



# Poland Daily

## HEADLINES:

POL: The MPC, as we expected, hiked interest rates by 75bps, raising the main reference rate to 3.50%. A hike of 75bps may be interpreted as intermediate between cautious hike of 50bps (certainly inadequate given sharp PLN weakening in recent days) and a hike of 100bps that can be seen by the market as a signal that NBP had lost indirect control on inflation (and exchange rate). A hike of 75bps creates more room for manoeuvre – if zloty continues to weaken – the central bank may hike by another 75bps next month and if zloty stabilises a 50bps hike will be sufficient to lessen impact of rising prices of energy commodities. Since outbreak of the war in Ukraine price of Brent oil rose by 41% and the zloty weakened by 11.5% versus the USD (on Monday PLN weakened by 15% versus the USD since outbreak of the war). Such a significant shock to fuel prices, combined with rising prices of basic raw materials cannot be accommodated by monetary policy and will be also counteracted by fiscal policy – PFR head Pawel Borys signalled that the anti-inflation shield would be extended. New NBP projection show very strong upward shift in inflation path by 5 percentage points or more in 2022-2023 and downward shift of GDP path by 0.5 p.p. in 2022 and 2.0 p.p. in 2023. According to NBP projection of March there is a 50-percent probability that the annual price growth will be in the range of 9.3–12.2% in 2022 (against 5.1–6.5% in the November 2021 projection), 7.0-11.0% in 2023 (compared to 2.7-4.6%) and 2.8–5.7% in 2024. At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 3.4–5.3% in 2022 (against 3.8–5.9% in the November 2021 projection), 1.9-4.1% in 2023 (compared to 3.8-6.1%) and 1.4–4.0% in 2024. The MPC signalled that the NBP might intervene in FX market to counteract PLN weakening that was inconsistent with direction of monetary policy.

## THE DAY AHEAD...

HUN: CPI (Feb), minutes from NBH meeting

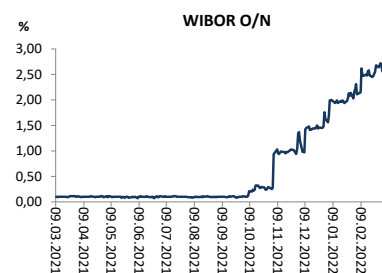
## TODAY'S FOCUS:

Market participants will focus today on reaction of PLN exchange rate to decision of the MPC, recent developments in political reactions to war in Ukraine and US decision to ban imports of Russian oil to the USA.

## DIARY (Today)

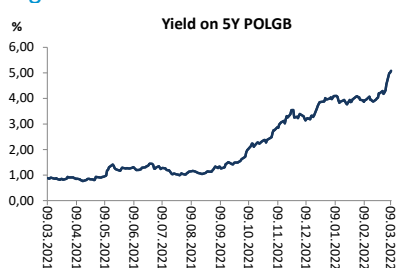
Country	GMT	Release	DB Expected	Actual	Consensus
HUN	8:00	Inflation (Feb)		1,1% (8,3%)	0,8% (8,1%)
HUN	13:00	Minutes from NBH meeting			

Figure 1: WIBOR O/N



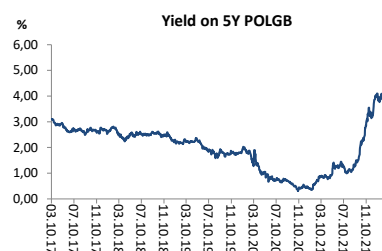
Source: Bloomberg

Figure 2: Yield on 5Y POLGB



Source: Bloomberg

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



Source: Bloomberg



### Foreign Exchange

Today in the morning the zloty was 1.9% firmer versus the USD, firmed by 1.9% versus the CHF and was 1.4% firmer versus the EUR compared to previous NBP fixing. Today the zloty stabilised as USA banned imports of Russian oil and gas into the US.

Today in the morning the EUR firmed by 0,5% versus the USD as the USA and earlier Great Britain banned imports of Russian oil into their markets but decisions on that matter were left to individual EU countries.

### Fixed Income

The yields on Poland's government bonds were practically unchanged.

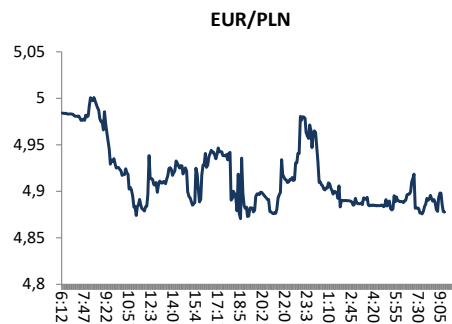
### Interest Rates

Swap rates were 4bps up in 2-year tenor and remained unchanged elsewhere.

### Equities

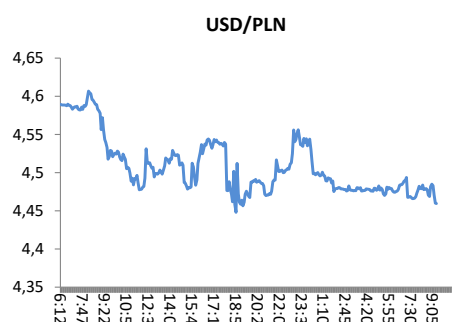
Yesterday the Dow Jones index closed 0.56% down and the S&P 500 index fell by 0.72%. Today in the morning the FTSE 100 index was 0.07% up, the CAC 40 index was 0.32% down and the DAX index was 0.02% down. The Nikkei index closed 0.30% down. Today in the morning the WIG index rose by 1.77% and the WIG20 index was 2.01% up.

### EUR/PLN



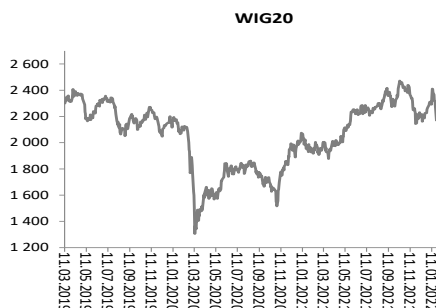
Source: Bloomberg

### USD/PLN



Source: Bloomberg

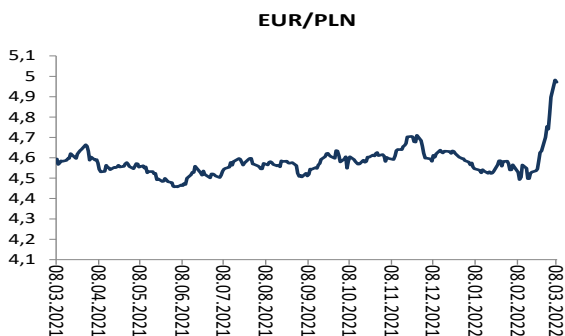
### WIG20



Source: Bloomberg

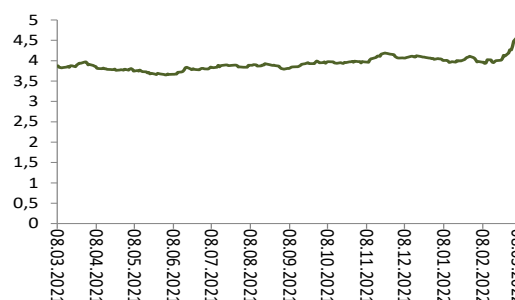
### Medium term FX trends:

#### EUR/PLN



Source: Bloomberg

#### USD/PLN



Source: Bloomberg



# Appendix 1

## Important Disclosures

### Additional information available upon request

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