

10 June 2019

Eyeopener

Tensions eased on the markets

Poor US non-farm payrolls, tariffs on Mexico postponed
 EURPLN dropped further
 Core market bonds gave up some gains
 Today no important data releases

On Friday in the morning we got to see disappointing data from Germany on industrial output and on exports, but these numbers did not trigger a major market reaction. Stock markets were continuing to rise, the euro was stable versus the dollar and core yields were oscillating near the Thursday close ahead of the monthly US labour market statistics. May increase in the US non-farm payrolls disappointed and was the weakest since a breakdown in February. Unexpectedly, also the wage growth weakened. After these weak data the market grew in confidence that the Fed will revert to rate cuts this year already, and this fuelled demand for risky assets. Market mood was also supported by the US decision to freeze their plans to impose further tariffs on Mexico. There was also an information that the US and Chinese presidents are agreed to meet during the G20 summit at the end of June, so maybe some progress in trade talks will be delivered there. The week is starting in good moods, despite weak data on Chinese trade this morning (large fall of imports and a rebound of exports ahead of imposition of tariffs by the USA).

EURUSD was hovering around 1.126 where it landed after the night drop and there was no response to the morning German data. After the very poor US nonfarm payrolls, the exchange rate jumped above 1.13 and at the beginning of this week is at its highest since mid-April. We believe market optimism related to postponement of the Mexican tariffs shall help EURUSD to hold at the high level.

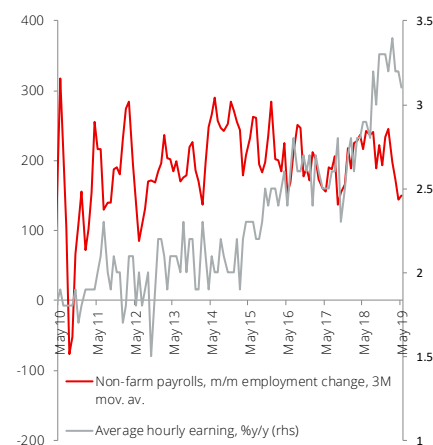
EURPLN rebounded to 4.277 in the first part of the day, amid the forint depreciation, only to return to 4.27 in the afternoon. The down move continued until the end of the day and today in the morning the exchange rate is trading near 4.26. Today markets could recover after last week's heightened concerns related to the global economic outlook which might help the zloty to keep its recent gains. EURPLN is at the lower end of its multi-month range and we think the room for stronger zloty is limited.

In case of the **other CEE currencies**, the forint and koruna depreciated while the ruble was stable supported by the rising oil prices. The Hungarian currency might have been pressured by the inflation and foreign trade data.

On the **domestic debt market**, IRS and yields falls continued with a small pause before noon. As a result yields on the long end of the curve dropped by 3bp. We think that Polish long end govies will be weaker today on profit-taking, especially that UST and Bunds yields are rising this morning.

After a pretty interesting week – with the ECB presenting updated economic forecasts, Donald Trump giving a strong hint that the new front in the trade war could be opened soon and the US market becoming even more aggressive in pricing rate cuts – the coming days could be somewhat calmer. There will be only a limited number of data releases – in Poland final May CPI and April C/A will be published, abroad, the market attention shall focus on the US releases, particularly May inflation. EURPLN has neared the lower end of the 4.26-4.34 range in which it has been holding since August. We think that **EURPLN is more likely to rise rather than to fall from the current levels**. Polish 5Y and 10Y bond yields are now at their lowest levels since April 2015 and the 10Y yield spread vs Bund has reached its lowest since February 2019. This week, we are rather unlikely to see any signals that could improve the global economic outlook and trigger profit taking after the recent yield's free-fall. In Poland, the bond switch auction will be held. Lack of standard auction scheduled for June should favour demand at the Thursday's switch which in turn could be a positive factor for the market.

US labour market data



Source: Bloomberg, Santander

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 Luziński +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	4.2613	CZKPLN	0.1664
USDPLN	3.7684	HUFPLN*	1.3315
EURUSD	1.1308	RUBPLN	0.0581
CHFPLN	3.8051	NOKPLN	0.4363
GBPPLN	4.7903	DKKPLN	0.5706
USDCNY	6.9254	SEKPLN	0.4003

*for 100HUF

Last session in the FX market 07/06/2019

	min	max	open	close	fixing
EURPLN	4.258	4.277	4.275	4.259	4.2762
USDPLN	3.754	3.800	3.785	3.757	3.7958
EURUSD	1.125	1.135	1.129	1.133	-

Interest rate market 07/06/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0521 (2L)	1.60	-1	21 mar 19	OK0521	1.633
PS0424 (5L)	1.95	-1	21 mar 19	PS0424	2.209
DS1029 (10L)	2.46	-3	21 mar 19	DS1029	2.877

IRS on the interbank market**

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.12	-1	-0.29	-1
2L	1.74	-1	1.92	2	-0.30	-2
3L	1.76	0	1.87	3	-0.27	-2
4L	1.80	0	1.86	2	-0.22	-2
5L	1.86	0	1.89	1	-0.15	-2
8L	2.03	0	2.00	0	0.09	-3
10L	2.14	0	2.07	-1	0.25	-2

WIBOR rates

Term	%	Change (bps)
O/N	1.59	0
T/N	1.59	0
SW	1.59	0
2W	1.60	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.72	0
3x6	1.71	0
6x9	1.71	1
9x12	1.69	0
3x9	1.79	0
6x12	1.77	0

Measures of fiscal risk

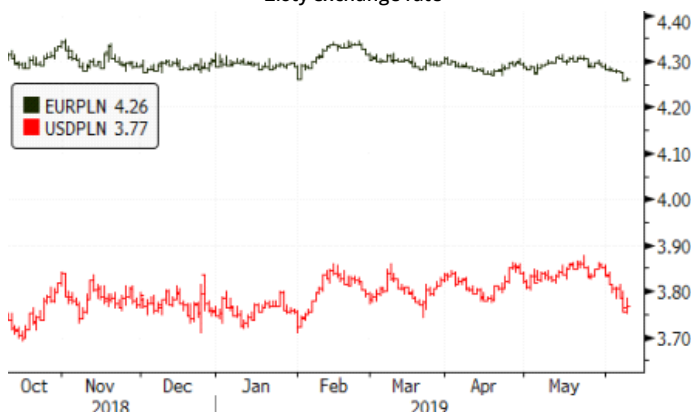
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.70 -4
France	29 -1	0.34 0
Hungary		3.06 -6
Spain	51 -5	0.80 -1
Italy	231 -10	2.60 -1
Portugal	57 -1	0.87 0
Ireland	30 -1	0.53 0
Germany	12 0	- -

* 10Y treasury bonds over 10Y Bunds

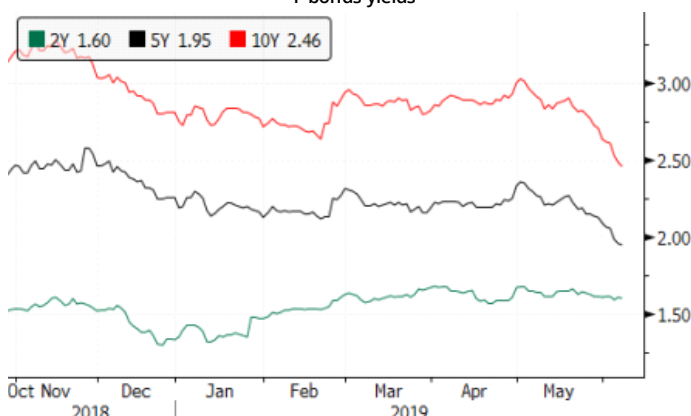
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

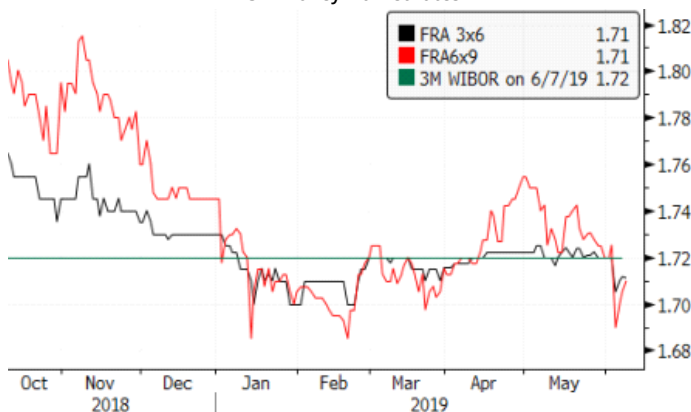
Zloty exchange rate



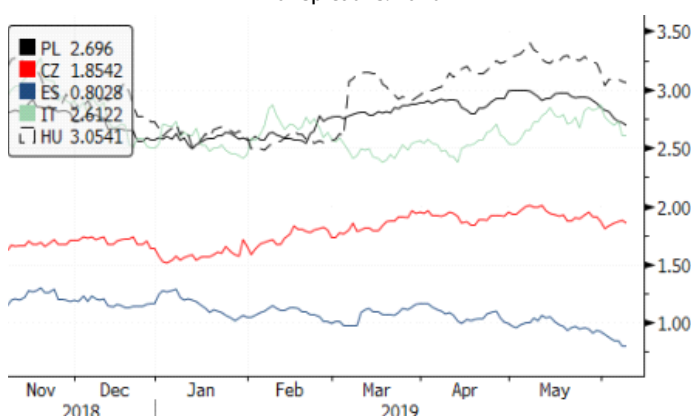
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
FRIDAY (7 June)								
08:00	DE	Exports SA	Apr	% m/m	-0.9	-	-3.7	1.6
08:00	DE	Industrial Production SA	Apr	% m/m	-0.5	-	-1.9	0.5
09:00	HU	CPI	May	% y/y	3.9	-	3.9	3.9
14:30	US	Change in Nonfarm Payrolls	May	k	180	-	75	224
14:30	US	Unemployment Rate	May	%	3.6	-	3.6	3.6
MONDAY (10 June)								
No important events								
TUESDAY (11 June)								
09:00	CZ	CPI	May	% y/y	2.8	-		2.8
WEDNESDAY (12 June)								
14:30	US	CPI	May	% m/m	0.1	-		0.3
THURSDAY (13 June)								
11:00	EZ	Industrial Production	Apr	% m/m	-0.2	-		-0.3
14:00	PL	Current Account Balance	Apr	€mn	595	944		533
14:00	PL	Trade Balance	Apr	€mn	425	499		589
14:00	PL	Exports	Apr	€mn	19 517	19 430		19 654
14:00	PL	Imports	Apr	€mn	19 104	18 931		19 065
14:30	US	Initial Jobless Claims	week	k	-	-		218
FRIDAY (14 June)								
10:00	PL	CPI	May	% y/y	2.3	2.3		2.2
14:30	US	Retail Sales Advance	May	% m/m	0.6	-		-0.2
15:15	US	Industrial Production	May	% m/m	0.2	-		-0.5
16:00	US	Flash Michigan index	Jun	pts	97.0	-		100.0

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

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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.