

11 September 2018

# Eyeopener

## Rebound on the CEE markets

Polish bonds go down amid stabilisation in USA and mixed moves in Europe

Stable growth of new vacancies in Poland

Zloty, koruna and forint appreciated amid weaker ruble

Today ZEW index in Germany

On Monday there were no new important data released (only Czech inflation that surprised to the upside). The markets were recovering after the Friday's rise in risk aversion and euro gained together with the CEE currencies (only the ruble depreciated) as well as Polish bonds. German bond yields rose while South Eastern debt gained.

**Labour demand** in 2Q stabilised in y/y terms. Number of newly created jobs rose by only 1.7% y/y vs 19.5% and 14.4% in the previous quarters. New jobs corrected for job destruction rose 4.8% y/y, while since mid-2016 the measure was growing by 15-42% (with an average of 28% y/y). At the same time, vacancy statistics show that the labour shortage is intensifying. In 2Q, as much as 25.3% out of all newly created jobs remained vacant at the end of the quarter. This is a sizeable increase vs 1Q (14.4%) and given that during the previous three years this indicator moved between 8% and 17%. As a result, the growth rate of total vacancies reached 25% y/y, up from 28% in 1Q, while the growth rate of vacancies among newly created jobs jumped from 35% y/y to 72%. This should support further acceleration of wages in the economy, albeit the August deterioration of business sentiment, if it were to last, may decrease labour demand with time.

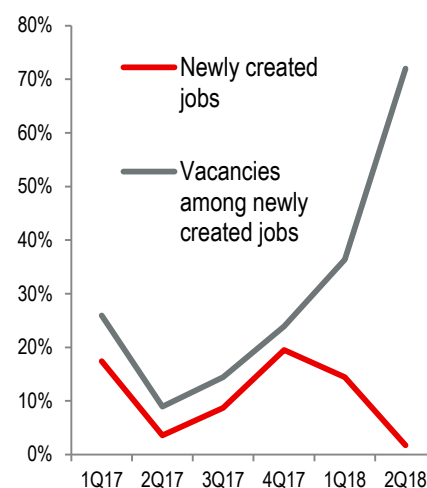
On Monday, **EURUSD** was on the rise amid improved sentiment on the EM markets and slight rise of the equity prices that recovered after the Friday's drop. Friday's comment by president Trump that more tariffs on the Chinese imports could be imposed receded to the background and so EURUSD moved to 1.161 from 1.155. Drop of the European Sentix index was ignored. Today we expect the exchange rate to remain rather stable ahead of the Thursday's ECB decision. The release of ZEW data (we expect weak reading) should not have a meaningful impact on the market.

On Monday, **EURPLN** fluctuated between 4.3100-4.3200 without significant trend. Better appetite for CEE currencies and rebound on equity did not influence the zloty's pricing. As a result, EURPLN closed at 4.3140, close to the opening level. The weakening of the dollar supported USDPLN which declined from 3.7340 to 3.7170. This morning, the zloty got stronger to 4.309 vs the euro. Today we expect stabilisation of the zloty as there are no important publications or data releases in Poland and Europe.

**Among other CEE currencies**, the Czech koruna got stronger significantly thanks to higher than expected CPI (which markets interpreted as higher chances for interest rates hike) and it dropped from 25.70 to 25.64. In the morning, EURHUF increased slightly which was caused by speculations about Tuesday's debate of Hungary in European Parliament. In the afternoon, better sentiment on CEE currencies supported the forint and as a result EURHUF declined to 324.50 from 325.00. Situation of the ruble was different, USDRUB climbed again due to worries about negative influence of trade wars on Russia and USDRUB increased from 69.80 to 70.50 – the highest level since the spring 2016.

**On the domestic debt market**, yields were decreasing, neutralising rises registered at the end of the last week. The domestic market was supported by stabilisation of the US market and smaller reshuffles among domestic investors. As a result, the domestic yield curve moved down by 1-3bp, stronger in the middle part of the curve, while the IRS curve rose by the same scale. It was translated into a narrowing of ASW spread by 4-5bp across the curve. The domestic market ignored the increases of German yields (by c2bp in the 5-10Y segment), while the yields of 10Y Italian bonds slid by 10 bp. Today we expect the decrease in domestic bonds yields to continue ahead of the ECB conference.

Labour demand and vacancies, % y/y



Source: Stat office, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.3070	CZKPLN	0.1681
USDPLN	3.7066	HUFPLN*	1.3275
EURUSD	1.1620	RUBPLN	0.0528
CHFPLN	3.8007	NOKPLN	0.4431
GBPPLN	4.8382	DKKPLN	0.5775
USDCNY	6.8628	SEKPLN	0.4105

\*for 100HUF

### Last session in the FX market 10/09/2018

	min	max	open	close	fixing
EURPLN	4.309	4.328	4.315	4.315	4.3138
USDPLN	3.716	3.749	3.734	3.719	3.7283
EURUSD	1.153	1.162	1.156	1.160	-

## Interest rate market 10/09/2018

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0720 (2L)	1.60	-2	23 sie 18	OK0720	1.578
DS1023 (5L)	2.59	0	23 sie 18	PS0123	2.335
WS0428 (10L)	3.26	-2	23 sie 18	WS0428	3.156

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

Risks on the interbank market						
Term	PL			US		EZ
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	1	2.72	1	-0.25	0
2L	1.96	1	2.90	1	-0.15	0
3L	2.15	2	2.94	1	0.00	0
4L	2.34	2	2.95	0	0.16	0
5L	2.49	2	2.95	0	0.31	1
8L	2.81	3	2.97	0	0.71	1
10L	2.97	4	3.00	0	0.92	1

### WIBOR rates

Term	%	Change (bps)
O/N	1.54	-1
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	1.83	0
3x9	1.83	-1
6x12	1.87	0

### Measures of fiscal risk

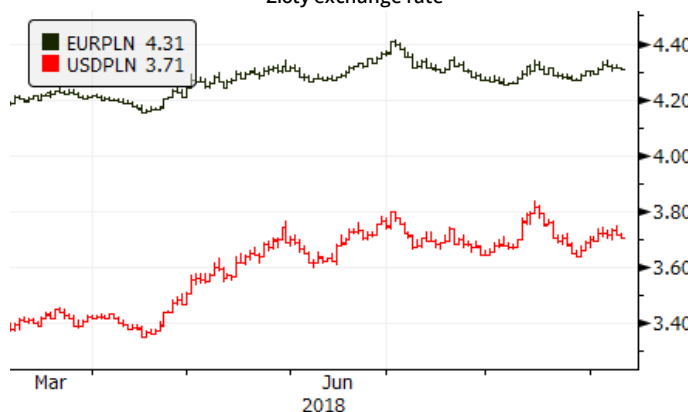
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.84 -3
France	25 0	0.30 -1
Hungary	116 1	3.07 -2
Spain	62 -2	1.04 -1
Italy	232 -7	2.44 -7
Portugal	64 0	1.45 -2
Ireland	25 0	0.47 0
Germany	10 0	- -

\* 10Y treasury bonds over 10Y Bunds

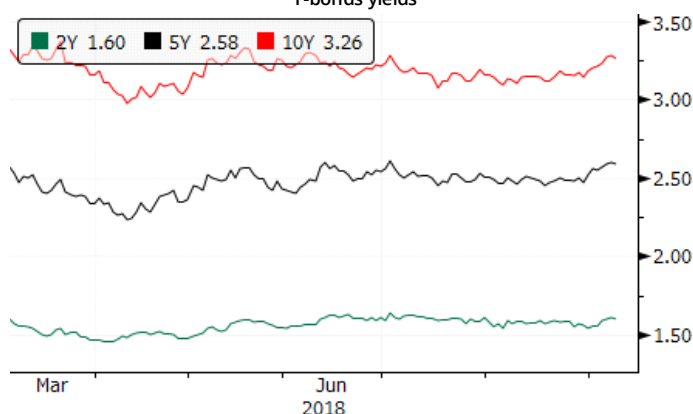
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

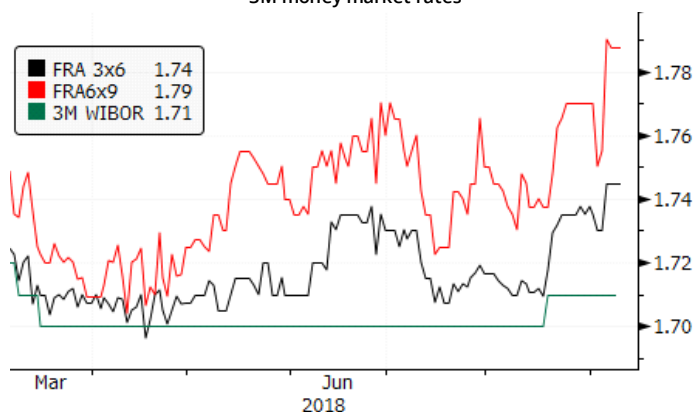
## Zloty exchange rate



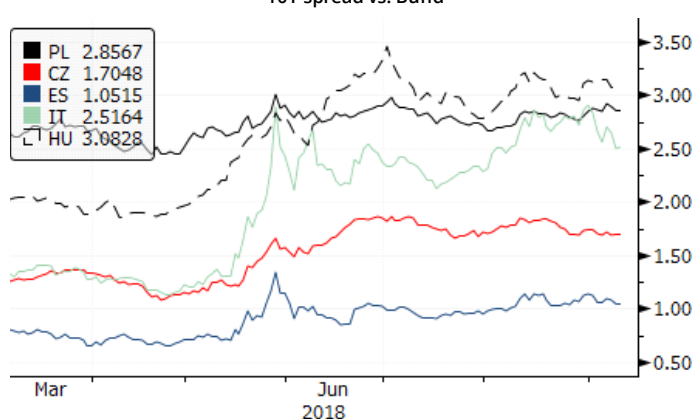
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Time CET	Country	Indicator	Period	Forecast		Actual value	Last value
				Market	Santander		
Friday (7 September)							
08:00	DE	Export	Jul	% m/m	0.2	-0.9	0.1
08:00	DE	Industrial Production	Jul	% m/m	0.2	-	-0.9
11:00	EZ	GDP SA	2Q	% y/y	2.2	-	2.2
14:30	US	Change in Nonfarm Payrolls	Aug	k	192	-	157
14:30	US	Unemployment rate	Aug	%	3.8	3.9	3.9
Monday (10 September)							
09:00	CZ	CPI	Aug	% y/y	2.4	2.5	2.3
Tuesday (11 September)							
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
Wednesday (12 September)							
11:00	EZ	Industrial Production	Jul	% m/m	-0.3	-	-0.7
Thursday (13 September)							
08:00	DE	HICP	Aug	% m/m	0.1	-	0
10:00	PL	CPI	Aug	% y/y	2.0	2.0	2.0
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		k	212.5	-	213
Friday (14 September)							
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	Rating Review by Moody's						

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

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