6 November 2024

Eyeopener

Markets pricing-in Trump's win, MPC decision today

- MPC decision today, plus main conclusions from the new NBP projection
- Preliminary information from the US indicate D.Trump may win presidential elections
- US services ISM at the highest level since 2022
- Dollar stronger, zloty weaker, US bond yields higher, discounting US election results

Today, the MPC ends its two-day meeting and decides on interest rates in Poland. The Council will most likely keep rates unchanged, leaving the reference rate at 5.75%. The post-meeting statement will include the main figures from the November NBP projection. We do not expect the GDP growth and inflation paths to change significantly compared to the previous projection.

The information available this morning indicate that D.Trump has an upper hand in the presidential race in the USA – according to the AP agency's estimates as of 8:00 a.m., Donald Trump can count on 248 electoral votes, and Kamala Harris on 214. 270 votes are needed to win and until the remaining states are counted, the outcome of the election cannot be determined, but the markets are already pricing-in a strong increase in the probability of Trump's victory, which results in a strengthening of the dollar, an increase in US bond yields and a weakening of EM currencies. Everything indicates that the Republicans will win the majority in the Senate, but it is still too early to be sure whether they will be able to keep control over the House of Representatives.

The number of foreigners performing work in Poland increased to 1024.2k in May, by 3.2k compared to April. This means that its annual growth rate increased slightly, from 4.0% y/y in April to 4.2% y/y in May. The increase in the number of foreigners working in Poland was caused mainly by non-Ukrainian workers, whose number rose by 3k. As a result, the share of Ukrainian citizens in the number of foreigners working in Poland fell to 67.7% from 67.9% in April and 68.7% at the beginning of the year.

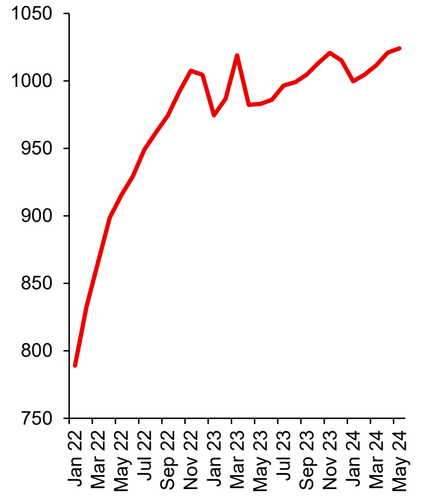
The regulation on quality requirements for solid fuels has been published in the Journal of Laws. As we wrote yesterday, the entry into force of this regulation was one of the milestones of the second instalment of the Polish RRP, worth PLN22.7bn. Failure to meet the milestone could have led to a reduction in the value of funds disbursed by the European Commission.

The US ISM services index rose for the second time in a row, reaching 56.0 pts, which is its highest level since September 2022. The market expected a decline from 54.9 pts to 53.8 pts. However, the components of the index were not unambiguously positive. A clear rebound in the employment index from 48.1 pts to 53.0 pts was accompanied by a large decline in the assessment of new orders and current activity (by c. 2 pts each). The report contains a lot of references to unusual conditions in October (hurricanes, strikes, increased uncertainty due to the elections), which suggests that the data for this month may bring big surprises, but not necessarily provide signals about the actual changes in the economic situation, as has already been showed by the October change in the level of employment.

The zloty is losing as the dollar is strengthening. During yesterday's session, the mood on the equity markets was quite good. The euro gained against the dollar, and the currencies of the CEE region fluctuated in a narrow range with a temporary weakening of the zloty. Markets were quite stable in anticipation of the result of the US elections, where the chances of candidates seemed to be close to equal after the weekend. In reaction to the first information on the results of the US election, markets started discounting the growing probability of Trump's victory. The dollar has clearly strengthened, EURUSD fell to around 1.071 this morning. Asian stock markets recorded significant increases, and today futures for US indices are also growing. EM currencies are clearly losing, with EURPLN rising to over 4.37, USDPLN over 4.08, and EURHUF to about 411. If the dollar continues to strengthen, the electoral change in the US may have a negative impact on the region's currencies for some time.

Further increase in swap rates, narrowing of credit spreads. Yesterday's session saw another increase in FRA and IRS rates, with a slight decrease in bond yields. On the core markets, yields increased by c. 3 bps in Germany and by c. 6 bps in the US. After the end of the European session, yields on US bonds rose in response to the growing belief of market participants that D. Trump would win the US election, with expectations that his economic policy could be pro-inflationary and translate into a more hawkish Fed policy and slower rate cuts. This may translate into a similar reaction of the domestic curve today.

Foreigners performing work in Poland, thousands



Source: GUS, Santander

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FX market

Today's opening

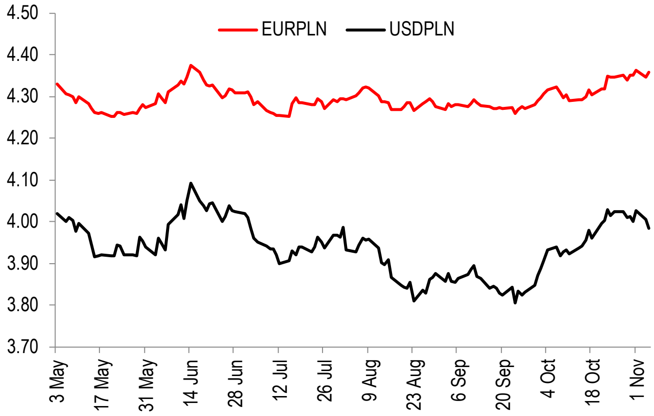
EURPLN	4.3712	CZKPLN	0.1713
USDPLN	4.0706	HUFPLN*	1.0641
EURUSD	1.0731	RUBPLN	0.0415
CHFPLN	4.6187	NOKPLN	0.3636
GBPPLN	5.1934	DKKPLN	0.5835
USDCNY	7.1673	SEKPLN	0.3723

*for 100HUF

Last session in the FX market 05/11/2024

	min	max	open	close	fixing
EURPLN	4.3529	4.3672	4.3565	4.3584	4.3607
USDPLN	3.9890	4.0092	4.0042	3.9907	4.0038
EURUSD	1.0874	1.0920	1.0878	1.0917	

Zloty exchange rate

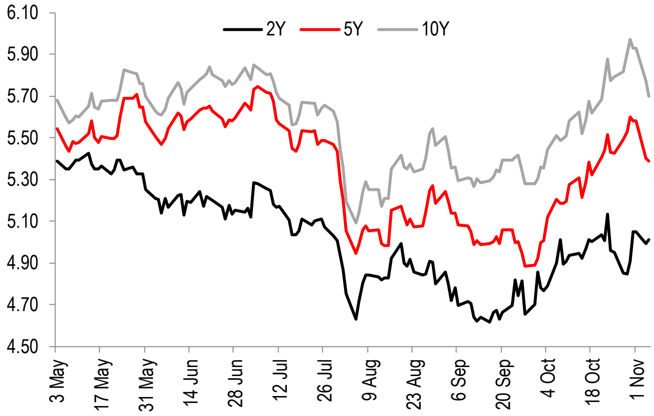


Interest rate market 05/11/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.01	2
WS0429 (5Y)	5.39	-1
DS1033 (10Y)	5.70	-8

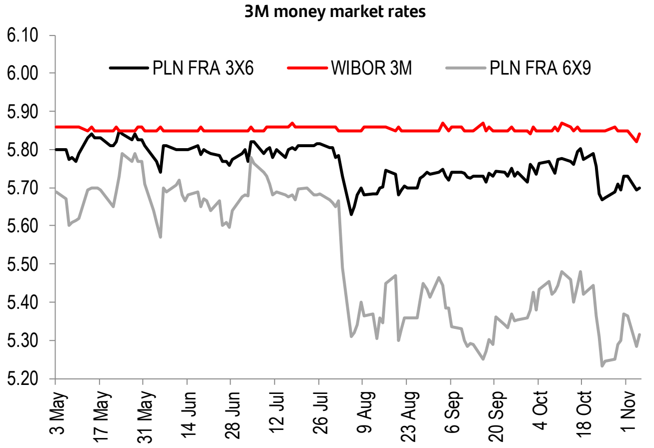
T-bonds yields



IRS on the interbank market**

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	5.58	3	4.46	1	2.52	-2
2L	5.17	5	4.24	2	2.45	4
3L	4.96	5	4.15	1	2.42	4
4L	4.90	4	4.12	1	2.42	4
5L	4.89	1	4.07	1	2.42	4
8L	4.97	0	4.02	0	2.45	4
10L	5.05	1	4.05	0	2.44	0

3M money market rates



WIBOR rates

Term	%	Change (bps)
O/N	5.69	-6
T/N	5.76	-3
SW	5.83	-1
1M	5.82	-1
3M	5.84	2
6M	5.84	0
1Y	5.70	0

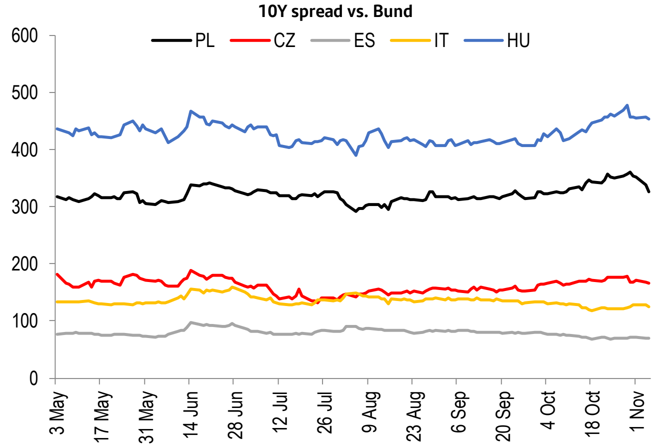
FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.82	0
3x6	5.70	0
6x9	5.32	3
9x12	4.99	5
3x9	5.68	1
6x12	5.28	3

CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD Level	CDS 5Y USD Change (bps)	10Y spread* Level	10Y spread* Change (bps)
Poland	68	0	327	-12
France	15	0	74	-1
Hungary	126	1	454	-3
Spain	30	0	70	-1
Italy	25	0	125	-2
Portugal	17	0	47	-3
Ireland	12	0	31	-2
Germany	5	0	-	-

10Y spread vs. Bund



* 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 MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			THURSDAY (31 October)					
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
			FRIDAY (1 November)					
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
			MONDAY (4 November)					
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
			TUESDAY (5 November)					
02:45	CN	Caixin China PMI Services	Oct	pts	50.5	-	52.0	50.3
16:00	US	ISM services	Oct	pts	53.8	-	56.0	54.9
			WEDNESDAY (6 November)					
	PL	**MPC decision**	**Nov**	**%**	**5.75**	**5.75**	**-**	**5.75**
08:00	DE	Factory Orders	Sep	% m/m	1.5	-	4.2	-5.8
08:30	HU	Industrial Production SA	Sep	% y/y	-4.4	-	-5.4	-4.1
09:00	CZ	Industrial Production	Sep	% y/y	2.4	-	-	-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
			THURSDAY (7 November)					
08:00	DE	Exports SA	Sep	% m/m	-2.4	-	-	1.5
08:00	DE	Industrial Production SA	Sep	% m/m	-1.0	-	-	2.9
11:00	EZ	Retail Sales	Sep	% m/m	0.4	-	-	0.2
13:30	US	Initial Jobless Claims	weekly	k	223	-	-	216
14:30	CZ	Central Bank Rate Decision	Nov	%	4.00	4.00	-	4.25
20:00	US	FOMC decision	Nov	%	4.75	-	-	5.00
			FRIDAY (8 November)					
16:00	US	Michigan Index	Nov	pts	71.0	-	-	70.5
	PL	**S&P, Fitch: rating review**						

Source: Santander Bank Polska. Bloomberg. Parkiet
** in the case of a revision the data is updated*

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.