

21 November 2024

Eyeopener

Today consumer confidence and construction output

Today data on construction production for October and consumer survey for November
MPC's Kochalski: discussion on rate cuts in March, irrespective of energy price regulations
Further pressure from strong dollar, domestic market rates down

Today, Today, the stats office releases the first piece of real data on the state of the Polish economy in October. Unusually, we will only get data on construction output, and the results of other standard real variables (industrial output and retail sales) will not be published until the beginning of next week. We expect that today's data should show a rebound in construction output dynamics from -9.0% y/y in September to -6.4 y/y in October, slightly above the market consensus. In addition, today we will also receive information on domestic housing construction in October and consumer sentiment in November. In the USA, there will be data on the initial jobless claims last week and October home sales.

MPC's Cezary Kochalski expressed in an interview for Dziennik Gazeta Prawna that 1Q25 is the right time for discussion and a possible decision to reduce interest rates. In his opinion, regardless of the government's protective measures regarding energy prices, the discussion on policy easing should wait until March, when the new NBP projection will be available, due to other uncertainty factors. He considered the extension of the freezing of energy prices as an element that increases the likelihood of starting a discussion on rate cuts. In the event of downward surprises in the data on economic activity, we expect the start of cuts earlier than in July next year we are currently pointing to, because this would shift the MPC's attention from the the issue of spotting the inflation's turning point to risks to the performance of real economy.

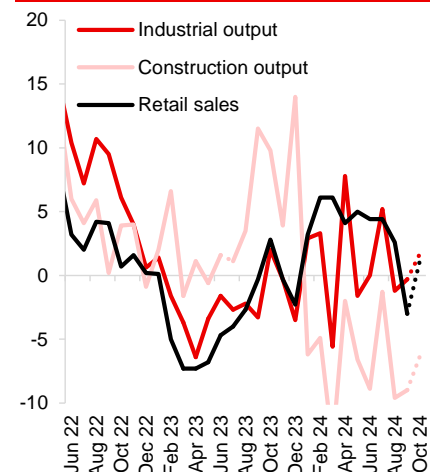
Finance Minister Andrzej Domański said yesterday on Radio Zet that the capital gains tax (also known as Belka's tax) will be limited and he hopes that this will happen in 2026.

The State Treasury debt increased by 1.7% m/m (PLN26.0bn) to PLN1542.5bn at the end of October, the Ministry of Finance reported. The increase in the overall level of debt was the result of an increase in domestic debt by c. PLN1.8bn to PLN1189.1bn and debt in foreign currencies by c. PLN24.2bn to PLN353.4bn.

Weaker zloty, stronger dollar. Stock prices on markets in Europe were down in anticipation of Nvidia's financial results, with little change in the US. In view of the fact that the company's results failed to impress, markets in Asia were down. Average sentiment on the stock markets illustrated lower risk appetite leading to a renewed strengthening of the dollar against the euro towards 1.05 from around 1.06. This in turn translated into negative pressure on the forint, which lost to the euro to around 410. The weakening of the zloty to around 4.34 was temporary, and the Czech koruna was relatively stable.

Interest rate market. In the interest rate market, the decline in rates continued, with FRA rates down 2bp and IRS rates down 2-3bp. Bond yields declined by about 2-5bp. Such a situation took place in the absence of significant changes in the German market and a further slight increase in yields in the US in the absence of significant publications in international markets. Today the focus will be on the domestic bond auction, where the Finance Ministry will offer bonds for PLN5-8bn.

Real economic activity data, %y/y, with Santander forecast for October 2024



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.3399	CZKPLN	0.1712
USDPLN	4.1200	HUFPLN*	1.0488
EURUSD	1.0536	RUBPLN	0.0410
CHFPLN	4.6509	NOKPLN	0.3714
GBPPLN	5.2030	DKKPLN	0.5810
USDCNY	7.2402	SEKPLN	0.3726

*for 100HUF

Last session in the FX market					20.11.2024
	min	max	open	close	fixing
EURPLN	4.3259	4.3431	4.3332	4.3348	4.3404
USDPLN	4.0832	4.1271	4.0950	4.1190	4.112
EURUSD	1.0507	1.0595	1.0585	1.0520	

Interest rate market

20.11.2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	4.93	-2
WS0429 (5Y)	5.25	-5
DS1033 (10Y)	5.63	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.38	0	4.57	3	2.42	3
2L	4.83	1	4.38	4	2.27	1
3L	4.57	0	4.29	3	2.25	2
4L	4.49	-2	4.23	1	2.26	2
5L	4.50	-1	4.20	3	2.27	2
8L	4.60	-1	4.15	2	2.31	2
10L	4.68	-2	4.19	2	2.34	2

WIBOR rates

Term	%	Change (bps)
O/N	5.63	-7
T/N	5.78	0
SW	5.84	1
1M	5.84	2
3M	5.85	0
6M	5.81	0
1Y	5.64	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.83	1
3x6	5.63	-2
6x9	5.05	0
9x12	4.61	-1
3x9	5.58	-2
6x12	4.98	-1

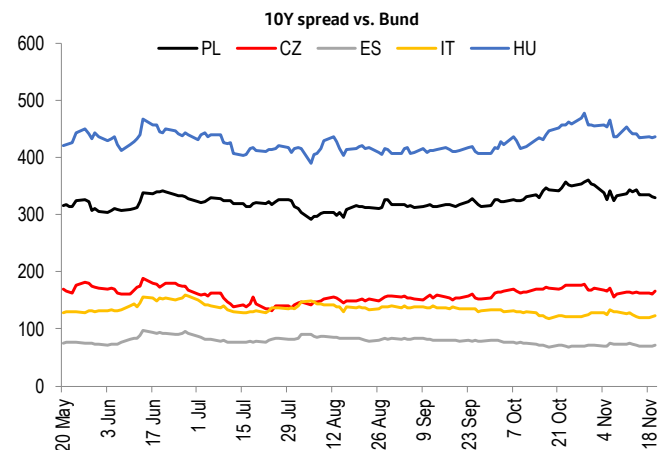
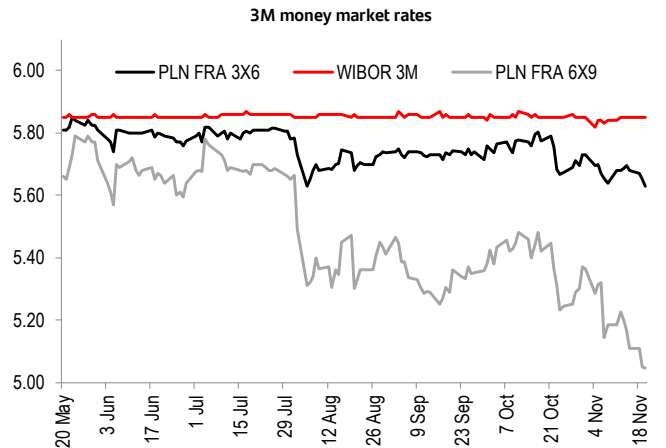
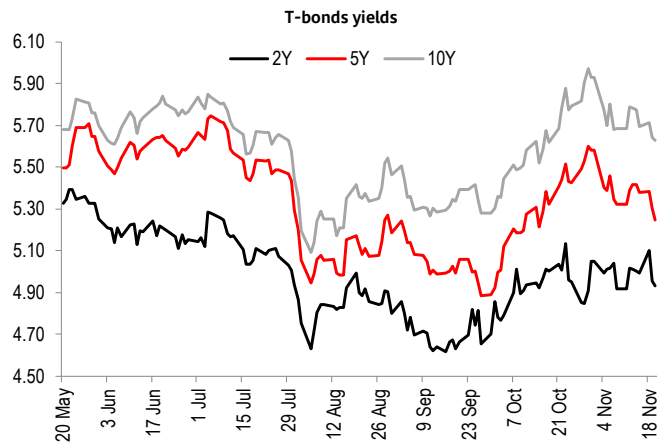
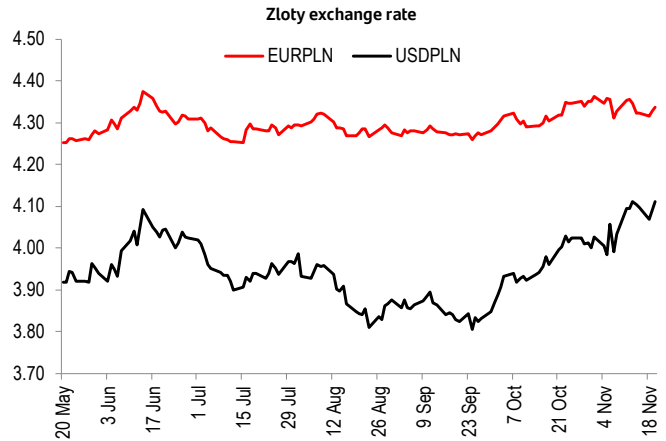
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	67	0	329	-2
France	15	0	75	1
Hungary	122	2	437	3
Spain	30	0	71	1
Italy	25	0	123	2
Portugal	17	0	47	1
Ireland	11	0	31	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	-	2.0	1.7
14:00	HU	Central Bank Rate Decision	Nov	%	6.50	6.50	6.50	6.50
14:30	US	Housing Starts	Oct	% m/m	-1.5	-	-3.1	-1.9
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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