

13 December 2024

# Eyeopener

## ECB cut rates by 25bp, SNB by 50bp

Today, final CPI inflation in November and balance of payments data in October

ECB cut main interest rate by 25bp, SNB by 50bp

Wnorowski: rate cut discussion in March, decision soon after

Zloty stable, slight increase in bond yields

**Today**, the full data on CPI inflation in November and the balance of payments for October are due for release. The consensus of market forecasts collected by Bloomberg indicates that the current account balance should improve significantly compared to September, increasing from -€1434mn to about -€100mn. In our view, the improvement could be more modest, with the balance at around -€950mn. At the same time, we expect an increase in import growth from 5.1% y/y to 9.7% y/y, as well as export growth from 0.5% to 4.2% y/y. In addition, we will get to see data on euro zone industrial output in October.

**MPC member Henryk Wnorowski** said that the discussion on rate cuts could start in March, and the decision itself could take place a little later, for example within a month. According to Wnorowski, the MPC may cut rates even in March, but attributed a minimal probability to such a development. According to the MPC member, the cuts should be gradual, of the order of 25 basis points.

Deputy Minister of Development and Technology Krzysztof Paszyk said that **the government has abandoned the proposal of the "0% loan" programme**, but in 1Q25 it will present new ideas for the housing programme.

**S&P Global Ratings is confident in Polish's rating and its stable outlook**, said agency analyst Karen Vartapetov. This is due, among other things, to very strong growth outlook and a resilient and diversified economy. According to the agency, the fiscal outlook is not a strong point of the rating, but this problem applies to many CEE countries.

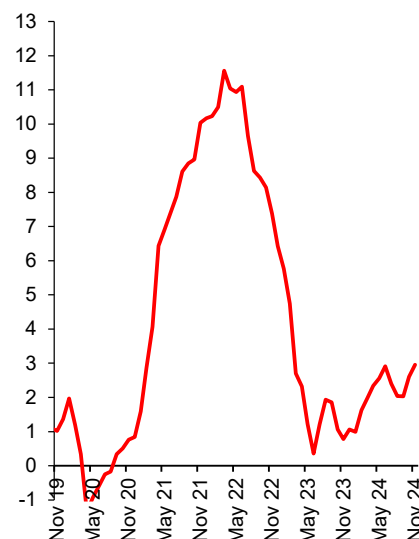
**The ECB's Governing Council cut interest rates in the euro area by 25bp**, bringing the deposit rate down to 3.00%. The press release after the decision reads that the disinflation process is proceeding as planned, and according to the ECB's forecasts, the average annual inflation rate should fall from 2.4% in 2024 to 2.1% in 2025 and 1.9% in 2026, which means that the CPI path will be 0.1-0.2 percentage points lower than assumed in the previous September projection. ECB President Christine Lagarde assessed that recent data suggest that economic activity in the euro area is slowing down, and that negative factors dominate the risk balance. She also added that a 50bp cut was discussed during the decision-making meeting. **The SNB cut rates by 50bp**, surprising the market, which expected a 25bp move. The Bank of Canada also reduced rates by 50bp the night before, while Brazil raised interest rates by 100bp, and announced that further such moves will follow.

**PPI inflation in the US surprised upwards in November, rising by 0.4% m/m**, the strongest since June. Although the surprise resulted from strong changes in selected parts of PPI inflation, this indicator has been moving upwards for several months already.

**Despite the fluctuations, the EURPLN exchange rate changed only slightly on Thursday.** EURPLN started the session up from 4.270 to around 4.277, where it remained for the first half of the day. Following the ECB's decision to cut interest rates by 25 bps and President Lagarde's conference, the Polish zloty registered a marked strengthening against the euro, which brought the EURPLN exchange rate around 0.1% below the opening. However, the move was partially corrected and EURPLN ended the session close to the opening. The upward movement resumed in the evening and this morning the exchange rate is close to 4.275. The EURCZK exchange rate was also only slightly changed. The best performer among CEE currencies was the Hungarian forint, which gained around 0.2% against the euro.

**Polish bond yields rose by 1-2 bps, more so at the long end of the curve**, which, in the absence of significant local events, was probably a reaction to changes in the core markets. German bond yields rose by 4-6 bp and US bond yields by 1-3 bp, in both cases more at the long end of the curve. Domestic IRS rates rose by 3-8 bp and FRA rates by 3-5 bp.

PPI inflation, % y/y



Source: LSEG, Santander

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## FX market

### Today's opening

EURPLN	4.2749	CZKPLN	0.1705
USDPLN	4.0879	HUFPLN*	1.0326
EURUSD	1.0457	RONPLN	0.8602
CHFPLN	4.5737	NOKPLN	0.3651
GBPPLN	5.1657	DKKPLN	0.5731
USDCNY	7.2787	SEKPLN	0.3705

\*for 100HUF

### Last session in the FX market

12/12/2024

	min	max	open	close	fixing
EURPLN	4.2612	4.2826	4.2676	4.2726	4.2818
USDPLN	4.0533	4.0832	4.0617	4.0643	4.074
EURUSD	1.0462	1.0530	1.0506	1.0513	

## Interest rate market

12/12/2024

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

Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.03	3
DS1029 (5L)	5.35	4
DS1034 (10L)	5.75	6

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.58	4.43	2.30
2L	5.07	4.28	2.15
3L	4.84	4.21	2.12
4L	4.76	4.18	2.12
5L	4.76	4.13	2.14
8L	4.83	4.08	2.18
10L	4.90	4.12	2.21

## WIBOR rates

Term	%	Change (bps)
O/N	5.71	0
T/N	5.78	1
SW	5.83	1
1M	5.84	1
3M	5.85	0
6M	5.78	0
1Y	5.60	0

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

Term	%	Change (bps)
1x4	5.83	-1
3x6	5.70	-4
6x9	5.32	2
9x12	4.97	3
3x9	5.63	-4
6x12	5.27	1

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

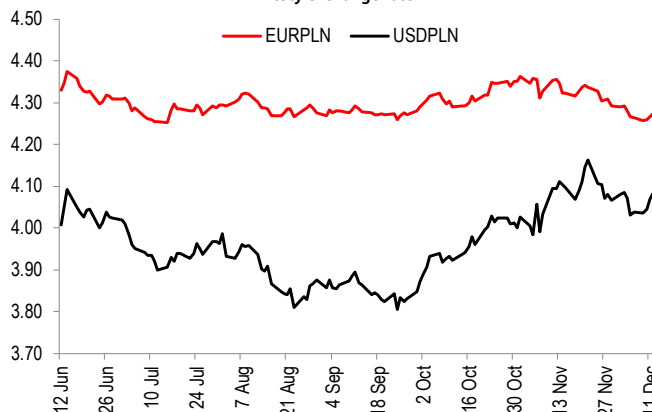
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	65	356
France	17	77
Hungary	130	421
Spain	33	65
Italy	24	112
Portugal	18	44
Ireland	10	31
Germany	7	-

\* 10Y treasury bonds over 10Y Bunds

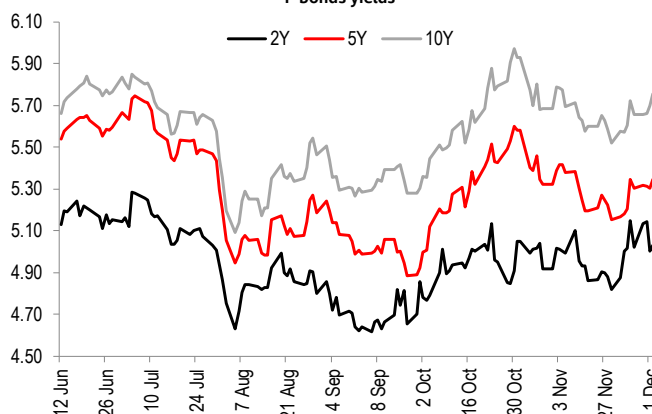
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

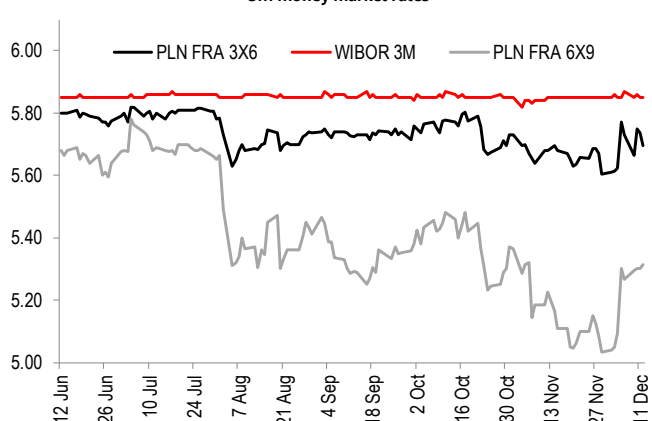
## Zloty exchange rate



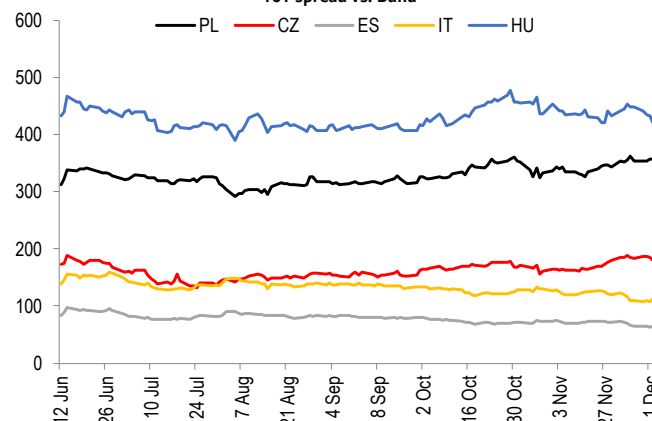
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (6 December)								
08:00	DE	Industrial Production SA	Oct	% m/m	1.0	-	-1.0	-2.5
08:30	HU	Industrial Production SA	Oct	% y/y	-5.7	-	-3.1	-5.4
11:00	EZ	GDP SA	3Q	% y/y	0.9	-	0.9	0.9
14:30	US	Change in Nonfarm Payrolls	Nov	k	220	-	227	36
14:30	US	Unemployment Rate	Nov	%	4.1	-	4.2	4.1
16:00	US	Michigan index	Dec	pts	73.3	-	74.0	71.8
MONDAY (9 December)								
09:00	CZ	Industrial Production	Oct	% y/y	-0.6	-	-2.1	4.7
TUESDAY (10 December)								
08:00	DE	HICP	Nov	% m/m	-0.7	-	-0.7	0.4
08:30	HU	CPI	Nov	% y/y	3.7	-	3.7	3.2
09:00	CZ	CPI	Nov	% y/y	3.0	-	2.8	2.8
WEDNESDAY (11 December)								
14:30	US	CPI	Nov	% m/m	0.3	-	0.3	0.2
THURSDAY (12 December)								
14:15	EZ	ECB Deposit Facility Rate	Dec	%	3.00	-	3.00	3.25
14:30	US	Initial Jobless Claims	Weekly	k	220	-	242	225
FRIDAY (13 December)								
08:00	DE	Exports SA	Oct	% m/m	-2.6	-	-2.8	-1.7
10:00	PL	CPI	Nov	% y/y	4.6	4.6	-	5.0
11:00	EZ	Industrial Production SA	Oct	% m/m	-0.1	-	-	-2.0
14:00	PL	Current Account Balance	Oct	€mn	-100	-947	-	-1 434
14:00	PL	Trade Balance	Oct	€mn	-883	-874	-	-690
14:00	PL	Exports	Oct	€mn	30 581	31 097	-	28 031
14:00	PL	Imports	Oct	€mn	31 501	31 971	-	28 721

Source: Santander Bank Polska. Bloomberg. Parkiet

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

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