

5 October 2018

# Eyeopener

## Unemployment stable at 5.8%

Zloty and debt weaker, following Wednesday's selloff in the USA

Core market bond yields only slightly higher

Registered unemployment rate in September stable at 5.8%

Today US labour market data

On Thursday, the global equity markets were falling but the pressure on the debt markets eased a bit. The Ministry of Finance sold the entire planned pool of the bonds at the auction, obtaining relatively good prices, given the nervous atmosphere. The US factory orders surprised slightly to the upside. Very hawkish interpretation of the Wednesday statements of the Fed members, in combination with anticipation of the Friday non-farm payrolls report, pressured the EM debt, shares and currencies, thus having a negative effect on the domestic assets.

According to the Labour Ministry the **registered unemployment rate** remained flat in September at 5.8% (in line with our forecast) after the number of unemployed fell by 9.7k per month (the poorest result for September since 2012). Although the final Stats Office data usually show a slightly stronger fall in the number of unemployed, in our opinion they will confirm the reading of 5.8%. The data indicate deceleration of the unemployed number drop, therefore we expect the unemployment rate to stay flat near the current level until the end of the year.

Yesterday **EURUSD** did not follow the downward impulse initiated on Wednesday and the euro was trimming losses. As a result, at the end of the day the rate was close to 1.153 and broke the streak of six sessions of falls. Today we will get to see US labour market numbers. In our view, the upward surprise in the ADP report has already been priced-in, so if non-farm payrolls are also above the consensus, the market reaction may be muted. A more pronounced reaction could be expected if data are in line with the consensus or below it. The morning data on German factory orders surprised to the upside, but this did not affect the euro.

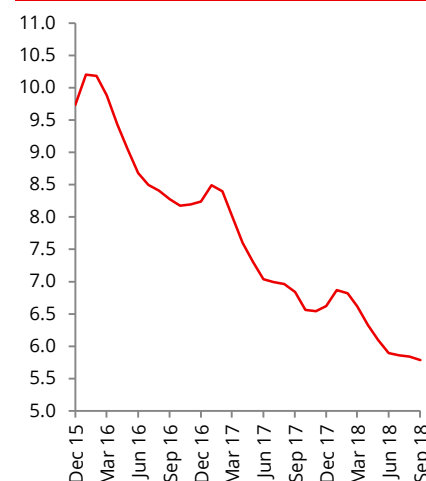
**EURPLN** was testing the resistance at 4.31 during the yesterday's session amid higher risk aversion but at the end of the day the exchange rate corrected back to c4.30. Rising EURUSD pushed USDPLN to 3.745 from 3.755. We are of the opinion that the recent sharp changes on the market have not been justified by fundamentals, so the zloty could stabilize or even recover slightly in the days to come, unless new risk factors emerge. One of these risk factors could be the presidential elections in Brazil with the first round held this weekend.

**Other currencies of the region** also depreciated, especially the ruble and the forint. The Hungarian currency did not respond to central bank official's claim they are ready to normalize monetary policy if needed. The ruble was under pressure due to declining price of oil and the dollar's strengthening during the night. EURHUF and USDRUB climbed above Wednesday highs while EURCZK remained below.

Yesterday, **yields of Polish t-bonds** were following the core markets. Since the beginning of the day we observed yields rising, but the scale of growth was substantially smaller than on the core markets. In the afternoon the domestic and core markets bonds tried to erase the previous losses, but it was interrupted by the evening sell-off on the US market. As a result the domestic yields went up by 2bp over the day. Today we expect the domestic yields to go down. In our opinion negative reaction of US stock market as well as the fact that the market has already priced-in most of positive information, which will be included in the non-farm payrolls may help yields to decrease. In the coming days we expect the positive impact on the domestic t-bonds from bond redemptions of National Road Fund bonds and OK1018 bonds (24-25 October).

On the regular auction Ministry of Finance sold PLN5.97bn bonds series OK0720, PS0424, WZ0524, WS0428, WZ0528, WS0447. The demand was PLN8.67bn (bid-to-cover ratio: 1.45). The most desired were fixed rate bonds.

Registered unemployment rate, %



Source: Thomson Reuters, Bloomberg, Santander Bank Polska

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: skarb.santander.pl

Piotr Bielski +48 22 534 18 87

Marcin Łuziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Konrad Soszyński +48 22 534 18 86

Marcin Sulewski, CFA +48 22 534 18 84

## FX market

### Today's opening

EURPLN	4.3053	CZKPLN	0.1671
USDPLN	3.7487	HUFPLN*	1.3297
EURUSD	1.1485	RUBPLN	0.0567
CHFPLN	3.7826	NOKPLN	0.4556
GBPPLN	4.8547	DKKPLN	0.5774
USDCNY	6.8689	SEKPLN	0.4141

\*for 100HUF

### Last session in the FX market 03/10/2018

	min	max	open	close	fixing
EURPLN	4.285	4.302	4.294	4.301	4.2949
USDPLN	3.697	3.736	3.718	3.735	3.7103
EURUSD	1.151	1.159	1.155	1.152	-

## Interest rate market 03/10/2018

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.55	1	6 wrz 18	OK0720	1.610
DS1023 (5L)	2.55	2	6 wrz 18	PS0123	2.462
WS0428 (10L)	3.25	3	6 wrz 18	WS0428	3.249

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

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.78	0	2.80	2	-0.24	0
2L	1.99	1	3.02	4	-0.10	0
3L	2.19	2	3.09	5	0.07	2
4L	2.38	3	3.12	6	0.25	3
5L	2.52	3	3.13	6	0.40	3
8L	2.83	2	3.16	7	0.80	4
10L	3.00	3	3.18	7	1.01	4

## WIBOR rates

Term	%	Change (bps)
O/N	1.60	0
T/N	1.60	0
SW	1.58	0
2W	1.60	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.82	0
1Y	1.87	0

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

Term	%	Change (bps)
1x4	1.73	0
3x6	1.75	1
6x9	1.78	1
9x12	1.83	1
3x9	1.84	0
6x12	1.88	0

## Measures of fiscal risk

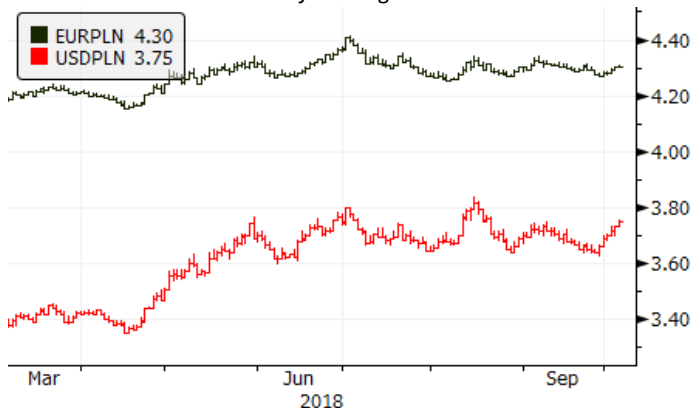
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.71 -4
France	25 1	0.33 -1
Hungary	116 1	3.05 -4
Spain	65 4	1.03 -3
Italy	221 8	2.74 -10
Portugal	64 0	1.38 -4
Ireland	25 0	0.51 -1
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

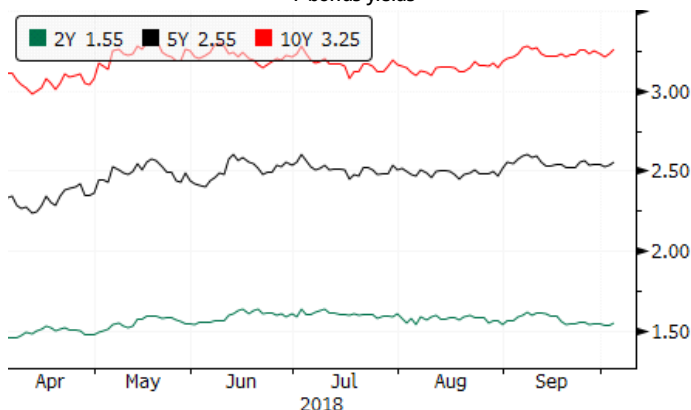
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

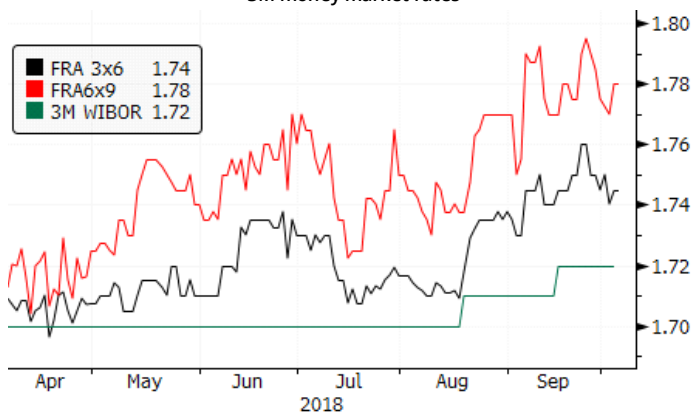
## Zloty exchange rate



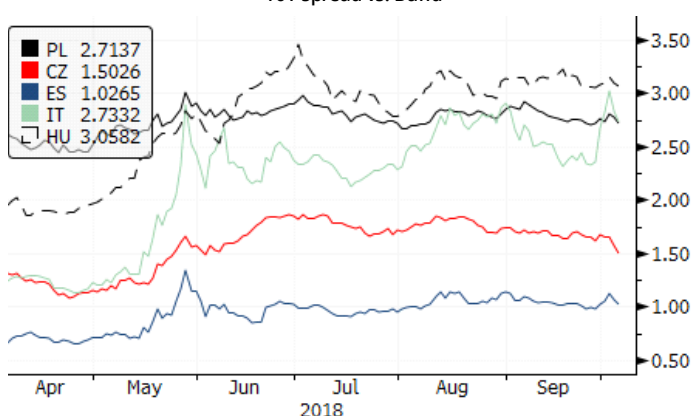
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (28 September)								
11:00	EZ	Flash HICP	Sep	% y/y	2.0	-	2.1	2.0
14:30	US	Personal spending	Aug	% m/m	0.3	-	0.3	0.4
14:30	US	Personal income	Aug	% m/m	0.4	-	0.3	0.3
14:30	US	PCE	Aug	% m/m	0.1	-	0.1	0.1
16:00	US	Michigan index	Sep	pt	100	-	100.1	100.8
MONDAY (1 October)								
9:00	PL	PMI – manufacturing	Sep	pts	51.5	51.2	50.5	51.4
9:55	DE	PMI – manufacturing	Sep	pts	53.7	-	53.7	53.7
10:00	EZ	PMI – manufacturing	Sep	pts	53.3	-	53.2	53.3
10:00	PL	Flash CPI	Sep	% y/y	1.9	2.0	1.8	2.0
16:00	US	ISM – manufacturing	Sep	pts	60.0	-	59.8	61.3
TUESDAY (2 October)								
9:00	CZ	GDP	Q2	% y/y	2.4	-	2.4	2.4
WEDNESDAY (3 October)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
9:55	DE	PMI – services	Sep	pts	56.5	-	55.9	56.5
10:00	EZ	PMI – services	Sep	pts	54.7	-	54.7	54.7
14:15	US	ADP report	Sep	k	185	-	230	163
16:00	US	ISM – services	Sep	pts	58.0	-	61.6	58.5
THURSDAY (4 October)								
11:30	PL	Regular Bond Auction		PLN bn	3-6		5.97	
14:30	US	Initial jobless claims	week	k	215	-	207	215
16:00	US	Industrial orders	Aug	% m/m	2.1	-	2.3	-0.5
FRIDAY (5 October)								
8:00	DE	Industrial orders	Aug	% m/m	0.8	-	2.0	-0.9
14:30	US	Non-farm payrolls	Sep	k	185	-		201
14:30	US	Unemployment rate	Sep	%	3.8	-		3.9

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.