

16 October 2018

# Eyeopener

## Polish labour market data today

Higher C/A deficit in Poland  
 Dollar weakens, zloty slightly stronger  
 Profit taking on the bond market after S&P upgrade  
 Today, Polish labour market data, MNB decision in the CEE region

On Monday, we saw Poland final reading of September CPI and the C/A data for August. The US retail sales data proved worse than expected. Equity markets recovered somewhat from the losses that occurred in the second part of last week. Emerging market currencies gained, as did the zloty. Domestic bond yields moved up, despite stable core markets. EURUSD went higher with the help of weak US data.

In August, **Poland's current account balance** was a deficit of €0.55 billion, vs consensus of €0.44 billion and our €0.30 billion forecast. Both exports (+7.4% y/y) and imports (+11.2% y/y) beat expectations. This is an important positive outcome in a context of mounting global trade fears. We nonetheless think exports growth could soften in the remaining months of 2018.

**Final September CPI amounted to 1.9% y/y** vs. the flash estimate at 1.8% y/y. We estimate core CPI at 0.9% y/y. The decline of CPI versus August's 2.0% y/y was mainly due to high volatility in services prices. We believe that prices will accelerate in 2019 to 2.6% y/y, on average, vs. 1.8% y/y in 2017. Acceleration of inflation would strengthen the arguments of MPC hawks and eventually lead to a rate hike (in late 2019 at the earliest). Yesterday, MPC member Grażyna Ancyparowicz, who, until recently, supported stabilization of interest rates, stated that there may be a need to start a discussion about monetary tightening in 2H19.

**EURUSD** was on the rise for the better part of the day amid lower risk aversion, no rise of the UST yields and weaker data of US retail trade. As a result EURUSD ended the day at 1.159 vs 1.155 at the opening. Today we expect a slight correction of EURUSD thanks to a bit weaker German ZEW and uncertainty connected with threat of imposing new tariffs on China's trade by US president. Also, the greenback might be supported by higher UST yields at the beginning of the day.

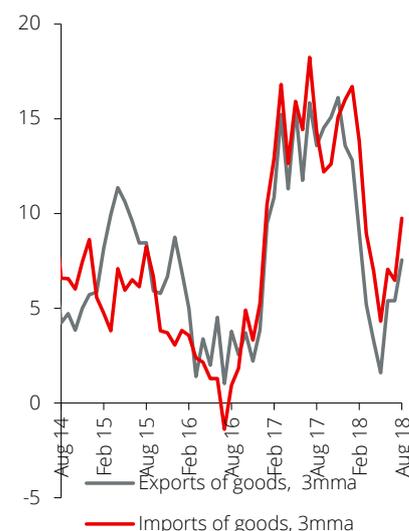
**EURPLN** fell soon after the session opening to almost 4.28 but later in the day the zloty gave up most of the morning gains. Zloty appreciation was supported by the S&P's decision and good sentiment on emerging market. At the beginning of the session, the sentiment is slightly negative and the dollar could gain thanks to the rise of the UST yields. As a result, we see little room for the stronger zloty during today's session.

**As regards other CEE currencies**, changes were mixed. The forint kept gaining against the euro for the third session in a row and EURHUF approached the October low set at 322 at the beginning of the month. On the other hand, the koruna lost and EURCZK grew slightly. **Today, the Hungarian central bank (MNB) will hold a meeting.** Last month, the bank introduced slightly less dovish rhetoric that supported the forint. Hungarian 10Y bond yield soared above 3.90% (the highest since mid-2015) and that may prevent the central bank from adopting even more hawkish tone. As a result, we do not expect the outcome of the bank meeting to have a positive impact on the forint.

In the morning **domestic yields fell**, discounting rating upgrade by the S&P. Later during the day, the yields grew again amid profit taking and went back to the Friday closing. IRS rates stabilized, except for 2Y, which translated into widening of the ASW spread. Today, we have been expecting the yields to fall again in 2Y-5Y sector in response to the domestic payroll release slightly below-consensus and the buybacks at the end of the month. However, we think that the declines will be insignificant.

**Today, Polish data on wages and employment** will be published but we are not too optimistic about it. The employment growth decelerates and the wage growth will be kept down by the negative working days effect.

### Foreign trade turnover, % y/y



Source: NBP, Santander Bank Polska

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**FX market**

Today's opening			
EURPLN	4.2915	CZKPLN	0.1662
USDPLN	3.7063	HUFPLN*	1.3312
EURUSD	1.1579	RUBPLN	0.0566
CHFPLN	3.7472	NOKPLN	0.4549
GBPPLN	4.8814	DKKPLN	0.5752
USDCNY	6.9243	SEKPLN	0.4142

\*for 100HUF

**Last session in the FX market 15/10/2018**

	min	max	open	close	fixing
EURPLN	4.283	4.300	4.296	4.292	4.2927
USDPLN	3.696	3.724	3.715	3.705	3.7091
EURUSD	1.154	1.161	1.156	1.158	-

**Interest rate market 15/10/2018**

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.57	1	4 paź 18	OK0720	1.517
DS1023 (5L)	2.53	0	4 paź 18	PS0424	2.732
WS0428 (10L)	3.23	0	4 paź 18	WS0428	3.303

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.79	1	2.84	2	-0.24	0
2L	2.05	2	3.05	2	-0.10	0
3L	2.29	1	3.11	2	0.08	0
4L	2.47	1	3.13	2	0.26	0
5L	2.61	0	3.14	2	0.42	0
8L	2.91	-1	3.17	2	0.83	1
10L	3.06	-1	3.20	2	1.04	1

**WIBOR rates**

Term	%	Change (bps)
O/N	1.57	-8
T/N	1.57	-9
SW	1.59	-1
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	1.77	2
6x9	1.80	1
9x12	1.86	2
3x9	1.86	0
6x12	1.90	0

**Measures of fiscal risk**

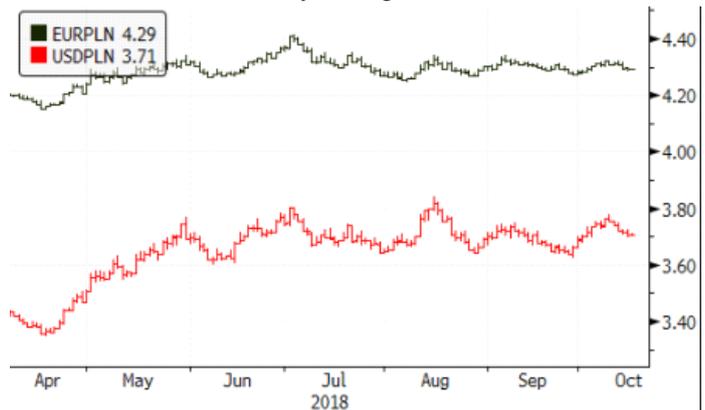
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.73	0
France	25	1	0.36	0
Hungary	116	1	3.38	-1
Spain	65	4	1.17	0
Italy	221	8	3.04	0
Portugal	64	0	1.49	0
Ireland	25	0	0.55	0
Germany	11	0	-	-

\* 10Y treasury bonds over 10Y Bunds

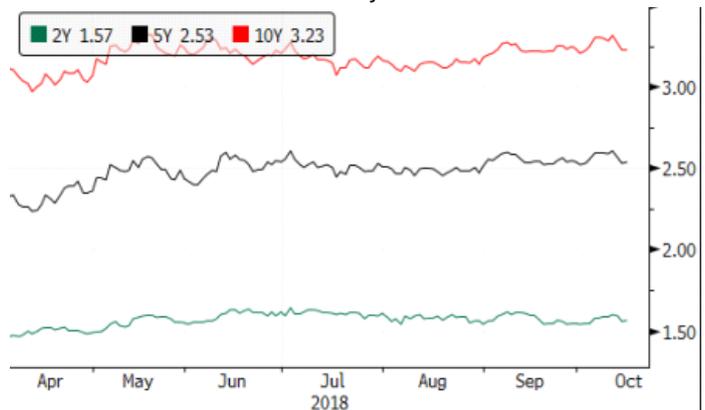
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

**Zloty exchange rate**



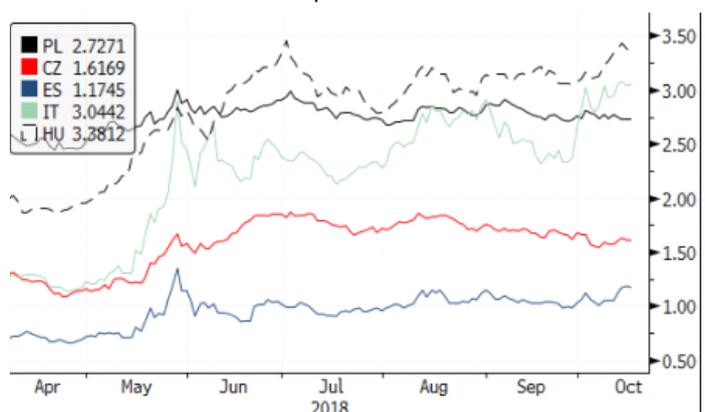
**T-bonds yields**



**3M money market rates**



**10Y spread vs. Bund**



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL .....	LAST VALUE*
				MARKET	SANTANDER		
<b>FRIDAY (12 October)</b>							
	<b>PL</b>	<b>Fitch Rating Review</b>					
	<b>PL</b>	<b>S&amp;P Rating Review</b>					
08:00	DE	HICP	Sep	% m/m	0.4	-	0.4
11:00	EZ	Industrial Production SA	Aug	% m/m	0.5	-	1.0
16:00	US	Michigan index	Oct	pts	100.5	-	99.0
<b>MONDAY (15 October)</b>							
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Sep</b>	<b>% y/y</b>	<b>-</b>	<b>1.8</b>	<b>1.9</b>
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Aug</b>	<b>€mn</b>	<b>-396</b>	<b>-287</b>	<b>-549</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Aug</b>	<b>€mn</b>	<b>-321</b>	<b>-415</b>	<b>-329</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Aug</b>	<b>€mn</b>	<b>16 944</b>	<b>16 874</b>	<b>17 195</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Aug</b>	<b>€mn</b>	<b>17 254</b>	<b>17 289</b>	<b>17 524</b>
14:30	US	Retail Sales Advance	Sep	% m/m	0.7	-	0.1
<b>TUESDAY (16 October)</b>							
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>Sep</b>	<b>% y/y</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>Sep</b>	<b>% y/y</b>	<b>7.1</b>	<b>6.9</b>	<b>6.8</b>
11:00	DE	ZEW Survey Current Situation	Oct	pts	74.3	74.4	76.0
14:00	HU	Central Bank Rate Decision		%	0.90	0.90	0.90
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>Sep</b>	<b>% y/y</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>
15:15	US	Industrial Production	Sep	% m/m	0.25	-	0.41
<b>WEDNESDAY (17 October)</b>							
<b>10:00</b>	<b>PL</b>	<b>Sold Industrial Output</b>	<b>Sep</b>	<b>% y/y</b>	<b>4.5</b>	<b>2.3</b>	<b>5.0</b>
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>Sep</b>	<b>% y/y</b>	<b>18.5</b>	<b>15.8</b>	<b>20.0</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>Sep</b>	<b>% y/y</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>
11:00	EZ	HICP	Sep	% y/y	2.1	-	2.1
14:30	US	Housing Starts	Sep	% m/m	-5.0	-	9.2
20:00	US	FOMC Meeting Minutes					
<b>THURSDAY (18 October)</b>							
14:30	US	Initial Jobless Claims	week	k	207	-	214
14:30	US	Index Philly Fed	Oct		21.0	-	22.9
<b>FRIDAY (19 October)</b>							
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Sep</b>	<b>% y/y</b>	<b>6.2</b>	<b>6.5</b>	<b>6.7</b>
16:00	US	Existing Home Sales	Sep	% m/m	-0.5	-	0.0

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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