

5 November 2024

## Eyeopener

### US presidential election ends today

Today, voting in the US presidential elections ends  
 Poland's manufacturing PMI rose to its highest level in 2.5 years  
 NBP credit survey shows higher demand for loans from companies and consumers  
 Zloty temporarily stronger, market rates lower; markets awaiting US election results

**Today** is the final day of the presidential race in the US. It is uncertain not only who will win, but also when the official result will be known. It is also possible that one of the candidates may challenge the results. The results of the exit poll will be known tomorrow at the earliest, because polls will close on Wednesday between 1:00 a.m. and 7:00 a.m. Polish time (or 7:00 p.m. and 1:00 a.m. EST). In the so-called swing states, which will most likely decide the outcome of the election, polls will close between 1:00 a.m. and 4:00 a.m. Polish time. The elections will also cover all seats in the House of Representatives, about 1/3 of the Senate seats, plus partial elections to local authorities. Apart from that, today we will see the ISM services index for the US, which in the market's opinion may slide from 54.9 pts to 53.3 pts. Overnight, Chinese services PMI was released and surprised to the upside, rising to 52.0 pts.

**Polish manufacturing PMI rose in October to 49.2**, its highest since April 2022, beating market consensus (48.5) and our forecast (48.7). The index still remains below the neutral threshold of 50pts, yet has been consistently improving since June. The report shows some signals of recovery in the industrial sector as both production and employment increased. Yet, the picture is mixed, as the new orders have weakened again and the decline even accelerated. Export orders kept falling, albeit a bit slower, and companies were complaining about poor situation in Germany and euro zone. Firms were also reporting lower price pressures and prices of finished goods fell most in seven months. Forecasts for next months were positive, yet lowest in more than a year. Overall, the report was slightly encouraging, but – as always – we iterate that the Polish PMI does not correlate well with the industrial output performance, so it is hard to draw strong conclusions from the publication. Especially that alternative measures of business climate in manufacturing, releases earlier (ESI, GUS), have actually worsened in October.

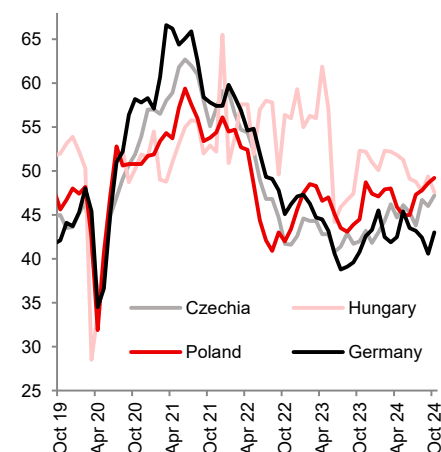
According to the NBP's credit survey, **in 3Q24, banks registered an improvement in demand for credit from enterprises and consumers**. According to the surveyed banks, companies were clearly more interested in financing working capital and mergers and acquisitions, but not particularly in financing investments. In the case of consumers, the improvement in demand was caused by their better economic situation, but banks did not indicate that the appetite for purchases of durable goods on credit had increased significantly. On the other hand, the demand for mortgage loans continued to weaken after the closure of the Safe Loan 2% subsidy program. Banks expect that the positive trend in credit for companies and consumers will continue in 4Q24 (among other factors, thanks to the planned easing of lending policy in these segments), with stable demand for mortgage loans.

**Poland intends to submit the fourth and fifth request for payment from the RRF in the second half of December**, informed the Minister of Funds and Regional Policy Katarzyna Pełczyńska-Nałęcz. However, she added that the request will certainly not be made for the full amount of funds available in these instalments (i.e. PLN31.5bn, according to the government's website dedicated to the Polish RRP), because the government will not be able to implement all the required reforms and investments on time. The minister expects that she will know what amount will be requested at the beginning of December. The minister also said that work is still underway on the regulation on fuel quality, which is related to one of the milestones of the second and third payment requests. If Poland does not meet the milestone by 15 November, the disbursement of funds from the second and third instalments (worth c. PLN40bn) may be reduced by the European Commission.

**Temporary strengthening of the zloty**. Yesterday was marked by slightly worse mood on the stock markets with minor declines in indices both in Europe and in the USA. Better PMI readings in Europe, especially in Germany, led to some strengthening of the euro against the dollar in the first part of the day. Later on, the dollar was gradually paring the losses despite quite weak data on industrial orders from the USA. The EURPLN exchange rate moved analogously to the changes in the EURUSD exchange rate, strengthening to 4.335 when the euro was gaining to the dollar, and later correcting this movement to 4.355. This week, and especially today and tomorrow, volatility in the markets will be generated by the US election and later the FOMC decision.

**A significant drop in market rates**. For some time now, we have been pointing out that the room for further growth in market rates is limited. The beginning of the week was used by investors to buy bonds in the USA, some European countries, the Czech Republic and Poland. The decline in yields is partly the result of a decrease after the weekend in the chances of D. Trump winning the US election according to polls and bookmakers' quotes. The scenario of Trump 's victory was one of the reasons for the recent increase in yields in the US due to a potentially looser fiscal policy and a more restrictive monetary policy. In the near term, we see the potential for a further decline in market rates. The Polish MPC, which will decide on interest rates tomorrow, may not sound too hawkish due to the recent weak data on activity. On the other hand, the GDP data from the European economy was surprising to the upside, and the NBP projection may still include an elevated inflation path for the first half of 2025 due to the lack of information about the government's decision to extend the freezing of energy prices.

#### Manufacturing PMIs, pts



Source: S&P Global, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
**Piotr Bielski** +48 691 393 119  
**Bartosz Białas** +48 517 881 807  
**Cezary Chrapek** +48 887 842 480  
**Marcin Luźniński** +48 510 027 662  
**Grzegorz Ogonek** +48 609 224 857

**FX market**

Today's opening			
EURPLN	4.3561	CZKPLN	0.1713
USDPLN	4.0006	HUFPLN*	1.0547
EURUSD	1.0883	RUBPLN	0.0408
CHFPLN	4.6356	NOKPLN	0.3640
GBPPLN	5.1842	DKKPLN	0.5835
USDCNY	7.1057	SEKPLN	0.3736

\*for 100HUF

Last session in the FX market					04/11/2024
	min	max	open	close	fixing
EURPLN	4.3352	4.3597	4.3550	4.3561	4.3443
USDPLN	3.9717	4.0047	3.9960	4.0014	3.9869
EURUSD	1.0879	1.0914	1.0899	1.0883	

**Interest rate market**

04/11/2024

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	4.99	-6
WS0429 (5Y)	5.40	-18
DS1033 (10Y)	5.78	-16

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.54	-7	4.45	-2	2.54	4
2L	5.12	-12	4.22	-3	2.41	-1
3L	4.91	-15	4.14	-4	2.38	1
4L	4.87	-15	4.11	-3	2.38	3
5L	4.88	-15	4.06	-6	2.38	2
8L	4.97	-15	4.02	-9	2.41	1
10L	5.04	-16	4.05	-9	2.43	1

**WIBOR rates**

Term	%	Change (bps)
O/N	5.75	70
T/N	5.79	1
SW	5.84	1
1M	5.83	-2
3M	5.82	-3
6M	5.84	0
1Y	5.70	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	5.83	-1
3x6	5.70	-4
6x9	5.29	-8
9x12	4.94	-11
3x9	5.67	-4
6x12	5.25	-9

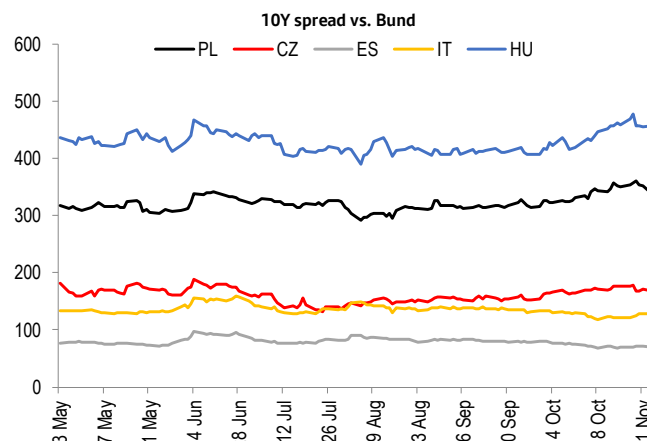
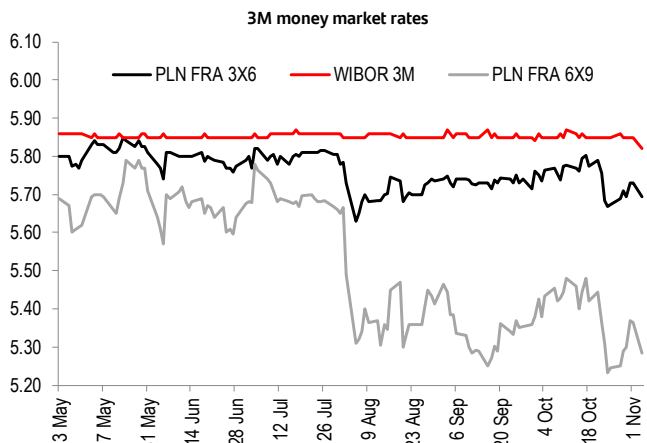
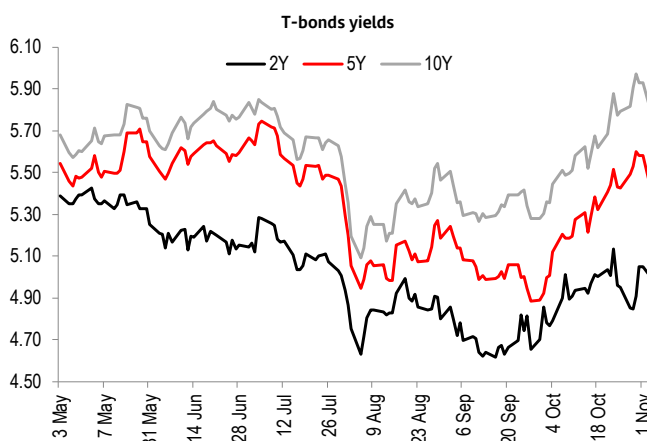
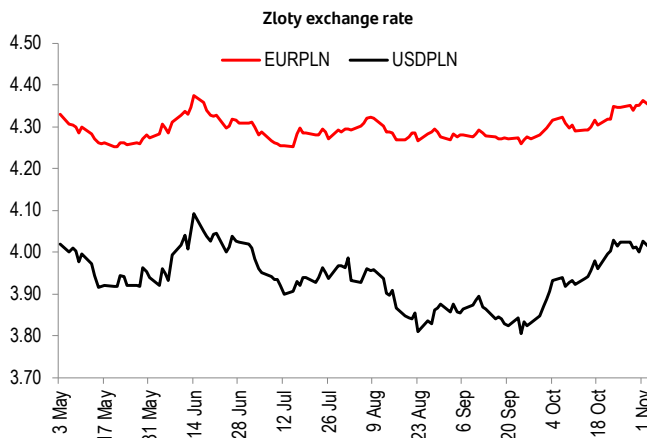
**CDS rates and 10Y yield spread vs. German Bund**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	-2	339	-14
France	15	0	75	-1
Hungary	125	2	457	2
Spain	30	1	70	-1
Italy	25	0	128	0
Portugal	17	0	49	4
Ireland	12	0	33	-1
Germany	5	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		
<b>THURSDAY (31 October)</b>								
10:00	PL	CPI	Oct	% y/y	5.0	5.1	5.0	4.9
11:00	EZ	Flash HICP	Oct	% y/y	1.9	-	2.0	1.7
11:00	EZ	Unemployment Rate	Sep	%	6.4	-	6.3	6.3
13:30	US	Initial Jobless Claims	weekly	k	229	-	216	228
13:30	US	Personal Spending	Sep	% m/m	0.4	-	0.5	0.2
13:30	US	Personal Income	Sep	% m/m	0.3	-	0.3	0.2
13:30	US	PCE Deflator SA	Sep	% m/m	0.2	-	0.2	0.1
<b>FRIDAY (1 November)</b>								
13:30	US	Change in Nonfarm Payrolls	Oct	k	101	-	12	254
13:30	US	Unemployment Rate	Oct	%	4.1	-	4.1	4.1
15:00	US	ISM manufacturing	Oct	pts	47.6	-	46.5	47.2
<b>MONDAY (4 November)</b>								
09:00	PL	Poland Manufacturing PMI	Oct	pts	48.5	48.7	49.2	48.6
09:55	DE	Germany Manufacturing PMI	Oct	pts	42.6	-	43.0	40.6
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	45.9	-	46.0	45.0
16:00	US	Durable Goods Orders	Sep	% m/m	-	-	-0.7	-0.8
16:00	US	Factory Orders	Sep	% m/m	-0.4	-	-0.7	-0.2
<b>TUESDAY (5 November)</b>								
02:45	CN	Caixin China PMI Services	Oct	pts	50.5	-	52.0	50.3
16:00	US	ISM services	Oct	pts	53.3	-	-	54.9
<b>WEDNESDAY (6 November)</b>								
	PL	MPC decision	Nov	%	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	-	-	50.6
10:00	EZ	Eurozone Services PMI	Oct	pts	51.2	-	-	51.4
<b>THURSDAY (7 November)</b>								
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
13:30	US	Initial Jobless Claims	weekly	k	230	-	-	0.2
14:30	CZ	Central Bank Rate Decision	Nov	%	4.00	-	-	4.25
20:00	US	FOMC decision	Nov	%	4.75	-	-	5.00
<b>FRIDAY (8 November)</b>								
16:00	US	Michigan Index	Nov	pts	-	-	-	70.5
	PL	S&P, Fitch: rating review						

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.