

10 September 2018

# Eyeopener

## Strong US data neutral for the zloty and bonds

Strong US labour market data reminded about the coming Fed rate hikes  
 Rise of the US yields boosted the dollar and weighed on the EM currencies  
 Stock market under pressure of the US suggesting more tariffs on China may come

Since the beginning of Friday's session we saw return of demand for the EM currencies, while the stocks sell-off continued and bonds were waiting for the new impulse. The US labour market data (higher than expected wages growth, strong employment growth and unemployment rate drop) surprised on the positive side. The jump of US yields boosted the dollar (EURUSD fell below 1.16) and stopped the EM currencies appreciation. Next negative impulse for the latter came from Donald Trump threatening China with another round of punishing tariffs (on the goods worth 267USDbn), additionally to USD200bn tariffs on which the public hearings period has recently ended.

**On Friday, EURUSD** was hovering around 1.164 until the opening of the US session and fell to 1.157 in reaction to the US labour data. The ADP report, suggesting a relatively low increase in the number of the non-farm payrolls, lowered the market expectations before the official employment release, therefore 200k met with a positive response. The hourly wages accelerated from 2.7% y/y to 2.9% - this positive surprise was even more important as the market expected the former pace to be maintained. The fastest growth since mid-2009 reminded investors of further tightening of the monetary policy planned by the Fed. A hike in September is already priced in but pace of tightening in 2019 is still uncertain. FOMC member, Robert Kaplan, said that in his opinion we should expect 3-4 hikes within the next 9 to 12 months. The dollar was also supported by suggestions that further tariffs could be imposed on China by the U.S. Today, EURUSD is close to 1.155. The European session began with neutral sentiments despite another episode of trade wars and it seems that today the exchange rate may stabilize after the Friday fall.

**On Friday, EURPLN** went down from 4.32 to 4.30 to stay there till afternoon amidst the general demand for EM currencies. Appreciation of the dollar and escalation of the trade wars between China and the U.S. prevented EURPLN from moving further down and we saw it climbing back to the opening level. This morning, the exchange rate has been oscillating near 4.31 and we do not expect the beginning of the week to bring any significant changes on the Polish foreign exchange market.

**Among other CEE currencies,** EURHUF declined from 326 to c324.7 which apart from risk appetite, was caused by Hungarian Ministry of the Economy saying that the budget deficit this year it will be close to target (2.4% of GDP) and GDP growth will be probably close to 4%. EURCZK dropped from 25.72 to 25.68. USDRUB continued to grow second day in a row. Central Bank of Russia will decide on the interest rates this week and last week it again suggested a rate hike (demonstrating independency of Russian Prime Minister's pressure to cut rates). Moreover, falling oil prices weighted on the ruble.

**On the domestic debt market** yields rose slightly, despite the sell-off on the core markets (the US mainly). The labour market data pushed the whole US yield curve up by 6bp. On Friday, the domestic IRS market was relatively stable compared to core market changes and Thursday's domestic market session.

**In the coming week** we think that EURPLN could remain slightly above 4.30 as a result of sustained risk aversion and rising expectations on interest hikes in the USA. Later in the week, further weak data from Europe (ZEW index) and a potentially slightly softer tone of the ECB press conference may bring back positive mood to the debt market.

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## FX market

### Today's opening

EURPLN	4.3160	CZKPLN	0.1681
USDPLN	3.7367	HUFPLN*	1.3270
EURUSD	1.1550	RUBPLN	0.0534
CHFPLN	3.8532	NOKPLN	0.4444
GBPPLN	4.8277	DKKPLN	0.5787
USDCNY	6.8595	SEKPLN	0.4136

\*for 100HUF

### Last session in the FX market 07/09/2018

	min	max	open	close	fixing
EURPLN	4.301	4.327	4.323	4.315	4.3079
USDPLN	3.693	3.741	3.719	3.734	3.6995
EURUSD	1.155	1.165	1.163	1.155	-

## Interest rate market 07/09/2018

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0720 (2L)	1.61	1	23 sie 18	OK0720	1.578
DS1023 (5L)	2.60	1	23 sie 18	PS0123	2.335
WS0428 (10L)	3.27	1	23 sie 18	WS0428	3.156

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

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	-1	2.71	4	-0.25	0
2L	1.94	0	2.89	6	-0.15	0
3L	2.13	0	2.94	7	0.00	1
4L	2.32	-1	2.95	7	0.15	1
5L	2.47	0	2.95	7	0.30	1
8L	2.77	0	2.97	6	0.69	2
10L	2.94	-1	3.00	6	0.88	-1

## WIBOR rates

Term	%	Change (bps)
O/N	1.55	0
T/N	1.55	0
SW	1.55	0
2W	1.60	0
1M	1.64	0
3M	1.71	0
6M	1.79	0
9M	1.82	0
1Y	1.87	0

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

Term	%	Change (bps)
1x4	1.72	0
3x6	1.75	0
6x9	1.79	0
9x12	1.82	0
3x9	1.83	0
6x12	1.87	0

## Measures of fiscal risk

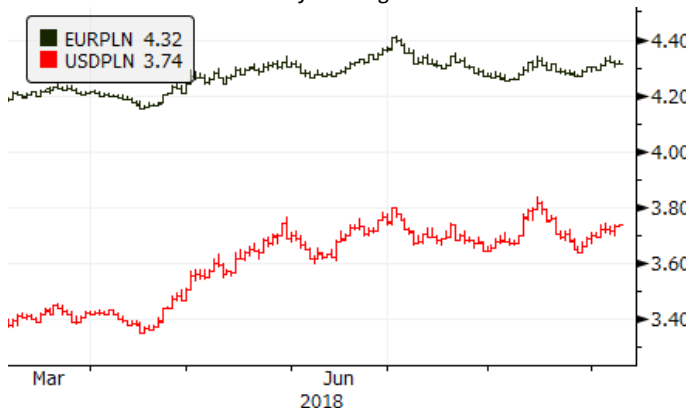
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.89 1
France	25 0	0.33 0
Hungary	116 1	3.09 -3
Spain	64 -1	1.07 0
Italy	239 -3	2.61 -4
Portugal	64 0	1.50 0
Ireland	25 0	0.50 3
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

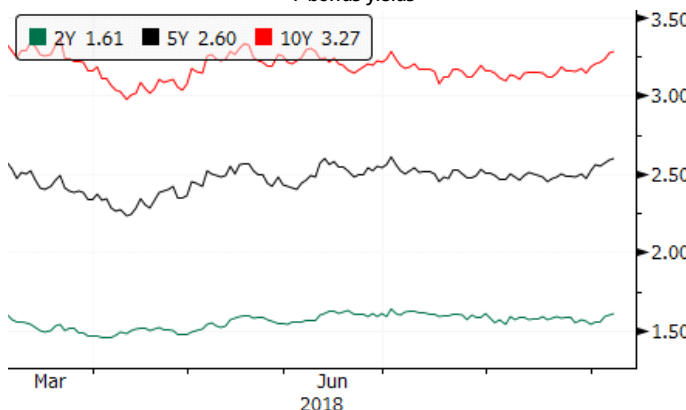
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

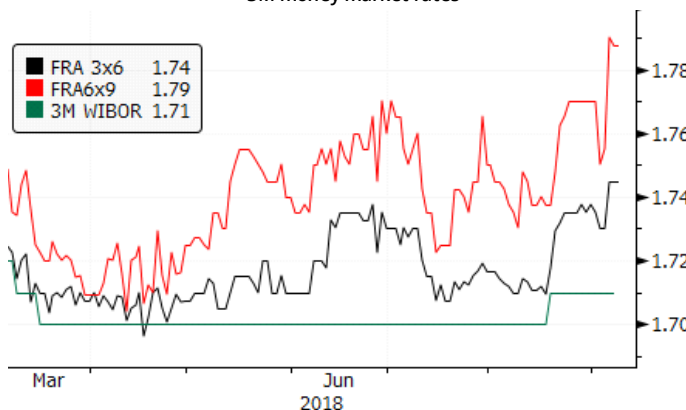
## Zloty exchange rate



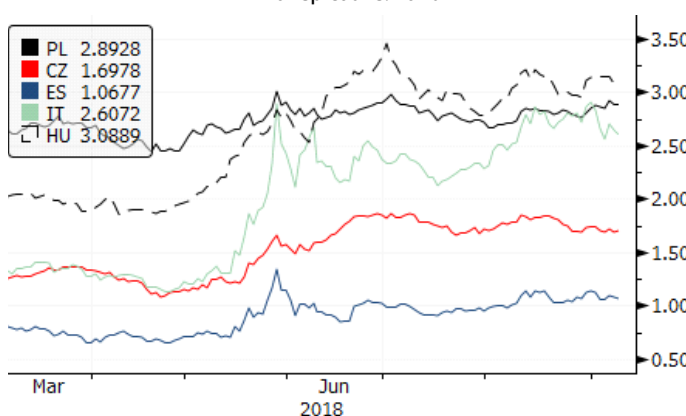
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Time	Country	Indicator	Period	Market	Forecast	Actual	Last
CET					Santander	value	value
<b>Friday (7 September)</b>							
08:00	DE	Export	Jul	% m/m	0.2	-0.9	0.1
08:00	DE	Industrial Production	Jul	% m/m	0.2	-	-1.1
11:00	EZ	GDP SA	2Q	% y/y	2.2	-	2.1
14:30	US	Change in Nonfarm Payrolls	Aug	k	192	-	201
14:30	US	Unemployment rate	Aug	%	3.8	-	3.9
<b>Monday (10 September)</b>							
09:00	CZ	CPI	Aug	% y/y	2.4	-	2.5
<b>Tuesday (11 September)</b>							
09:00	HU	CPI	Aug	% y/y	3.3	-	3.4
11:00	DE	ZEW Survey Current Situation	Sep-18	pts	71.6	-	72.6
<b>Wednesday (12 September)</b>							
11:00	EZ	Industrial Production	Jul	% m/m	-0.3	-	-0.7
<b>Thursday (13 September)</b>							
08:00	DE	HICP	Aug	% m/m	0.1	-	0
10:00	PL	CPI	Aug	% y/y	2	2	2
13:45	EZ	ECB Main Refinancing Rate	Sep-18	%	-	-	-
14:00	PL	Current Account Balance	Jul	€mn	-722	-418	-240
14:00	PL	Trade Balance	Jul	€mn	-460	-255	-413
14:00	PL	Exports	Jul	€mn	17191	17160	18071
14:00	PL	Imports	Jul	€mn	17750	17415	18484
14:30	US	CPI	Aug	% m/m	0.3	-	0.2
14:30	US	Initial Jobless Claims	Aug	k	212.5	-	213
<b>Friday (14 September)</b>							
14:00	PL	CPI Core	Aug	% y/y	0.8	0.8	0.6
14:30	US	Retail Sales Advance	Aug	% m/m	0.6	-	0.5
15:15	US	Industrial Production	Aug	% m/m	0.4	-	0.1
16:00	US	Michigan Index	Sep	pts	96.2	-	96.2
PL	<b>Rating Review by Moody's</b>						

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

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