

Eyeopener

Glapiński: 2Q will be optimal for cutting rates

Today US labour market report for September
 Glapiński: 2Q is the optimal moment to start rate cuts
 Eurozone services PMI revised to the upside, strong rise of US services ISM
 Further PLN weakness, local FRAs down on NBP president's comments

Today, the market attention will be focused on data from the US labour market, which will include September nonfarm payrolls and the unemployment rate. The consensus suggests that today's data should show that payrolls rose at a slightly higher pace, by 150k in September after 142k in August (before the Wednesday ADP data, the consensus pointed to a slight slowdown), while the unemployment rate remained at 4.2%. In addition, in the morning, data on industrial production were released in Hungary and brought another disappointment.

NBP president's speech at yesterday's press conference sounded, in our view, more dovish than previously. The governor said he hoped very much that the March NBP inflation projection will lay ground for a start of discussion in the MPC about possible interest rate cuts. He was not convinced, however if March will be the appropriate timing of the first rate cut. Instead, he suggested that the first move will likely come after March, seeing 2Q25 as the "optimal" timing for such decision. We stick to the opinion that March may be too early for the MPC to start interest rate cuts (as long as we believe in our forecasts of solid GDP growth and CPI inflation reaching the local peak no earlier than in March 2025). Nevertheless, Adam Glapiński's comments seem to suggest that the majority of MPC members may be not patient enough to wait until July with the start of the easing cycle, so there is growing probability of the rate cut somewhere in 2Q25. We assume that once the easing cycle starts, the central bank will move gradually in 25pb steps every meeting, until it reaches the level of interest rates deemed as neutral. In our view, such level could be near 3.5%-4.0%. Read more in our [Comment](#).

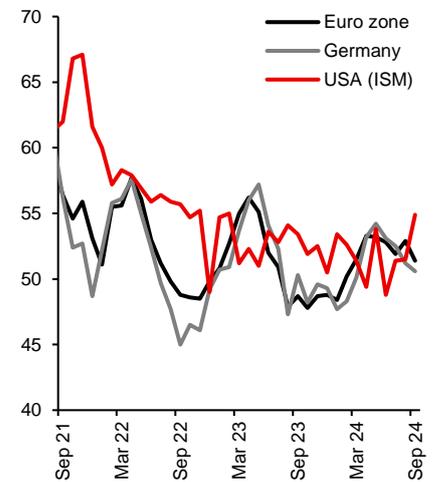
The impact of the floods in south-western Poland on the national level of private consumption may turn out to be negligible, as suggested by our analysis of September card expenditures of Santander Bank's customers. Our results suggest that although the impact of the flood on individual towns or even powiats (middle-level units of local government) was significant and caused a decrease in expenditures by up to several dozen percent, on a national scale domestic consumption may have decreased on average in September by about 0.0-0.5% compared to a counterfactual scenario without the flooding (although we would rather say the effect was more likely to be closer to 0.0% than to 0.5%). This is not enough to consider correcting the forecasts for retail sales or private consumption. Since at the end of September the level of expenditure was still reduced in many powiats, it can be assumed that the negative effect will also be carried over to October. However, in the longer term, there may be positive consumption effects, resulting primarily from the reconstruction, purchases of construction materials and durable goods. There will also be a positive, spread over time, impact of the reconstruction of flood losses on investments. Read more in our [Economic Comment](#).

The September decline in the Eurozone's services PMI proved smaller than initially estimated. It fell by 1.5 pts instead of 2.4 pts, to 51.4 pts. The improvement was the result of, among other things, a revision of the magnitude of the decline in the French PMI from 6.7 pts to 5.4 pts, although this still means that it returned below the neutral limit of 50 pts, going down to 49.6 pts. For Germany, the services PMI was confirmed to have fallen from 51.2 pts to 50.6 pts. As a result, the service PMIs of Germany and the eurozone are further in the downward trend observed since the middle of the year, another sign of weakness in these economies. In contrast, the US services ISM recorded a marked improvement, with a jump to 54.9 pts from 51.5 pts.

Deterioration of risk appetite, stronger dollar, weak zloty. Thursday's session was marked by declines in stock indices in the European and American sessions. At the same time, most emerging market currencies, especially the CEE currencies, continued to depreciate. Of the latter, the zloty lost the least yesterday, but it was the seventh declining session in a row, and the EURPLN exchange rate reached almost 4.31. This was supported by further strengthening of the dollar against the euro towards 1.101. Market sentiment and risk appetite are negatively affected by the situation in the Middle East and Biden's statements that Israel may be preparing retaliation after Iran's missile attacks. Brent crude oil prices rose to \$78 per barrel.

Market rates down in response to the NBP president's press conference. FRA rates fell to 8 bps, IRS rates by 1-6 bps, and bond yields recorded slight changes. The FRA rates fell mostly in response to the dovish message from the NBP Governor's conference. On the core markets, there was an increase in yields by 3-5 bps, which was caused by better readings of the services PMI from the eurozone, as well as a significant jump of the ISM and improvement in durable goods orders in the USA.

PMI in services, pts



Source: LSEG, Santander

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FX market

Today's opening			
EURPLN	4.3053	CZKPLN	0.1693
USDPLN	3.9024	HUFPLN*	1.0637
EURUSD	1.1031	RUBPLN	0.0411
CHFPLN	4.5815	NOKPLN	0.3677
GBPPLN	5.1243	DKKPLN	0.5762
USDCNY	7.0176	SEKPLN	0.3789

*for 100HUF

Last session in the FX market					03.10.2024
	min	max	open	close	fixing
EURPLN	4.2924	4.3091	4.2953	4.3078	4.299
USDPLN	3.8878	3.9120	3.8922	3.9119	3.8951
EURUSD	1.1006	1.1046	1.1033	1.1013	

Interest rate market 03.10.2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
OK0426 (2Y)	4.77	-1
WS0429 (5Y)	5.01	1
DS1033 (10Y)	5.36	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.53	-4	4.17	5	2.59	2
2L	4.92	-7	3.76	6	2.32	4
3L	4.60	-3	3.65	9	2.24	4
4L	4.48	-2	3.60	9	2.24	5
5L	4.46	-1	3.58	7	2.26	5
8L	4.50	0	3.61	7	2.32	5
10L	4.56	0	3.65	6	2.38	5

WIRON rate

Term	%	Change (bps)
WIRON	4.99	14

WIBOR rates

Term	%	Change (bps)
O/N	5.63	-4
T/N	5.77	3
SW	5.82	0
1M	5.85	3
3M	5.85	-1
6M	5.85	0
1Y	5.76	-2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.83	-2
3x6	5.74	-1
6x9	5.38	-4
9x12	4.73	-8
3x9	5.70	0
6x12	5.29	-6

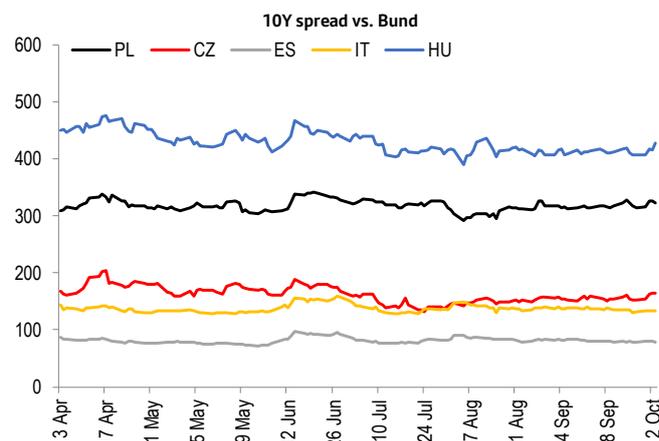
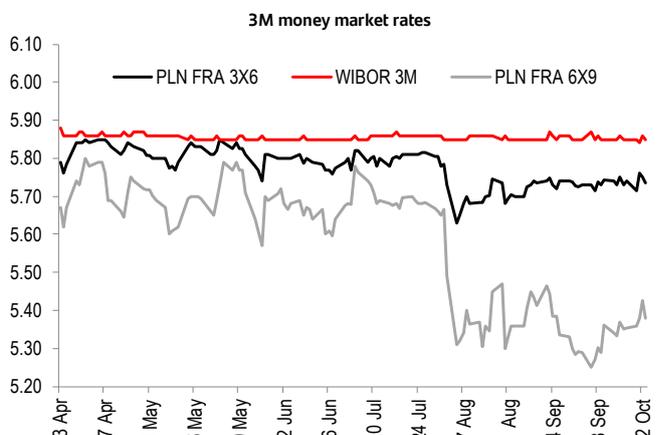
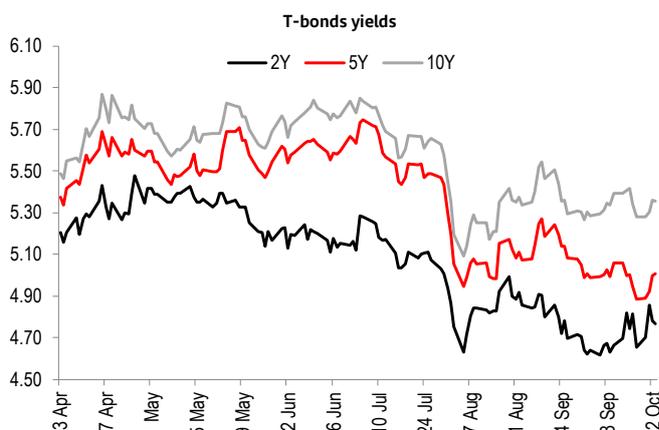
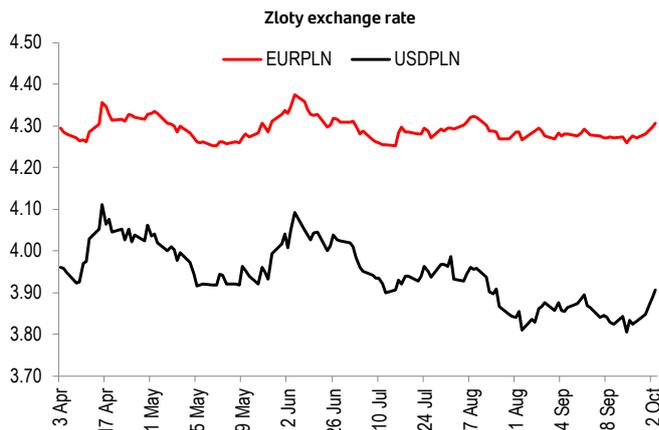
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	75	4	322	-4
France	17	1	80	3
Hungary	134	6	428	13
Spain	37	2	79	-1
Italy	27	1	134	1
Portugal	23	1	57	0
Ireland	13	1	36	2
Germany	6	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 (27 September)								
11:00	EZ	ESI	Sep	pct.	96.5	-	96.2	96.5
14:30	US	Personal Spending	Aug	% m/m	0.3	-	0.2	0.5
14:30	US	Personal Income	Aug	% m/m	0.4	-	0.2	0.3
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	-	0.1	0.2
16:00	US	Michigan index	Sep	pts	69.3	-	70.1	67.9
MONDAY (30 September)								
03:45	CN	Caixin China PMI Services	Sep	pts	51.6	-	50.3	51.6
10:00	PL	CPI	Sep	% y/y	4.9	4.8	4.9	4.3
14:00	DE	HICP	Sep	% m/m	1.8	-	1.8	-0.2
TUESDAY (1 October)								
09:00	CZ	GDP SA	2Q	% y/y	0.6	-	0.6	0.6
09:00	PL	Poland Manufacturing PMI	Sep	pts	47.3	47.3	48.6	47.8
09:55	DE	Germany Manufacturing PMI	Sep	pts	40.3	-	40.6	40.3
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	44.8	-	45.0	44.8
11:00	EZ	Flash HICP	Sep	% y/y	1.9	-	1.8	2.2
16:00	US	ISM manufacturing	Sep	pts	47.0	-	47.2	47.2
WEDNESDAY (2 October)								
	PL	MPC decision	Oct	%	5.75	5.75	5.75	5.75
11:00	EZ	Unemployment Rate	Aug	%	6.4	-	6.4	6.4
14:15	US	ADP report	Sep	k	120	-	143	99
THURSDAY (3 October)								
09:55	DE	Markit Germany Services PMI	Sep	pts	50.6	-	50.6	51.2
10:00	EZ	Eurozone Services PMI	Sep	pts	50.5	-	51.4	52.9
14:30	US	Initial Jobless Claims	weekly	k	221	-	225	219
15:00	PL	NBP Governor's press conference						
16:00	US	ISM services	Sep	pts	51.5	-	54.9	51.5
16:00	US	Durable Goods Orders	Aug	% m/m	-2.6	-	0.0	9.9
16:00	US	Factory Orders	Aug	% m/m	0.1	-	-0.2	4.9
FRIDAY (4 October)								
08:30	HU	Industrial Production SA	Aug	% y/y	-2.8	-	-4.1	-6.4
14:30	US	Change in Nonfarm Payrolls	Sep	k	150	-	-	142
14:30	US	Unemployment Rate	Sep	%	4.2	-	-	4.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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