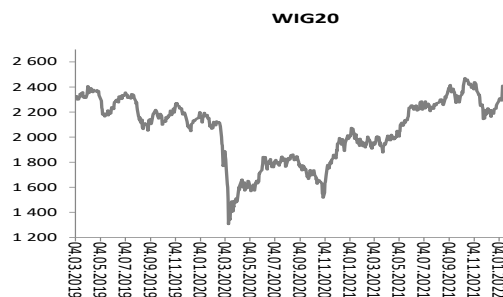
Source: Bloomberg

USD/PLN



Source: Bloomberg

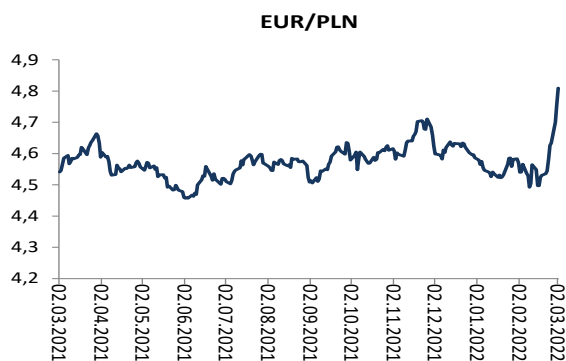
WIG20



Source: Bloomberg

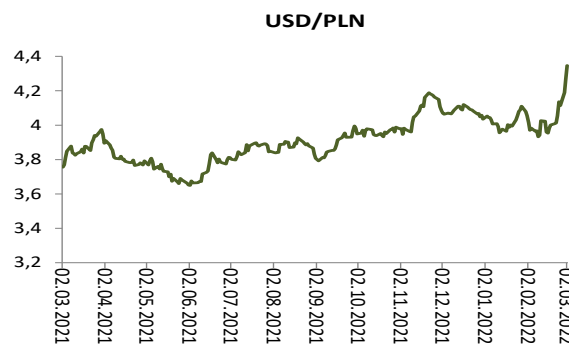
Medium term FX trends:

EUR/PLN



Source: Bloomberg

USD/PLN



Source: Bloomberg



Appendix 1

Important Disclosures

Additional information available upon request

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