

31 October 2024

# Weekly Economic Update

## Focus on news from the US

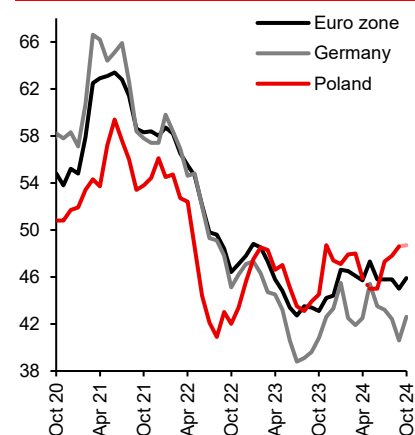
### Economy next week

- In the coming week, the dominant topic will undoubtedly be the **US presidential election**. The final vote is due on Tuesday. Averaged poll results still indicate a slight (declining) lead for Kamala Harris, while the betting market is firmly in favour of Donald Trump's victory. Along with the presidential election, as usual, the mid-term elections for Congress and the Senate will take place, which will also be important, affecting, among other things, how much clout the new president will have. If the early results indicate that there is no clear advantage for either candidate (which seems likely), we may have to wait a few days or even a few weeks to learn who wins the presidential race. An additional factor that may cause the uncertainty surrounding the US election not to evaporate as soon as the voting ends is the risk that the losing candidate may not recognize the official results once they are announced.
- The **FOMC** will meet on Thursday, which is just after the election. The market is pricing in a 25bp rate cut, after the Fed cut rates by 50bp in September. The risk of another move of a larger magnitude has evaporated after recent data from the US economy showed it to be exceptionally resilient. Ahead of us is still Friday's data from the US labour market, which - should it turn out to be as strong as the ADP report released this week - could weaken faith even for that 25-bp cut, adding to volatility.
- **Central banks in Poland, Brazil (Wednesday) and the Czech Republic (Thursday) will also make decisions on interest rates in the coming week.** The Polish Monetary Policy Council will keep interest rates unchanged, BCB is likely to hike by 50bp, while CNB is expected to cut rates by 25bp. At the November meeting, the MPC will, as usual, review the results of the new NBP projection. We do not expect significant changes in the projection compared to the previous version. Q3 CPI and core inflation were 0.1bp higher than the July projection of 4.4% and 3.8% y/y, respectively; Q3 GDP growth is not yet known, but there is a risk of a weaker result than the July projection of 3.1% y/y, although on the other hand the Q2 GDP reading was better. We still don't know the government's decision on energy prices in 2025, so the projection will probably again assume the expiration of the shields at the end of this year. As a result, the trajectories of GDP and inflation should not differ much from those in July, according to us. The tone of the MPC's statement and Chairman Glapinski's Thursday conference will also be similar to previous months, in our view.
- In addition, the calendar of economic events will see the **publication of PMI indicators** in many countries, including Poland (Monday). The consensus assumes a minimal decline in the index for Polish industry, we see a minimal increase - such readings are unlikely to significantly affect sentiment. Abroad, information on orders and production in German industry and retail sales in the eurozone may also attract attention, as clues to economic activity in 4Q.

### Markets next week

- Despite the euro's rebound against the dollar, **CEE currencies have remained under pressure in recent days, and we assume that this situation may continue** at least in the coming days. Although technical indicators suggest that both the zloty and the forint are at weak levels, the key factor for global risk appetite remains the issue of the US elections. Volatility in the markets may persist at least until election day and beyond. Our assumptions on the path of the EURUSD have been lowered recently, but in the long term we assume a weakening of the dollar along with rate cuts by the Fed. The market anticipates that data from the US labor market released later this week will be weak which could negatively affect the dollar, this will not necessarily have a positive impact on the zloty. The domestic currency would probably not be helped by a positive surprise from this data either. We assume that **in the longer horizon of the next months in the face of economic acceleration, further increase in the inflow of EU funds and the weakening of the dollar against the euro next year in the face of rate cuts by the Fed, the zloty should remain relatively strong against the euro.**
- In the interest rate market, after a prolonged period of increases, we assume that the room to continue this trend is limited. The results of the new NBP projection will not necessarily favor a downward adjustment of rates in case the elevated inflation path in the projection is sustained. Even more important in the context of recent weak activity data may be the path of GDP (we won't know the preliminary reading for Q3 until mid-November), and important as usual in this context will be the tone of the NBP president's statement. We maintain the view that there is a chance for a slight flattening of the swap curve after a wave of friction. A week without bond auctions may not necessarily be positive for credit spreads in view of the uncertainty surrounding the US elections. In the following weeks, high supply may favor keeping asset swap spreads at high levels. A rate cut by the Fed could be a factor in favor of a downward rate adjustment in the US, which could potentially translate to other markets as well.

### Manufacturing PMIs

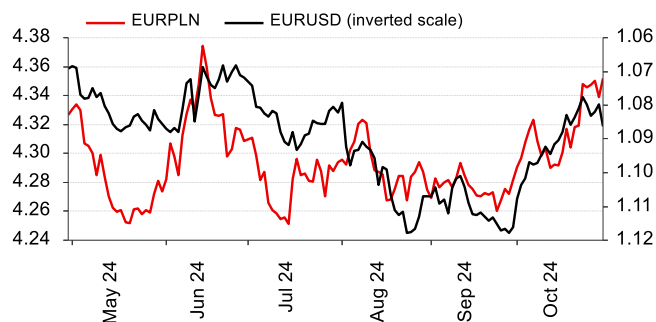


Source: S&amp;P Global, Santander

### Economic Analysis Department:

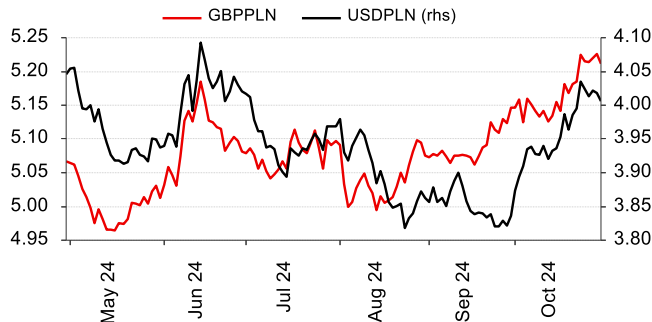
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### EURPLN and EURUSD



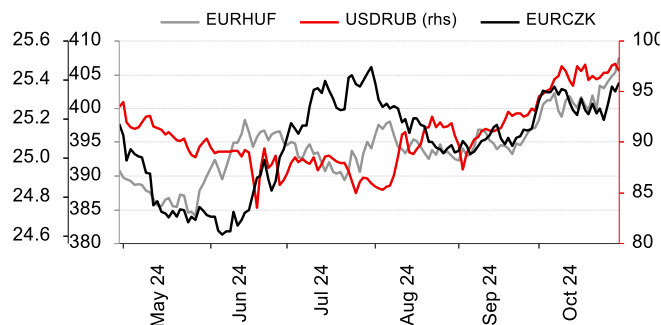
Source: LSEG Datastream, Santander

### GBPPLN and USDPLN



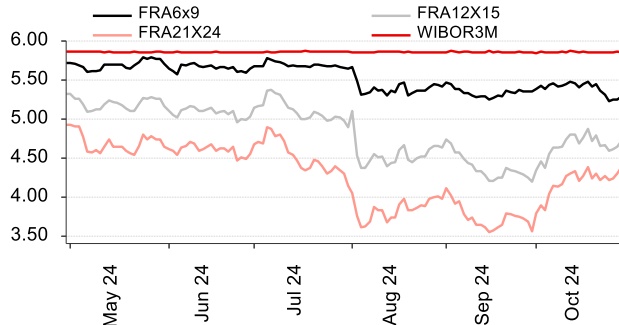
Source: LSEG Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



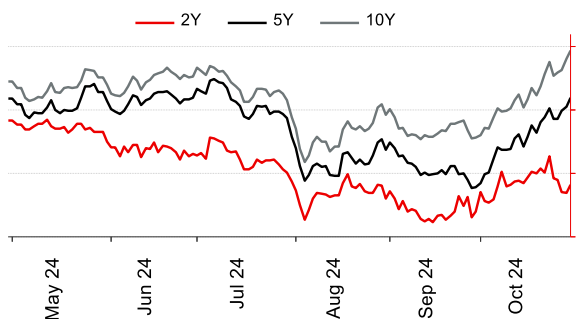
Source: LSEG Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



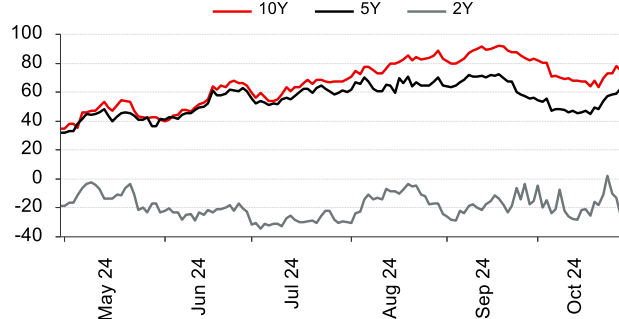
Source: LSEG Datastream, Santander Bank Polska

### Polish bond yields



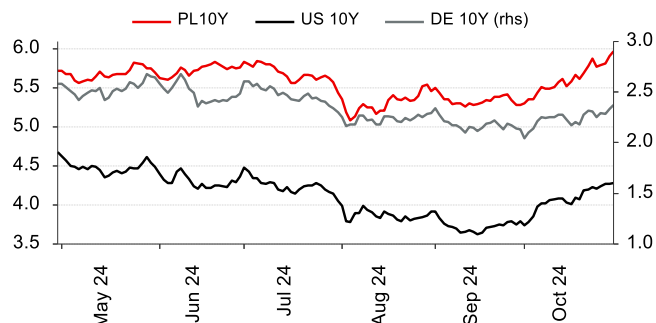
Source: LSEG Datastream, Santander Bank Polska

### Asset swap spreads



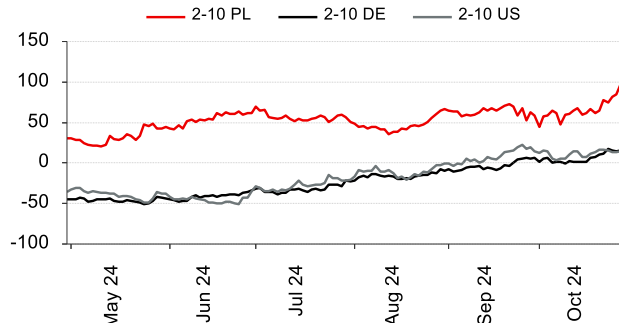
Source: LSEG Datastream, Santander Bank Polska

### 10Y bond yields



Source: LSEG Datastream, Santander

### Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (4 November)							
09:00	PL	Poland Manufacturing PMI	Oct	pts	48.5	48.7	48.6
09:55	DE	Germany Manufacturing PMI	Oct	pts	42.6	-	42.6
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	45.9	-	45.9
16:00	US	Durable Goods Orders	Sep	% m/m	-	-	-0.8
16:00	US	Factory Orders	Sep	% m/m	-0.45	-	-0.2
TUESDAY (5 November)							
02:45	CN	Caixin China PMI Services	Oct	pts	50.5	-	50.3
16:00	US	ISM services	Oct	pts	53.25	-	54.9
	US	Election Day					
WEDNESDAY (6 November)							
	PL	MPC decision		%	5.75	5.75	5.75
08:00	DE	Factory Orders	Sep	% m/m	-	-	-5.8
08:30	HU	Industrial Production SA	Sep	% y/y	-4.2	-	-4.1
09:00	CZ	Industrial Production	Sep	% y/y	-	-	-1.5
09:55	DE	Markit Germany Services PMI	Oct	pts	51.4	-	51.4
10:00	EZ	Eurozone Services PMI	Oct	pts	51.2	-	51.2
THURSDAY (7 November)							
08:00	DE	Exports SA	Sep	% m/m	-	-	1.5
08:00	DE	Industrial Production SA	Sep	% m/m	-1.5	-	2.9
11:00	EZ	Retail Sales	Sep	% m/m	-	-	0.2
14:30	CZ	Central Bank Rate Decision			4.0	-	4.25
20:00	US	FOMC decision			4.75	-	5.0
FRIDAY (8 November)							
16:00	US	Michigan index	Nov	pts	-	-	70.5

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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