

19 February 2024

Eyeopener

Quiet start of a week full of data

Today a holiday in the US, no key publications
 Later in the week, a full set of data from the domestic economy
 US consumer sentiment best since mid-2021.
 Zloty slightly stronger, FRA down, but bond yields rise

Today, the economic calendar shows no significant publications from home and from abroad. Moreover, markets in the US are closed due to the anniversary of George Washington's birthday. The next economic releases will flow in tomorrow, and will include January labour market data, industrial production growth and the PPI inflation rate among others. In addition, later in the week we will see data on construction output, retail sales, M3 money supply and the unemployment rate. From abroad we will get ECB and FOMC minutes as well as preliminary PMI readings.

On Sunday, **People's Bank of China maintained the main rate at 2.50%**, which sets the direction of the bank's monetary policy (the annual MLF operations rate). The market began to expect a slight rate cut (of 10 bps) after the bank signalled concern over the persistence of deflation in China. Annual CPI inflation rate has been negative in China since October and on top of that, the January reading surprised with the scale of the decline, reaching -0.8% y/y. Last year, the People's Bank of China rate was cut twice: in June (by 10 bps) and in August (by 15 bps).

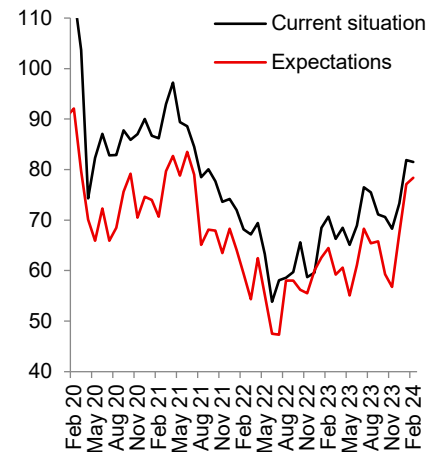
The **IGC (International Grains Council) has raised its 2023/2024 world cereal crop forecast by 3 million tonnes** to 2,310 million tonnes, which means an increase of around 1.9% over the IGC's 2022/2023 crop estimate of 2,267 million tonnes. Although Poland is a relatively large producer this estimate of global supply may be reflected in local prices.

The **Michigan index, which measures consumer sentiment in the US, rose 0.6 points in February to 79.6 pts** according to the preliminary reading, after rising 9.3 points in January and 8.4 points in December. Although the growth rate of the index has clearly slowed down, the continuation of the upward trend and the lack of a correction of the very good results of recent months is a positive signal for the US economic outlook. In addition to this, the US economy showed higher-than-expected PPI inflation on Friday (0.9% y/y instead of the expected 0.6% y/y, the core measure held at 2.6% y/y).

Slight strengthening of the zloty. Given gains in European equity markets and declines in the US, exchange rate movements in emerging economies were also mixed with a slight strengthening of the zloty and forint and a weakening of the Czech koruna. The koruna was negatively impacted by an increase in expectations of faster rate cuts (potentially more than 75bp at the March meeting) following a much deeper fall in January CPI (to 2.3% y/y from 6.3% vs. 2.9% expected). In the coming week, we see a potential for a slight strengthening of the CEE currencies, which could materialise especially if EURUSD will rise after better data from the euro zone. The zloty could be supported by a recovery in Polish economic activity in January (which we expect to see in this week's data). News of political tension between the government and the NBP could potentially work in the opposite direction. The Czech koruna could rebound if further currency depreciation triggers further comments from the central bank.

Mixed changes in rates markets. In the domestic interest rate market, FRA rates recorded declines, the largest for 6x9 to 9x12 tenors around 13-17bp. IRS rates fell about 3-7bp, while bond yields rose a few points in line with the underlying markets. US Treasuries yields rose in response to stronger-than-forecast PPI growth (0.3% m/m). In principle, we still see room for market rates to go down a bit in the coming weeks, influenced by expectations of a further decline in CPI. However, this week's activity data should be a factor that will limit the potential for market rates to fall. Although our forecasts are for wages and sales to be below market, and PPI could show an even deeper decline, measures of activity should show sizable increases in annual growth rates, which should sustain market rates at relatively high levels. Anticipation of Wednesday's auction may contribute to sustaining yields at higher levels for at least the first part of the week. Rates in the core markets may also remain relatively high in the face of an expected rebound in the Eurozone PMI indices and German Ifo, or possible secondary market reaction to inflation data from the US.

US consumer confidence according to University of Michigan survey, pts.



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.3327	CZKPLN	0.1699
USDPLN	4.0182	HUFPLN*	1.1035
EURUSD	1.0781	RUBPLN	0.0435
CHFPLN	4.5608	NOKPLN	0.3818
GBPPLN	5.0590	DKKPLN	0.5805
USDCNY	7.1976	SEKPLN	0.3846

*for 100HUF

Last session in the FX market					16/02/2024
	min	max	open	close	fixing
EURPLN	4.3325	4.3469	4.3455	4.3378	4.3414
USDPLN	4.0179	4.0496	4.0399	4.0271	4.0325
EURUSD	1.0730	1.0780	1.0760	1.0767	

Interest rate market

16/02/2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.05	2
WS0428 (5Y)	5.25	6
DS1033 (10Y)	5.45	4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.72	2	5.31	3	3.60	5
2L	5.26	2	4.80	7	3.19	5
3L	4.95	3	4.52	5	2.96	5
4L	4.81	3	4.33	0	2.85	5
5L	4.77	4	4.30	5	2.79	5
8L	4.77	3	4.19	5	2.74	4
10L	4.83	3	4.20	4	2.75	3

WIRON rate

Term	%	Change (bps)
WIRON	4.93	-8

WIBOR rates

Term	%	Change (bps)
O/N	5.55	-4
T/N	5.77	-2
SW	5.82	0
1M	5.83	4
3M	5.88	2
6M	5.86	0
1Y	5.85	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.86	2
3x6	5.74	0
6x9	5.53	1
9x12	5.19	0
3x9	5.74	4
6x12	5.45	1

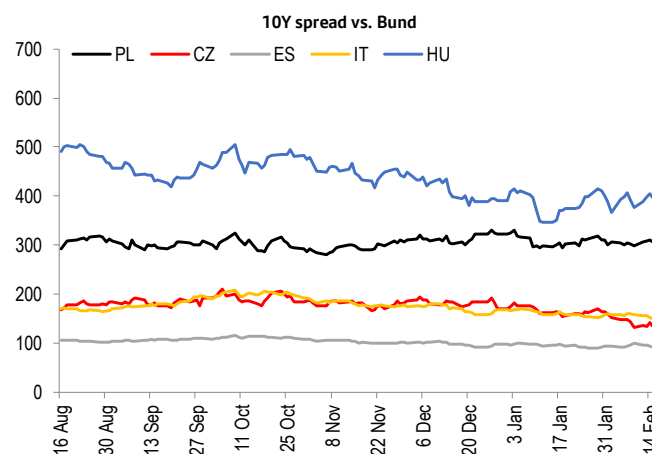
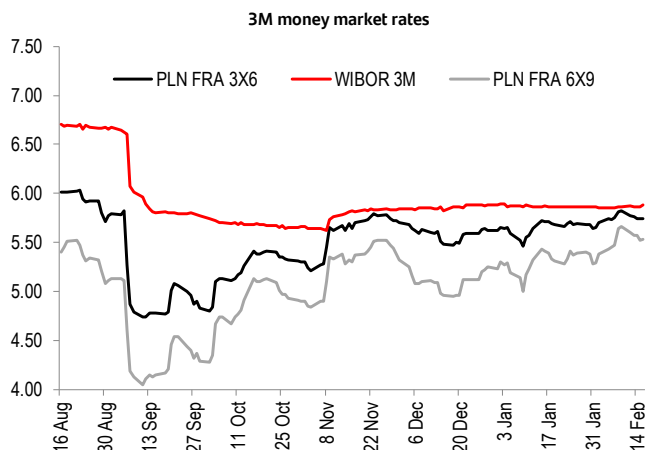
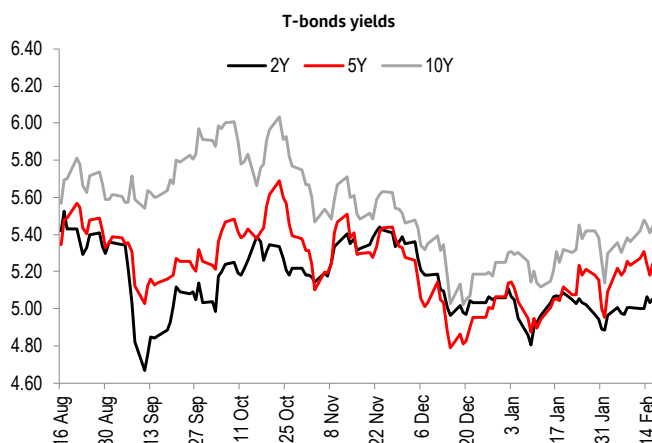
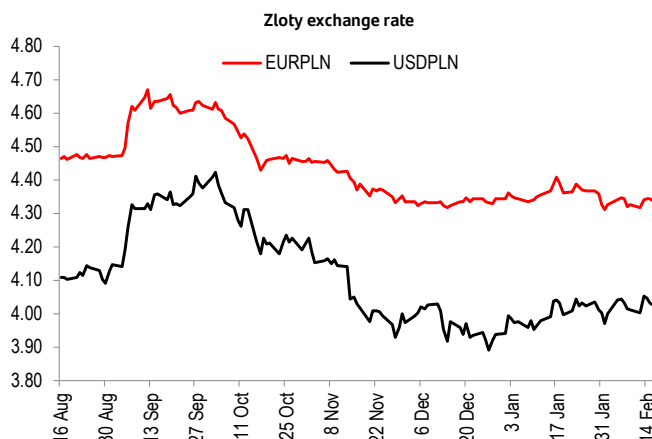
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	0	306	-4
France	11	0	48	0
Hungary	125	0	397	-7
Spain	41	-1	91	-1
Italy	29	0	150	-1
Portugal	30	0	68	-1
Ireland	16	0	43	2
Germany	10	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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (16 February)								
14:30	US	Housing Starts	Jan	% m/m	1.3	-	-14.8	3.3
16:00	US	Michigan index	Feb	pts	80.0	-	79.6	79.0
MONDAY (19 February)								
US holiday								
TUESDAY (20 February)								
10:00	PL	Employment in corporate sector	Jan	% y/y	-0.2	-0,3	-	-0.1
10:00	PL	Sold Industrial Output	Jan	% y/y	3.1	3,1	-	-3.9
10:00	PL	PPI	Jan	% y/y	-8.3	-8,6	-	-6.4
10:00	PL	Average Gross Wages	Jan	% y/y	11.2	10,5	-	9.6
WEDNESDAY (21 February)								
10:00	PL	Construction Output	Jan	% y/y	5.5	5,5	-	14.0
20:00	US	FOMC Meeting Minutes	Jan					
THURSDAY (22 February)								
09:30	DE	Germany Manufacturing PMI	Feb	pts	46.5	-	-	45.5
09:30	DE	Markit Germany Services PMI	Feb	pts	48.5	-	-	47.7
10:00	PL	Retail Sales Real	Jan	% y/y	1.4	1,0	-	-2.3
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	47.0	-	-	46.6
10:00	EZ	Eurozone Services PMI	Feb	pts	48.7	-	-	48.4
11:00	EZ	HICP	Jan	% y/y	2.8	-	-	2.8
13:30	EZ	ECB Meeting Minutes	Jan					
14:00	PL	Money Supply M3	Jan	% y/y	8.0	7,9	-	8.5
14:30	US	Initial Jobless Claims		k	220	-	-	212
16:00	US	Existing Home Sales	Jan	% m/m	4.9	-	-	-1.1
FRIDAY (23 February)								
08:00	DE	GDP WDA	4Q	% y/y	-0.2	-	-	-0.2
10:00	DE	IFO Business Climate	Feb	pts	85.8	-	-	85.2
10:00	PL	Unemployment Rate	Jan	%	5.4	5,4	-	5.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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