

19 November 2024

Eyeopener

Energy prices will not grow in 1H25

Today HICP inflation data in Poland and the eurozone, Hungarian central bank decision
 Polish core inflation down in October to 4.1% y/y from 4.3%
 The government wants to extend the suspension of the capacity fee collection
 Zloty temporarily weaker, market rate declines

Today, the Eurostat releases full data on HICP inflation in the euro area in October, which, according to flash estimates, rose to 2.0% y/y. Together with the data for the euro area we will also receive HICP inflation data for Poland. Also today, the Hungarian central bank will decide on the level of interest rates and will most likely keep them unchanged, leaving the main rate at 6.50%. The MNB made its last rate cut, by 25bps, in September, and left the rates unchanged in October due to the risk of deepening the forint depreciation. Finally, in the US there will be data on housing starts in October.

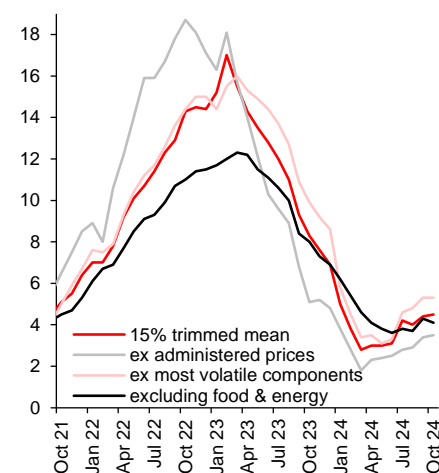
Inflation ex food and energy prices declined to 4.1% y/y in October from 4.3% y/y in November, in line with our expectations. As we have already indicated, the decline in core inflation was mainly caused by the high base effect in October last year, and the growth rate of core prices remained elevated and amounted to 0.4% m/m. Alternative measures of core inflation did not go down. Inflation excluding administered prices increased from 3.4% y/y to 3.5% y/y, the 15% trimmed average - from 4.4% y/y to 4.5% y/y, and inflation excluding the most volatile prices remained at 5.3% y/y. We expect the main measure of core inflation to remain above 4.0% y/y in the coming months.

A draft act on limiting electricity prices has been included in the list of works of the Council of Ministers. According to the description on the government website, the act extends the fixed maximum price for electricity at a level lower than that resulting from the approved tariffs, and suspends of the collection of the capacity fee for households in 2025. In addition, the act includes a proposal that trading companies apply for approval of new electricity tariffs in order to reduce energy prices in 2H25. The information on the draft act are in line with the assumption that we have been making in our CPI forecast that energy prices will remain unchanged in January 2025. In our opinion, given the current levels of global energy prices, new tariffs submitted in the middle of the next year may show lower prices. However, as the global prices are currently trending upwards, the space for such a reduction is becoming more limited.

Temporary weakening of the zloty. After a weak week in terms of market sentiment, Monday's session brought declines in indices in Europe, while the session on Wall Street ended with increases in the S&P 500 and Nasdaq indices (while the Dow Jones index lost slightly). The zloty slightly lost at the opening against the euro towards 4.335, but in the afternoon it gradually pared the losses to 4.3140. A similar pattern was recorded by the CEE currencies. The euro pared its losses against the dollar towards 1.06. Two central bankers from the ECB, L. de Guindos and J. Nagel, signalled on Monday that they are more concerned about the damage that the expected new US trade tariffs will do to economic growth in the eurozone than any impact on inflation.

Market rates lower. FRA rates fell by 2-7 bps in yesterday's session, IRS rates fell by 4-5 bps and bond yields were relatively stable. In turn, the core markets saw slight increase in German Bund yields, while in the US market yields fell slightly after initial stabilisation. Market expectations for the scale of future interest rate cuts in the US have decreased, with the market already pricing in an incomplete cut at the December meeting. The market is awaiting the President-elect's nominations for the key jobs in the administration and the Fed's reaction to the election outcome and the new administration's decisions. Locally, the focus this week will be on Thursday's bond auction. The Ministry of Finance has also announced that it is preparing a tender for Japanese yen-denominated bonds in the coming days.

Core inflation measures in Poland, % y/y



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.3205	CZKPLN	0.1707
USDPLN	4.0854	HUFPLN*	1.0499
EURUSD	1.0574	RUBPLN	0.0409
CHFPLN	4.6199	NOKPLN	0.3703
GBPPLN	5.1750	DKKPLN	0.5791
USDCNY	7.2431	SEKPLN	0.3736

*for 100HUF

Last session in the FX market					18.11.2024
	min	max	open	close	fixing
EURPLN	4.3122	4.3381	4.3141	4.3126	4.332
USDPLN	4.0726	4.1144	4.0942	4.0739	4.0997
EURUSD	1.0532	1.0585	1.0538	1.0585	

Interest rate market

18.11.2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.10	11
WS0429 (5Y)	5.38	0
DS1033 (10Y)	5.71	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.43	-2	4.55	0	2.41	9
2L	4.90	-4	4.32	-6	2.25	5
3L	4.66	-6	4.25	-4	2.23	5
4L	4.63	-4	4.23	-1	2.24	4
5L	4.63	-4	4.20	-3	2.24	4
8L	4.73	-4	4.18	0	2.28	3
10L	4.82	-4	4.18	-2	2.31	3

WIBOR rates

Term	%	Change (bps)
O/N	5.69	-3
T/N	5.77	-2
SW	5.82	2
1M	5.80	-3
3M	5.85	0
6M	5.81	-1
1Y	5.67	2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.84	0
3x6	5.67	-1
6x9	5.11	0
9x12	4.71	-4
3x9	5.61	-3
6x12	5.04	-4

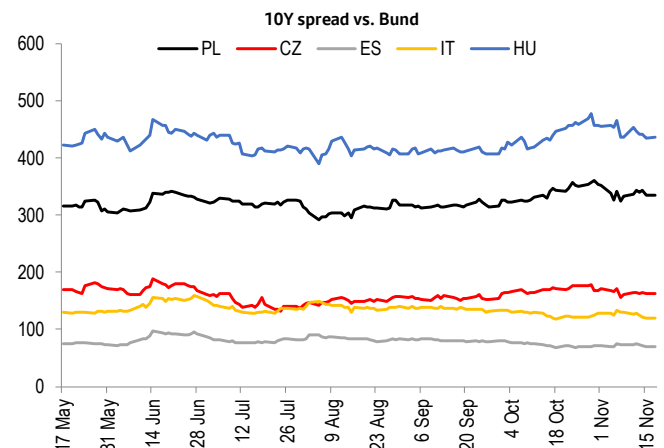
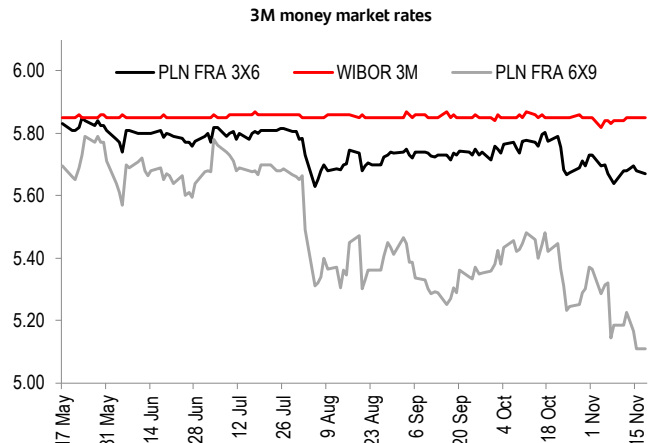
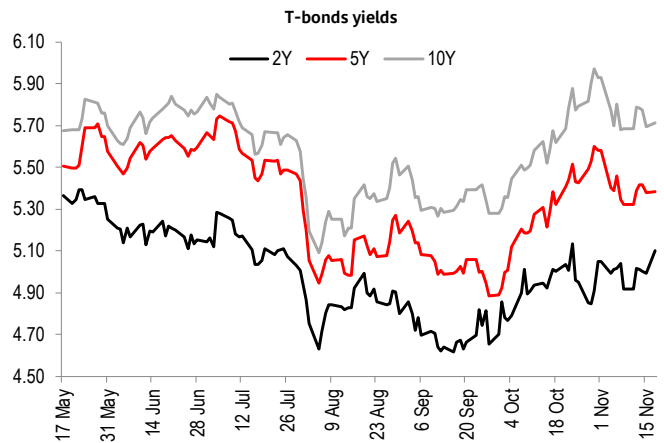
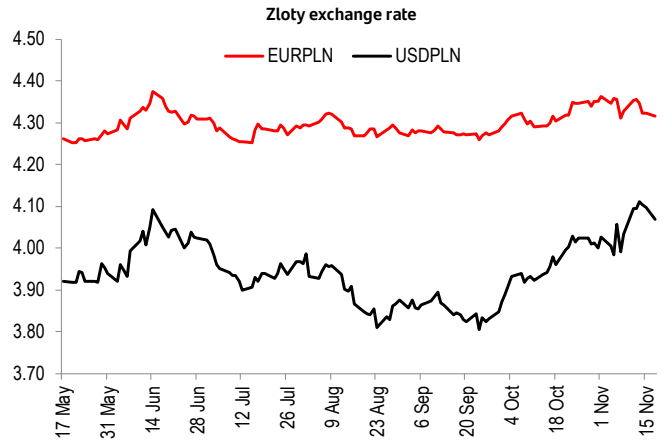
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	65	-1	334	0
France	15	0	73	0
Hungary	120	-1	437	2
Spain	29	0	70	0
Italy	24	0	120	0
Portugal	17	0	45	-1
Ireland	11	0	30	-2
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		
FRIDAY (15 November)								
	PL	Central Budget Cumul.	Oct	PLN bn	-	-	-129.8	-107.3
10:00	PL	CPI	Oct	% y/y	5.0	5.0	5.0	4.9
14:30	US	Retail Sales Advance	Oct	% m/m	0.3	-	0.4	0.8
15:15	US	Industrial Production	Oct	% m/m	-0.3	-	-0.3	-0.5
MONDAY (18 November)								
14:00	PL	CPI Core	Oct	% y/y	-	4.1	4.1	4.3
TUESDAY (19 November)								
11:00	EZ	HICP	Oct	% y/y	2.0	-	-	1.7
14:00	HU	Central Bank Rate Decision	Nov	%	6.50	6.50	-	6.50
14:30	US	Housing Starts	Oct	% m/m	-1.5	-	-	-0.5
WEDNESDAY (20 November)								
No data releases								
THURSDAY (21 November)								
10:00	PL	Construction Output	Oct	% y/y	-6.5	-6.4	-	-9.0
14:30	US	Initial Jobless Claims	weekly	k	220	-	-	217
16:00	US	Existing Home Sales	Oct	% m/m	2.9	-	-	-1.0
FRIDAY (22 November)								
08:00	DE	GDP WDA	3Q	% y/y	-0.2	-	-	-0.3
09:30	DE	Germany Manufacturing PMI	Nov	pts	43.0	-	-	43.0
09:30	DE	Markit Germany Services PMI	Nov	pts	51.7	-	-	51.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	46.0	-	-	46.0
10:00	EZ	Eurozone Services PMI	Nov	pts	51.6	-	-	51.6
16:00	US	Michigan index	Nov	pts	74.0	-	-	70.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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