

10 October 2024

Eyeopener

Focus on inflation data

Today, September inflation from the US, Hungary and the Czech Republic
 German government revised GDP growth forecasts downward
 Prime Minister indicated announcing migration strategy on weekend
 FOMC minutes showed that falling inflation and labour market risks were behind the 50bp cut
 Slightly stronger zloty, stabilization in interest rate market

Today, we will know the September CPI inflation level in the USA. According to the market consensus, it has taken another step towards the 2% target, going down from 2.5% y/y to 2.3%. The decline has been ongoing since March (local peak at 3.5% y/y), and it was only in September that the Fed decided that the progress towards the target was sufficient to allow rate cuts. US core CPI inflation could have remained at 3.2% y/y, stable since July. Inflation data has already been published for Hungary with a decrease to 3.0% y/y from 3.4% vs. the expected 3.1% (target set at 3%). Meanwhile, CPI growth in Czech Republic increased in September to 2.6% y/y from 2.2% versus market expectations at 2.4% (with the central bank's target set at 2%). Retail sales data from Germany for August published earlier today showed an increase of 1.6% m/m vs. an expected increase of 0.1%. Also today, we will see weekly data on initial jobless claims in the US, but given the clear positive surprise by the report on the US labour market last Friday, even a high reading may go unnoticed in the market. The reading of the draft budget for 2025 will be continued in Sejm.

The minutes from the September FOMC meeting did not contain any significant surprises and suggested that the improvement in the inflation outlook was sufficient justification to start the cycle of cuts. The majority of the Fed Council members decided to move by 50 bp, but some voters preferred a 25 bp move. The majority of participants agreed that the risk to inflation has decreased and the risk to securing full employment has increased. Some voters believed that too small a rate cut could lead to too much slowdown in activity. In the opinion of the FOMC, it will probably be appropriate to move to a more neutral stance in monetary policy over time if inflation continues to fall gradually and subsequent moves do not have to be of the same scale.

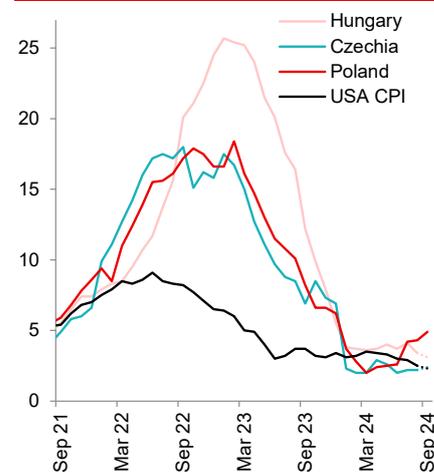
The German government revised downwards its GDP growth forecasts for 2024 to -0.2% y/y from +0.3% after a 0.3% decline in 2023. If such a scenario materializes, this would be the second time GDP has fallen in two consecutive years since 1990 (previously in 2002-2003), and Germany would be the only G7 country with negative growth this year. The German government's forecast assumes a delayed acceleration, with growth of 1.1% in 2025 (vs. 1% previously expected) and 1.6% in 2026.

Prime Minister Tusk said that on Saturday he would announce Poland's long-term migration strategy. He specified that it will be a strategy that will be outside the program of combating illegal immigration, it will include a plan of modern migration policy for the coming years and should be considered a proposal for the entire European Union

A slight rebound of the zloty. Yesterday's trading session was dominated by positive sentiment both in Europe and overseas, where the SP500 index set a new record. This was accompanied by a mixed behaviour of emerging market currencies with a slight strengthening of the zloty for the second session in a row, to about 4.289, a marginal change in the forint and some weakening of the koruna. This was accompanied by a further strengthening of the dollar against the euro, which was supported by an increase in the yields of US Treasuries. The markets are already looking forward to next week's ECB meeting. The governor of France's central bank, F. Villeroy de Galhau, said that the ECB is very likely to cut interest rates next week. In an interview with the FT, ECB Council member Y. Stournaras said he supported two interest rate cuts this year.

Stabilization of interest rates on the market. Small changes in market rates were recorded for the second session in a row. FRA and bond yields were almost unchanged, and swap rates increased by about 1-2 bp. On the core markets, yields rose by several basis points, more in case of UST in anticipation of the Fed minutes. At the yesterday auction the Polish Ministry of Finance sold bonds worth c.PLN10bn with demand at c.12.3bn. The most sold were the 5-year PS0729 bonds and the 10-year DS0134, for which the bid-to-cover was relatively high at around 1.30. After the bond sale and the top-up auction, the degree of coverage of gross borrowing needs for 2024 at the level shown in the Budget Act is c.96%, while it is 100% relative to the expected 2024 gross borrowing needs as shown in the 2025 budget draft.

CPI inflation in selected countries, % y/y



Values for Sep'24 are Bloomberg forecast medians, for Poland: GUS preliminary reading
 Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.2954	CZKPLN	0.1692
USDPLN	3.9252	HUFPLN*	1.0668
EURUSD	1.0940	RUBPLN	0.0404
CHFPLN	4.5651	NOKPLN	0.3643
GBPPLN	5.1322	DKKPLN	0.5758
USDCNY	7.0692	SEKPLN	0.3776

*For 100HUF

Last session in the FX market					09/10/2024
	min	max	open	close	fixing
EURPLN	4.2902	4.3099	4.3002	4.2939	4.3026
USDPLN	3.9110	3.9356	3.9226	3.9208	3.9266
EURUSD	1.0939	1.0976	1.0963	1.0951	

Interest rate market

09/10/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	4.90	-12
WS0429 (5Y)	5.18	0
DS1033 (10Y)	5.50	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.60	1	4.43	5	2.73	1
2L	5.12	3	4.10	6	2.48	3
3L	4.82	1	3.97	7	2.42	3
4L	4.73	1	3.90	6	2.41	3
5L	4.71	1	3.87	8	2.41	3
8L	4.75	2	3.84	4	2.45	2
10L	4.80	2	3.88	6	2.49	2

WIBOR rates

Term	%	Change (bps)
O/N	5.71	-4
T/N	5.79	-1
SW	5.84	0
1M	5.78	3
3M	5.86	1
6M	5.85	0
1Y	5.75	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.84	0
3x6	5.74	-1
6x9	5.43	1
9x12	4.91	1
3x9	5.71	-1
6x12	5.37	1

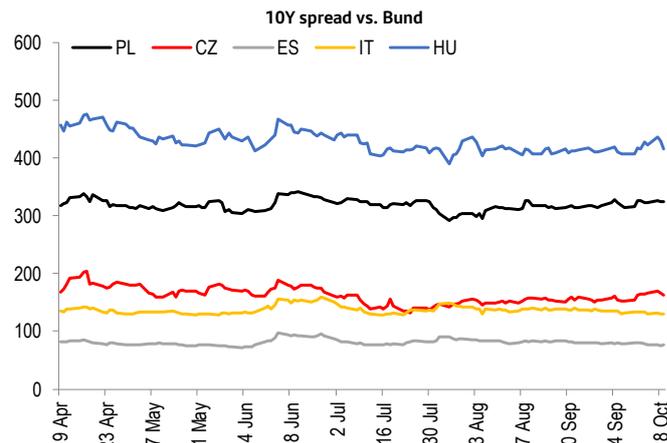
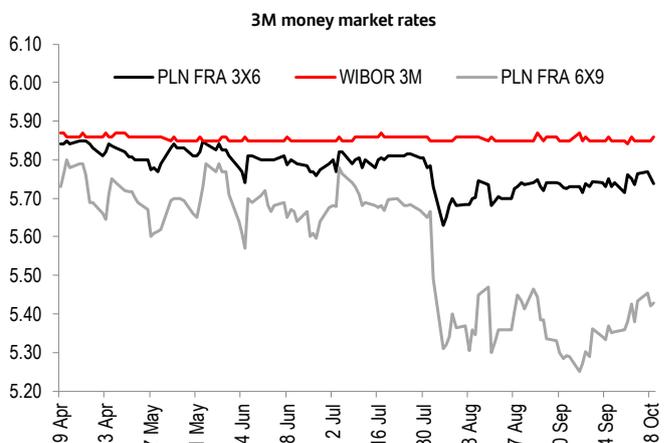
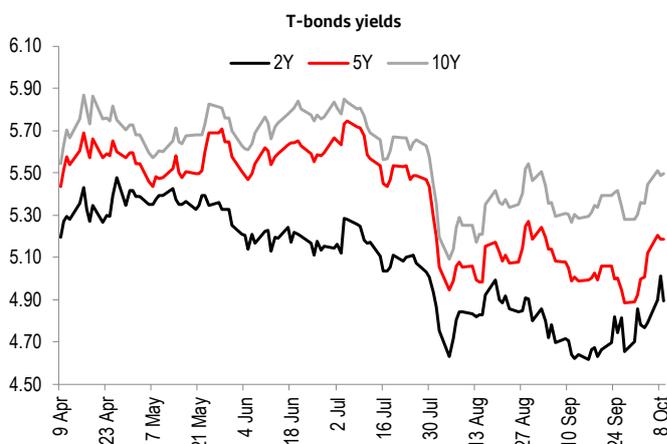
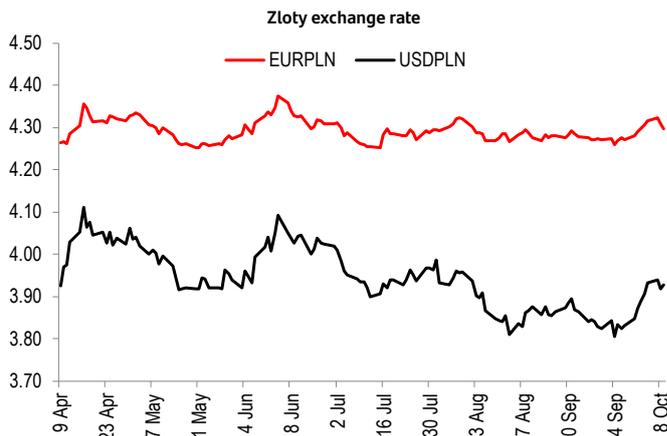
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	2	324	0
France	17	0	77	0
Hungary	132	4	415	-14
Spain	35	1	76	1
Italy	26	1	131	0
Portugal	22	1	52	0
Ireland	12	0	37	1
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 (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	-	254	159
14:30	US	Unemployment Rate	Sep	%	4.2	-	4.1	4.2
MONDAY (7 October)								
08:00	DE	Factory Orders	Aug	% m/m	-2.0	-	-5.8	2.9
09:00	CZ	Industrial Production	Aug	% y/y	-2.2	-	-1.5	7.2
11:00	EZ	Retail Sales	Aug	% m/m	0.2	-	0.2	0.0
TUESDAY (8 October)								
08:00	DE	Industrial Production SA	Aug	% m/m	0.8	-	2.9	-2.4
WEDNESDAY (9 October)								
08:00	DE	Exports SA	Aug	% m/m	-1.0	-	1.3	1.9
20:00	US	FOMC Meeting Minutes	Sep.24					
THURSDAY (10 October)								
08:30	HU	CPI	Sep	% y/y	3.1	-	3.0	3.4
09:00	CZ	CPI	Sep	% y/y	2.4	-	2.6	2.2
14:30	US	CPI	Sep	% m/m	0.1	-	-	0.2
14:30	US	Initial Jobless Claims		k	230	-	-	225
FRIDAY (11 October)								
08:00	DE	HICP	Sep	% m/m	-0.2	-	-	-0.1
16:00	US	Michigan index	Oct	pts	70.3	-	-	70.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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