

19 September 2024

Eyeopener

Fed cut rates by 50 bp

Today, data on the labour market, industrial production and PPI inflation for August
 Consumer sentiment improved in September
 The Fed cut interest rates by 50 bps
 Stabilization on the currency market, temporary weakening of the dollar in response to the Fed

Today, the stats office releases the first set of real data on the state of the Polish economy in August, including information from the industrial sector and the labour market. Industrial production was likely again negatively affected by the working days effect and, as a result, we expect its growth rate to drop slightly below zero, from 4.9% y/y in July to -0.4% y/y, i.e. close to the consensus (-0.3%). On the other hand, in our opinion, PPI inflation may register a slight increase, from -4.8% y/y to -4.7% y/y. According to our estimates, the data from the labour market should show a slight acceleration of wage growth, from 10.6% y/y to 11.0% y/y, i.e. 0.3 pp above the market expectations, as well as a further stabilization of employment growth a bit below zero. In addition, we will see data from the US on the number of initial jobless claims last week and on home sales in August.

In September, an improvement in consumer sentiment was recorded in Poland, both in terms of assessment of the current situation and expectations. The current GUS consumer confidence index increased from -15.9 pts to -13.9 pts, and the leading consumer confidence index from -10.3 pts to -9.7 pts. The increases in these main indicators resulted from an improvement in the assessment of own financial situation and the general economic situation (both current and future), as well as an increase in the willingness to make major purchases (a rebound after the large August decline). At the same time, the GUS survey indicated that despite this general improvement, there is a further gradual increase in concerns about unemployment. In addition, there was a decline in inflation expectations - the September reading turned out to be almost equal to the 2Q average. This suggests that the July increases in energy prices did not have a lasting impact on consumer expectations regarding the overall rate of price increases. In the latest MPC statements, there was a remark that the uncertainty about the reaction of inflation expectations to the energy price hikes had to be taken into account (as an argument for restraint in easing monetary policy). In recent months, the main indicators of consumer sentiment were weakening, which, in our opinion, was not justified by real data, including a good situation on the labour market and still solid wage growth. This temporary weakness was probably related to concerns about the effects of increases in energy prices and other costs of living on household budgets. The September rebound in consumer confidence suggests that in the coming months it may return to the trend consistent with the economic recovery scenario

Losses in water infrastructure caused by the floods in southern Poland are worth billions, said Minister of Infrastructure Dariusz Klimczak during yesterday's press briefing. The minister added that according to preliminary calculations, road losses reached PLN155mn, and railway losses can be very tentatively estimated at at least PLN125mn.

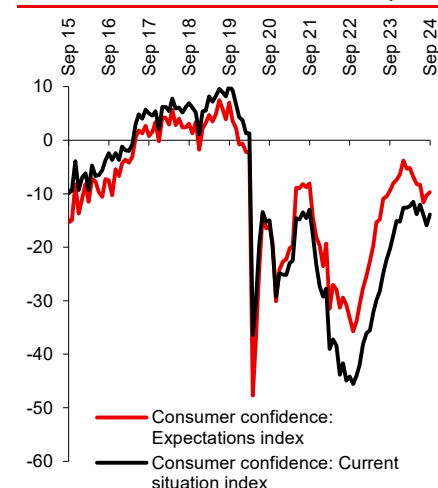
Eurostat confirmed that HICP inflation in the euro area decreased from 2.6% y/y in July to 2.2% y/y in August. It was also reported that HICP inflation in Poland remained at the level of 4.0% y/y in August.

The FOMC cut rates by 50bp to 4.75-5.00%, while the market was pricing in a rate cut between 25 and 50bp. Fed Chairman J Powell said that the current decision does not imply the pace of cuts in the future and added that the Fed is not behind the curve. The FOMC chairman pointed out that the labour market should be supported before companies start laying off employees. In his opinion, a strong move confirms the Fed's confidence that inflation is falling towards the 2% target, and the next decisions will be made cautiously. The Fed slightly lowered its GDP growth and inflation forecasts, and raised its unemployment rate forecast. The Fed's dot plot predicts that the federal funds rate will fall by a further 50bp in 2024, 100bp in 2025, and 50bp in 2026.

Minor changes in the currency market. Yesterday, volatility on the currency market was limited. A slight change in the CEE exchange rates was accompanied by a stabilisation of the EURUSD exchange rate. The dollar temporarily lost in response to the Fed's decision, but it pared its losses quite quickly. The positive reaction of the US stock markets was equally short, as equities finally ended the day in the red, just like most indices in Europe.

Yesterday's session saw a slight increase in market rates. FRAs rose by a few basis points, IRS and bond yields by 2-3bp. The movement on the domestic market followed the core markets. In the first reaction to the Fed's decision, the yields on US Treasuries fell, but later recovered and continued to rise in the Asian session.

GUS indicators of consumer confidence, pts



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2678	CZKPLN	0.1700
USDPLN	3.8335	HUFPLN*	1.0726
EURUSD	1.1133	RUBPLN	0.0416
CHFPLN	4.5236	NOKPLN	0.3635
GBPPLN	5.0747	DKKPLN	0.5721
USDCNY	7.0682	SEKPLN	0.3766

*for 100HUF

Last session in the FX market

18/09/2024

	min	max	open	close	fixing
EURPLN	4.2665	4.2806	4.2786	4.2701	4.2691
USDPLN	3.8321	3.8506	3.8493	3.8418	3.8358
EURUSD	1.1107	1.1139	1.1119	1.1115	

Interest rate market

18/09/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	4.67	1
WS0429 (5Y)	5.03	3
DS1033 (10Y)	5.34	3

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.49	4.15	2.84
2L	4.81	3.70	2.50
3L	4.45	3.55	2.39
4L	4.34	3.47	2.37
5L	4.30	3.46	2.36
8L	4.35	3.49	2.40
10L	4.42	3.52	2.44

WIRON rate

Term	%	Change (bps)
WIRON	5.33	-4

WIBOR rates

Term	%	Change (bps)
O/N	5.70	11
T/N	5.78	2
SW	5.84	1
1M	5.84	1
3M	5.86	1
6M	5.85	0
1Y	5.80	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.83	3
3x6	5.74	2
6x9	5.30	3
9x12	4.66	4
3x9	5.69	1
6x12	5.21	4

CDS rates and 10Y yield spread vs. German Bund

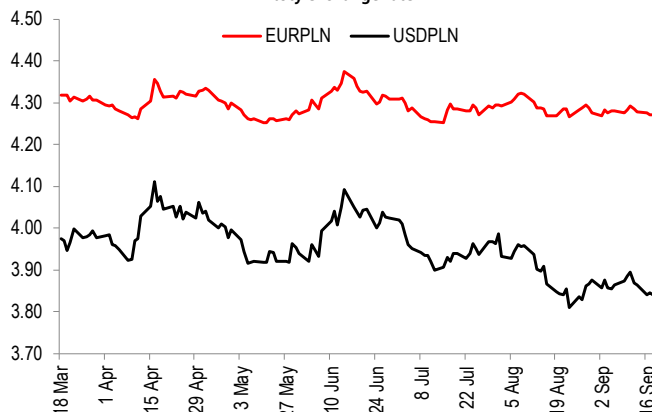
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	64	315
France	13	73
Hungary	117	410
Spain	33	81
Italy	23	138
Portugal	20	59
Ireland	12	37
Germany	5	-

* 10Y treasury bonds over 10Y Bunds

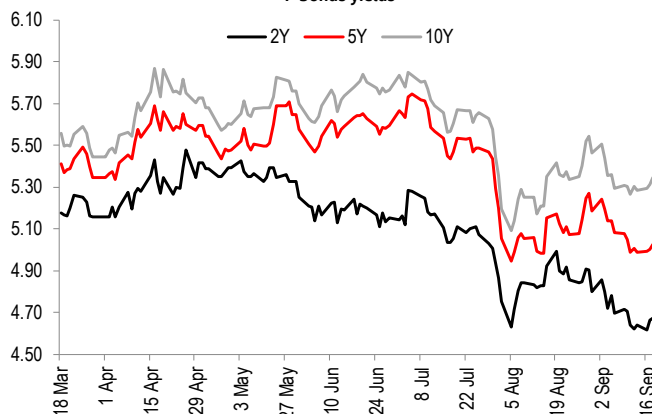
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

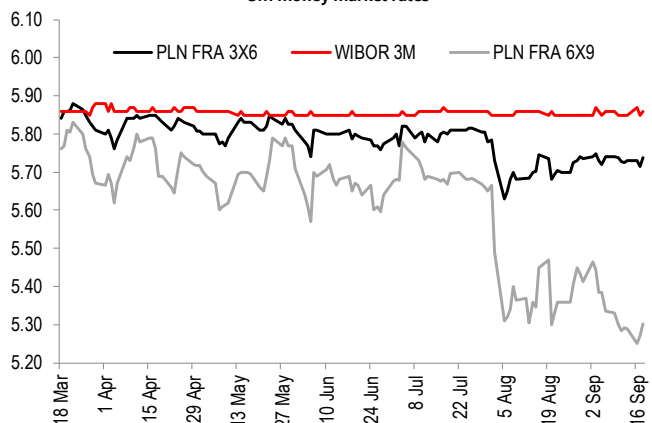
Zloty exchange rate



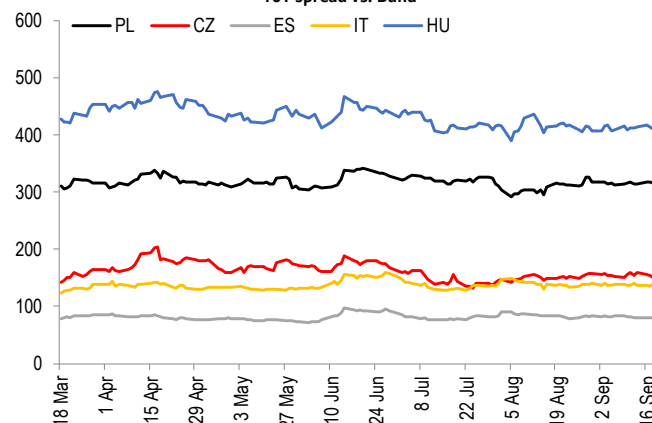
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (13 September)								
10:00	PL	CPI	Aug	% y/y	4.3	4.3	4.3	4.2
11:00	EZ	Industrial Production SA	Jul	% m/m	-0.5	-	-0.3	0.0
14:00	PL	Current Account Balance	Jul	€mn	-448	-514	-1 462	588
14:00	PL	Trade Balance	Jul	€mn	-927	-954	-1 450	-191
14:00	PL	Exports	Jul	€mn	26 433	26 320	27 009	27 092
14:00	PL	Imports	Jul	€mn	27 274	27 274	28 459	27 283
16:00	US	Michigan index	Sep	pts	68.5	-	69.0	67.9
MONDAY (16 September)								
14:00	PL	CPI Core	Aug	% y/y	3.8	3.8	3.7	3.8
TUESDAY (17 September)								
11:00	DE	ZEW Survey Current Situation	Sep	pts	-80.0	-	-84.5	-77.3
14:30	US	Retail Sales Advance	Aug	% m/m	-0.2	-	0.1	1.1
15:15	US	Industrial Production	Aug	% m/m	0.2	-	0.8	-0.9
WEDNESDAY (18 September)								
11:00	EZ	HICP	Aug	% y/y	2.2	-	2.2	2.6
14:30	US	Housing Starts	Aug	% m/m	5.9	-	9.6	-6.8
20:00	US	FOMC decision	Sep	%	5.25	-	5.00	5.50
THURSDAY (19 September)								
10:00	PL	Employment in corporate sector	Aug	% y/y	-0.3	-0.3	-	-0.4
10:00	PL	Average Gross Wages	Aug	% y/y	10.7	11.0	-	10.6
10:00	PL	Sold Industrial Output	Aug	% y/y	-0.3	-0.4	-	4.9
10:00	PL	PPI	Aug	% y/y	-4.8	-4.7	-	-4.8
14:30	US	Initial Jobless Claims	weekly	k	226	-	-	230
16:00	US	Existing Home Sales	Aug	% m/m	-1.3	-	-	1.3
FRIDAY (20 September)								
No data releases								

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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