19 September 2023

Eyeopener

Today inflation in the euro zone

- Today euro zone inflation, US housing market data
- Core inflation declined in August to 10.0% y/y from 10.6% y/y
- Slight changes on the FX market, EURPLN close to 4.63
- Small changes on the interest rate market ahead of central bank decisions and domestic data

Today, the final estimate of August HICP inflation rates in the euro area will be released. According to market expectations, the inflation rate for the whole euro area should not differ from the flash estimate, still pointing to a stabilisation at 5.3% y/y. In addition, new data on housing starts in August will flow in from the US.

Core inflation ex food and energy prices declined to 10.0% y/y in August from 10.6% y/y in July, in line with our post-CPI estimate. Other core inflation measures also declined, CPI ex administered prices to 8.9% y/y from 9.6% y/y, CPI ex most volatile prices to 12.7% y/y from 13.7% y/y and 15% trimmed mean to 11.0% y/y from 12.0% y/y. We are expecting core inflation to decline further in the upcoming months, with December 2023 estimate at c7.5% y/y and December 2024 at c5.0% y/y.

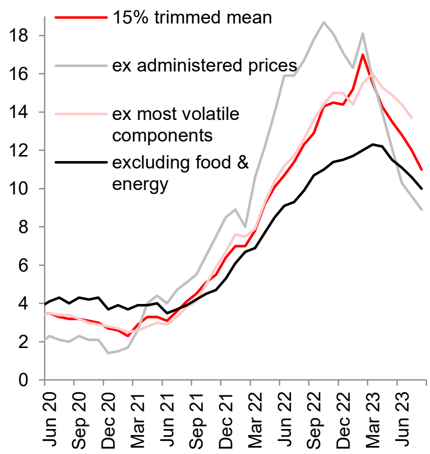
The number of foreigners insured with ZUS equalled 1.100m at the end of August, compared to 1.097m at the end of July. Among the aforementioned foreigners, 747k held Ukrainian citizenship, compared to 749k at the end of July.

The euro gained slightly against the dollar in yesterday's session. EURUSD rose temporarily to around 1.07, supported by a rise in German bond yields. Market participants are looking ahead to a series of central bank meetings scheduled for this week.

The zloty in a narrow fluctuation range. After significant weakening and high volatility at the beginning of September, the zloty remained relatively stable yesterday and for the fourth consecutive day. The EURPLN exchange rate remained in 4.62-4.65 range. The Czech koruna gained slightly against the euro, to 24.4 from 24.5 after having weakened significantly in the previous several sessions. The Czech central banker Holub spoke about seeing a recovery in retail sales and consumption suggesting the decline in real wages recorded in recent months could translate into pressure on nominal wages and future inflation. In addition, Czech producer price data for August was published yesterday and PPI inflation rate rose to 1.8% y/y from 1.4% y/y against the expected 1.6% y/y. Quite hawkish statements by Holub and higher PPI may have supported the koruna. The forint, on the other hand, lost ground to 382 from 380 to the euro after a prolonged period of appreciation when the Hungarian currency was favoured against the zloty following Poland's interest rate cut. Later in the week, the tendency for the zloty weakening may return with the release of weak manufacturing and sales data and in the event of hawkish communication from the Fed or the Bank of Japan.

Another quiet day in the rate market. As with the zloty exchange rate, changes in the interest rate market were limited. Initially, there were slight declines on the swap curve, but by the end of the day they were at the same levels as the day before, as were FRA rates. Bond yields rose by 2-3bp. This was supported by increases in German Bund yields. After significant movements in the rate market in recent months, the market is probably waiting for new impulses that could set a direction for prices and yields. The market is currently pricing in so many rate cuts that it is likely to be difficult for market rates to fall further, although with weak activity data readings and especially with lower-than-forecast payrolls later in the week, this cannot be not ruled out. In the baseline scenario, however, we assume a gradual recovery in real wages and consumer demand and smaller scale of monetary easing this year than priced-in by the market with upside potential and the short end of the curve.

Core inflation measures, % y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.6390	CZKPLN	0.1895
USDPLN	4.3467	HUFPLN*	1.1980
EURUSD	1.0671	RUBPLN	0.0449
CHFPLN	4.8636	NOKPLN	0.4059
GBPPLN	5.4130	DKKPLN	0.6226
USDCNY	7.2843	SEKPLN	0.3892

*for 100HUF

Last session in the FX market 15/09/2023

	min	max	open	close	fixing
EURPLN	4.6269	4.6429	4.6310	4.6367	4.6307
USDPLN	4.3350	4.3580	4.3460	4.3450	4.3418
EURUSD	1.0641	1.0687	1.0651	1.0671	-

Interest rate market 15/09/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	4.86	1
WS0428 (5Y)	5.14	1
DS1033 (10Y)	5.61	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.76	2	5.66	2	4.03	3
2L	4.42	1	5.21	0	3.78	4
3L	4.27	0	4.84	2	3.53	4
4L	4.26	1	4.66	10	3.38	5
5L	4.29	2	4.52	4	3.30	6
8L	4.52	4	4.35	5	3.21	7
10L	4.67	1	4.31	4	3.21	7

WIRON rate

Term	%	Change (bps)
WIRON	5.15	-9

WIBOR rates

Term	%	Change (bps)
O/N	5.76	-4
T/N	6.01	0
SW	6.08	-2
1M	6.10	0
3M	5.80	-1
6M	5.66	-1
1Y	5.60	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.38	-1
3x6	4.78	0
6x9	4.15	2
9x12	3.92	0
3x9	4.61	-1
6x12	4.00	2

CDS rates and 10Y yield spread vs. German Bund

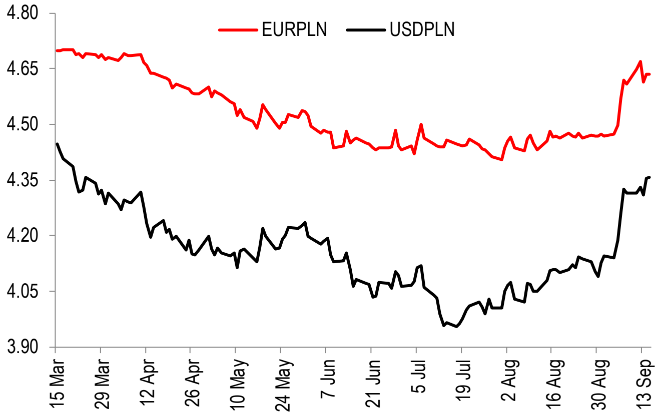
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	64	-1	294	-7
France	12	0	55	1
Hungary	144	-2	433	3
Spain	47	0	107	2
Italy	35	0	179	3
Portugal	35	0	75	2
Ireland	16	0	42	2
Germany	13	0	-	-

* 10Y treasury bonds over 10Y Bunds

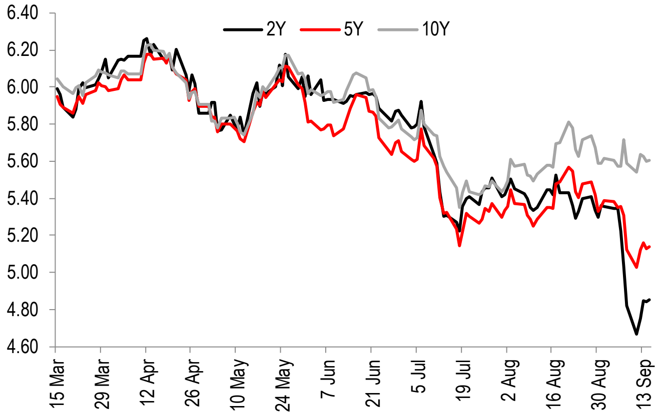
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

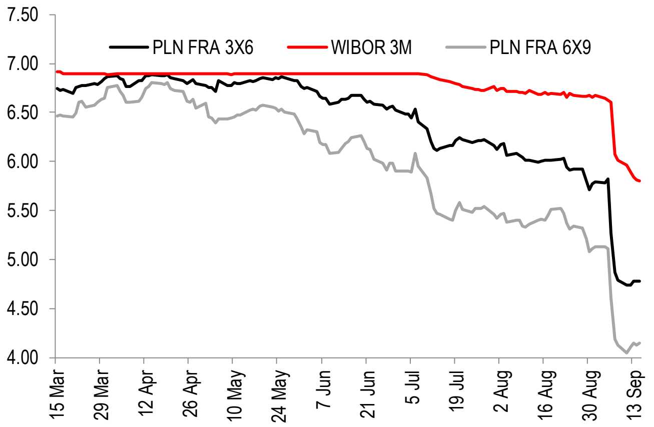
Zloty exchange rate



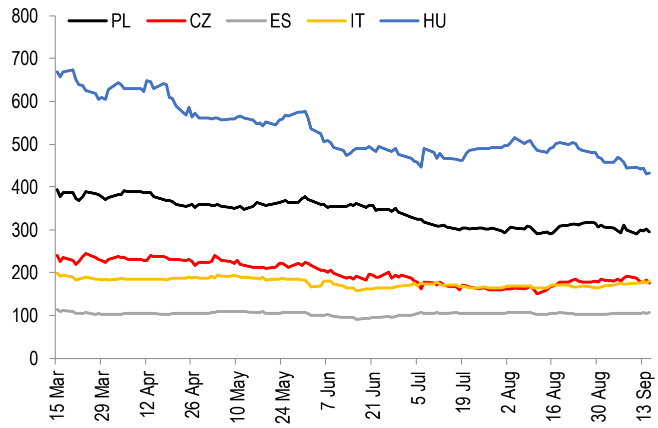
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (15 September)					
10:00	**PL**	**CPI**	**Aug**	**% y/y**	**10.1**	**10.1**	**10.1**	**10.1**
15:15	US	Industrial Production	Aug	% m/m	0.1	-	0.4	1.0
16:00	US	Michigan index	Sep	pts	69.0	-	67.7	69.5
			MONDAY (18 September)					
14:00	**PL**	**CPI Core**	**Aug**	**% y/y**	**10.1**	**10.0**	**10.0**	**10.6**
			TUESDAY (19 September)					
11:00	EZ	HICP	Aug	% y/y	5.3	-	-	5.3
14:30	US	Housing Starts	Aug	% m/m	-0.8	-	-	3.9
			WEDNESDAY (20 September)					
10:00	**PL**	**Employment in corporate sector**	**Aug**	**% y/y**	**0.1**	**0.1**	**-**	**0.1**
10:00	**PL**	**Sold Industrial Output**	**Aug**	**% y/y**	**-2.1**	**-1.4**	**-**	**-2.7**
10:00	**PL**	**PPI**	**Aug**	**% y/y**	**-3.0**	**-2.9**	**-**	**-1.7**
10:00	**PL**	**Average Gross Wages**	**Aug**	**% y/y**	**11.8**	**11.8**	**-**	**10.4**
20:00	US	FOMC decision	Sep	%	5.50	-	-	5.50
			THURSDAY (21 September)					
10:00	**PL**	**Construction Output**	**Aug**	**% y/y**	**1.0**	**-0.4**	**-**	**1.1**
10:00	**PL**	**Retail Sales Real**	**Aug**	**% y/y**	**-3.5**	**-4.5**	**-**	**-4.0**
14:30	US	Initial Jobless Claims	Sep.23	k	225	-	-	220
16:00	US	Existing Home Sales	Aug	% m/m	0.7	-	-	-2.2
			FRIDAY (22 September)					
09:30	DE	Germany Manufacturing PMI	Sep	pts	39.3	-	-	39.1
09:30	DE	Markit Germany Services PMI	Sep	pts	47.5	-	-	47.3
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	43.6	-	-	43.5
10:00	EZ	Eurozone Services PMI	Sep	pts	47.8	-	-	47.9
14:00	**PL**	**Money Supply M3**	**Aug**	**% y/y**	**7.2**	**7.4**	**-**	**8.0**

Source: Santander Bank Polska. Bloomberg. Parkiet
** in the case of a revision the data is updated*

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