



Poland Daily

HEADLINES:

POL: At the meeting on Wednesday we expect the MPC to hike interest rates by 75bps due to sharp rise in headline and core inflation. Current level of interest rates started to have more impact on demand for credit. The current structure of inflation – rising prices of necessities, with low elasticity of demand – leads to higher fixed costs in enterprises and households. Enterprises with no market power have limited capacity to increase prices of their products and suffer liquidity loss. Households experience decline in disposable income and reduce their consumption of goods with higher elasticity of demand. Cost-driven inflation results in cooling the economy. A problem may arise when cost inflation start impacting small and medium enterprises aggravating existing supply problems. In this context the MPC have to act quickly to prevent inflation expectations from solidifying but on the other hand must take into account recessionary effect of the current supply-shock in energy commodities and food markets.

POL: At the meeting on March 8 all MPC members voted for rate hike of 75bps to 3.50%. The motion to hike by 75bps was supported by Adam Glapiński, Ireneusz Dąbrowski, Wiesław Janczyk, Cezary Kochalski, Ludwik Kotecki, Przemysław Litwiniuk, Rafał Sura, Henryk Wnorowski i Jerzy Żyżyński

THE DAY AHEAD...

DEU: Factory orders (Apr)

POL: Official reserve assets (May)

USA: Trade balance (Apr)

TODAY'S FOCUS:

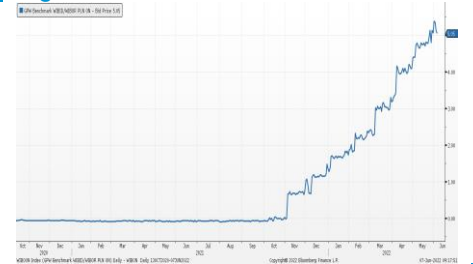
Today market participants will be focusing on factory orders for April from Germany and US trade balance for April.

DIARY (Today)

Country	GMT	Release	DB Expected	Actual	Consensus
DEU	6:00	Factory orders (Apr)		-2.7% (-6.2%)	0.4% (-4.1%)
POL	12:00	Official reserve assets (May)			
USA	12:30	Trade balance (Apr)	-90.4 mld USD		-89.5 mld USD

Source: Deutsche Bank Estimates and Bloomberg Finance LP

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 0.6% weaker versus the USD and the zloty was 0.7% firmer versus the CHF and was 0.1% weaker versus the EUR compared to the previous NBP fixing.

The USD firmed by 0.5% versus the EUR, compared to the previous NBP fixing as expectations of rate hike in the US increased.

Fixed Income

The yields on Poland's government bonds were 1bps down across the curve.

Interest Rates

PLN swap rates were 2-3bps up in all tenors.

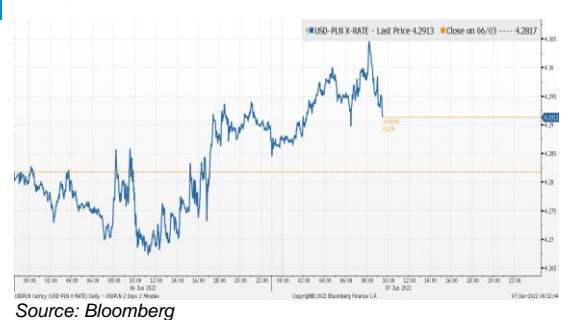
Equities

Yesterday the Dow Jones index closed 0.05% up and the S&P 500 index rose by 0.31%. Today in the morning the FTSE 100 index fell by 0.04%, the CAC 40 index was 0.59% down and the DAX index was 0.69% down. The Nikkei index closed 0.10% up. Today in the morning the WIG index fell by 0.75% and the WIG20 index was 1.05% down.

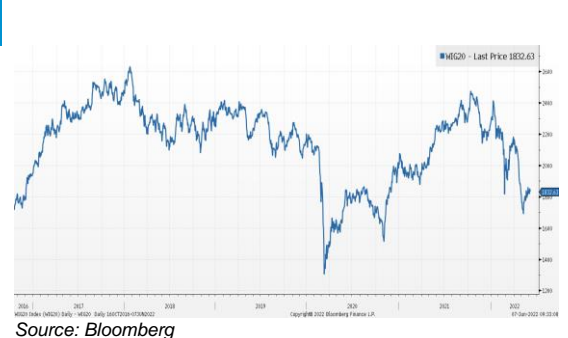
EUR/PLN



USD/PLN



WIG20

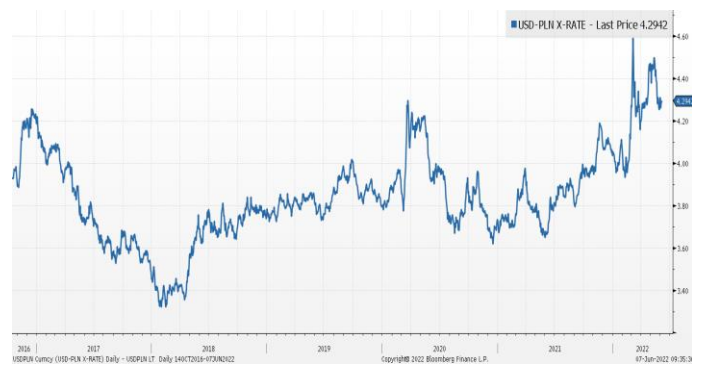


Medium term FX trends:

EUR/PLN



USD/PLN





Appendix 1

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