

8 October 2018

Eyeopener

There will be second round in Brazil

Mixed data from the US labour market, weaker from the German industry

Second round in Brazil is necessary

Bank of China eases monetary policy

Zloty slightly stronger thanks to US data

Polish bond yields with no major changes despite weakening abroad

On Friday morning, we observed the Thursday trends continued on the stock and bond markets. However, the stocks and bonds kept falling more slowly than the day before and the CEE currencies depreciation stopped, probably the result of the market anticipating the afternoon monthly US labour market data and of the first round of the presidential election in Brazil. According to the US data, September brought only 134k new jobs in non-farm payrolls. This is the lowest reading in a year but to some extent it could have been the effect of the hurricane Florence which hit the U.S. last month. At the same time, we need to stress a very strong upward revision of the August reading (from 201k to 270k). A potential weather impact on the September reading and revision of the previous data prevented a strong and unambiguous response of the market to the Friday U.S. data release. This morning, the Chinese yuan and Asian stock have been losing as the People's Bank of China decided to cut the reserve requirement rate by 100bp. German industrial production data surprised to the downside.

There will have to be a second round of the **presidential elections in Brazil**. In the Sunday vote the right-wing candidate Jair Bolsonaro got 46.0% and the leftist Fernando Haddad had 29.3% and the two will meet on 28 October. Bolsonaro is known for controversial statements and is called "the tropical Trump". This is not the market-preferred candidate, yet he is viewed as more market friendly than Haddad. Now his victory became very probable. So far there was no market response to the result of the first turn.

EURUSD was hovering around 1.15 until the US nonfarm payrolls were released and jumped to 1.155 after the headline figure was published. The exchange broke the Thursday's peak only marginally. Today the euro lost slightly after the below-consensus German data.

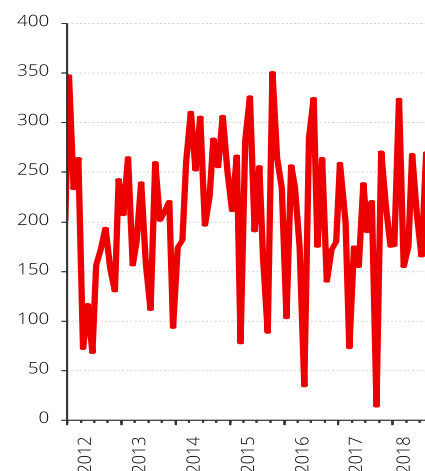
EURPLN retreated from its resistance at 4.31 largely thanks to EURUSD rise after the US data. USDPLN eased to 3.73 from 3.755. EURPLN returned to the narrow range but is still near its lower end. The global sentiment should determine the direction for the exchange rate in the days to come. We think that risk aversion might abate allowing the zloty to recover slightly.

The **other CEE currencies** also stabilised. EURHUF remained slightly below the Thursday's peak while EURCZK and USDRUB fell slightly.

Polish **bond yields** did not change much at the end of the week rising temporarily during the day and ending the session near Thursday's closing. Abroad, bonds continued to weaken but at a lower scale than the day earlier.

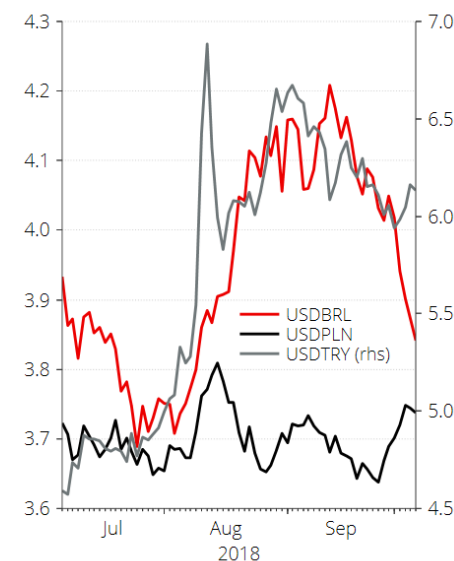
This week calendar is very light, however it not means that it will be the boring time. The start of the week is under the influence of the first round of the presidential election in Brazil. In this week in the calendar are plenty of FOMC members statement, last week FOMC member remarks were triggered the bonds market sell-off. Moreover, "last chance meeting" for Brexit negotiations was scheduled for 18 October. On the local front Fitch and S&P may review sovereign rating of Poland on 12 October (evening). Last time (last April) S&P upgraded the perspectives for Polish debt up. This time we do not expect any changes. Today, markets in the U.S. and Japan are closed, so investors' reaction to major events may be delayed.

Monthly Change in the US nonfarm payrolls (k)



Source: Thomson Reuters Datastream, Santander Bank Polska

Emerging currencies



Source: Thomson Reuters Datastream, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.3091	CZKPLN	0.1672
USDPLN	3.7477	HUFPLN*	1.3247
EURUSD	1.1498	RUBPLN	0.0560
CHFPLN	3.7789	NOKPLN	0.4532
GBPPLN	4.9014	DKKPLN	0.5777
USDCNY	6.8991	SEKPLN	0.4127

*for 100HUF

Last session in the FX market 05/10/2018

	min	max	open	close	fixing
EURPLN	4.298	4.317	4.310	4.305	4.3117
USDPLN	3.724	3.753	3.746	3.736	3.7518
EURUSD	1.148	1.155	1.150	1.152	-

Interest rate market 05/10/2018

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.58	0	4 paź 18	OK0720	1.517
DS1023 (5L)	2.60	0	4 paź 18	PS0424	2.732
WS0428 (10L)	3.30	0	4 paź 18	WS0428	3.303

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.79	0	2.82	0	-0.24	0
2L	2.01	-1	3.07	1	-0.08	1
3L	2.23	0	3.15	2	0.11	1
4L	2.43	1	3.18	2	0.29	2
5L	2.58	6	3.19	2	0.46	1
8L	2.89	0	3.24	3	0.87	4
10L	3.06	0	3.27	3	1.08	3

WIBOR rates

Term	%	Change (bps)
O/N	1.60	1
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	1.76	-1
6x9	1.80	-1
9x12	1.85	-1
3x9	1.86	0
6x12	1.89	0

Measures of fiscal risk

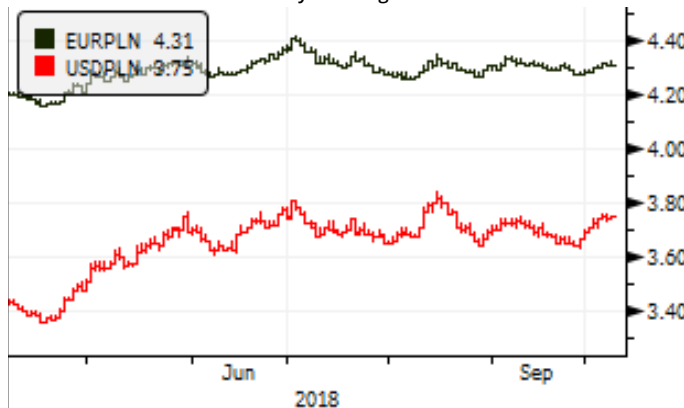
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.75 1
France	25 1	0.34 1
Hungary	116 1	3.15 2
Spain	65 4	1.03 3
Italy	221 8	2.95 10
Portugal	64 0	1.39 3
Ireland	25 0	0.51 1
Germany	11 0	- -

* 10Y treasury bonds over 10Y Bunds

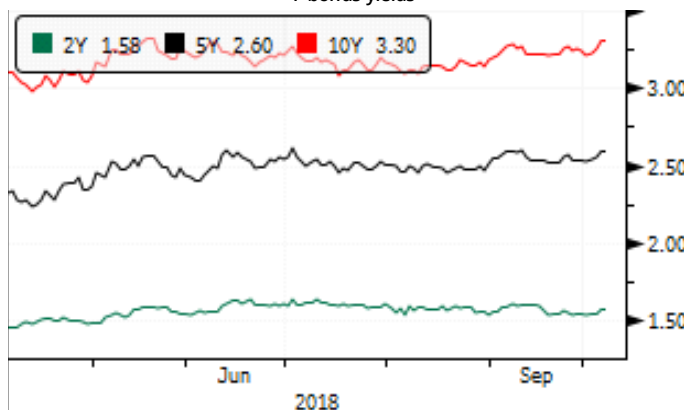
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

Zloty exchange rate



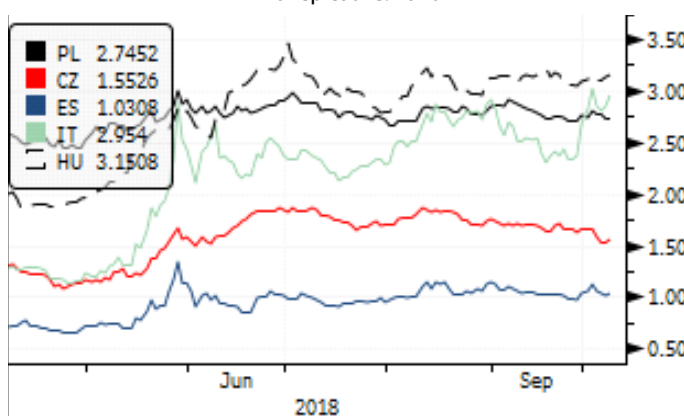
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic Calendar								
TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
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	-	134	270
14:30	US	Unemployment rate	Sep	%	3.8	-	3.7	3.9
MONDAY (8 October)								
03:45	CN	Caixin China PMI Services	Sep	pts	51.4	-	53.1	51.5
08:00	DE	Industrial Production SA	Aug	% m/m	0.5	-	-0.3	-1.1
09:00	CZ	Industrial Production	Aug	% y/y	2.6	-	1.9	10.3
TUESDAY (9 October)								
08:00	DE	Exports SA	Aug	% m/m	0.45	-		-0.8
09:00	CZ	CPI	Sep	% y/y	2.5	-		2.5
09:00	HU	CPI	Sep	% y/y	3.5	-		3.4
WEDNESDAY (10 October)								
		No importnat events				-		
THURSDAY (11 October)								
14:30	US	CPI	Sep	% m/m	0.2	-		0.2
14:30	US	Initial Jobless Claims	week	k	215	-		207
FRIDAY (12 October)								
	PL	Fitch Rating Review						
	PL	S&P Rating Review						
08:00	DE	HICP	Sep	% m/m	0.4	-		0.4
11:00	EZ	Industrial Production SA	Aug	% m/m	0.5	-		-0.8
16:00	US	Michigan index	Oct	pts	100.8	-		100.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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