

11 June 2019

Eyeopener

Labour demand stabilizes

Job gains decelerate in Poland
Zloty weakens mildly despite rising stocks
Profit taking on the debt market
Today no important data releases

The week started with a rebound in prices of risky assets, among other factors thanks to suggestion that new tariffs against Mexico will be suspended. This made core bond yields and stock indices rise. However, the CEE currencies did not benefit noticeably from improving sentiment. As regards the zloty, it weakened following the falling EURUSD, while Polish bond yields increased for the first time since end of May.

In 1Q19 in Poland the total number of vacancies was 6.5% lower y/y and the number of newly created vacancies (in the quarter) was down 17.3% y/y. In both categories it was the first y/y decline since 2013. The number of newly created jobs in 1Q was marginally higher than a year ago (+1.7% y/y, and with a correction for liquidated workplaces it was up 2.1% y/y). In the previous quarters we had historically high share of unfilled vacancies among newly created jobs (24% in 4Q18) – this time the share dropped to the lowest level in three years, 11.7%. Based on these data we judge that labour demand is stabilising, which could be a reflection of both worries about the global growth prospects and a switch of companies to less labour-intensive technologies (we assume this is why investments rose so much in 1Q).

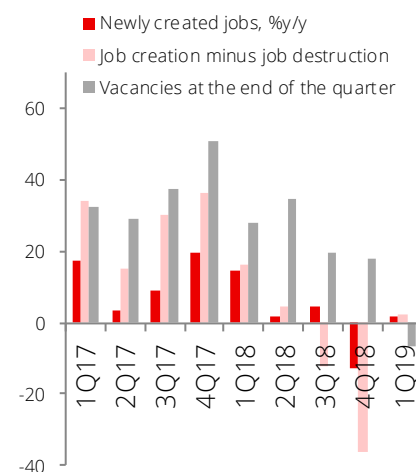
EURUSD was sliding throughout the session, following the rising spread between the 10Y Bunds and UST. The dollar strengthening was not undermined neither by Trump's critics of the Fed policy as being too restrictive nor by stock market rebound. As a result, EURUSD moved to 1.131 in the evening from 1.134 on Friday. Today we are expecting the exchange rate to remain relatively stable given lack of important data releases and positive equity market sentiment.

EURPLN climbed above 4.26 due to some profit-taking after the Friday strengthening fuelled by the market pricing US rate cuts. The zloty sell-off was limited by Trump's critic of the Fed policy. USDPLN was following a similar path rising to 3.768 from 3.759. Today EURPLN is likely to remain close to 4.26. In our view, from these levels profit-taking is more probable than a continuation of the zloty strengthening.

In the case of other CEE currencies, EURHUF remained stable throughout Monday, moving in a tight range of 319.8-320.2, amid lack of important data releases. EURCZK was similarly stable, around 25.62. USDRUB dropped slightly to 64.70 from 64.95 despite a slight drop of Brent oil price.

On Monday, **on the debt market**, we saw yields rebound, after the last week's yields drop. The yields of Polish govies, as well as their German peers rose by 3-4bp on the long end of the curve. UST10Y jumped by 7 bp. The domestic curve in 2-5Y segment shifted up by 1bp and 5bp, respectively. The US president suggested that the tariffs on the Mexican goods could be suspended which boosted the appetite for risk assets, and pushed the yields up. Today we expect the yields rise to continue owing to the rising stock markets.

Labour demand and vacancies data, %y/y



Source: GUS, 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	4.2625	CZKPLN	0.1663
USDPLN	3.7664	HUFPLN*	1.3315
EURUSD	1.1317	RUBPLN	0.0583
CHFPLN	3.8023	NOKPLN	0.4340
GBPPLN	4.7737	DKKPLN	0.5707
USDCNY	6.9142	SEKPLN	0.3998

*for 100HUF

Last session in the FX market 10/06/2019

	min	max	open	close	fixing
EURPLN	4.257	4.266	4.259	4.263	4.264
USDPLN	3.750	3.785	3.764	3.767	3.7745
EURUSD	1.129	1.133	1.132	1.132	-

Interest rate market 10/06/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0521 (2L)	1.62	2	21 mar 19	OK0521	1.633
PS0424 (5L)	2.00	6	21 mar 19	PS0424	2.209
DS1029 (10L)	2.50	4	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	1	2.15	3	-0.29	0
2L	1.76	1	1.96	4	-0.30	0
3L	1.78	2	1.90	4	-0.27	1
4L	1.84	3	1.90	4	-0.21	1
5L	1.90	4	1.93	4	-0.14	1
8L	2.06	4	2.04	4	0.12	3
10L	2.18	4	2.12	4	0.29	4

WIBOR rates

Term	%	Change (bps)
O/N	1.57	-2
T/N	1.57	-2
SW	1.57	-2
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	1.72	1
6x9	1.71	1
9x12	1.70	1
3x9	1.79	0
6x12	1.78	1

Measures of fiscal risk

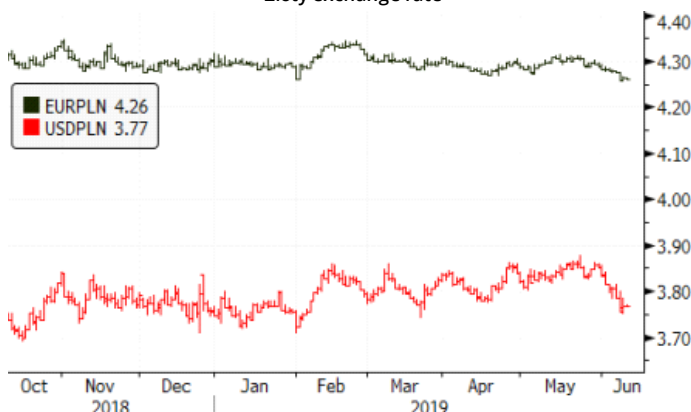
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.72 5
France	29 -1	0.35 -1
Hungary		3.05 1
Spain	51 -5	0.82 0
Italy	231 -10	2.57 -1
Portugal	57 -1	0.89 0
Ireland	30 -1	0.54 -1
Germany	12 0	- -

* 10Y treasury bonds over 10Y Bunds

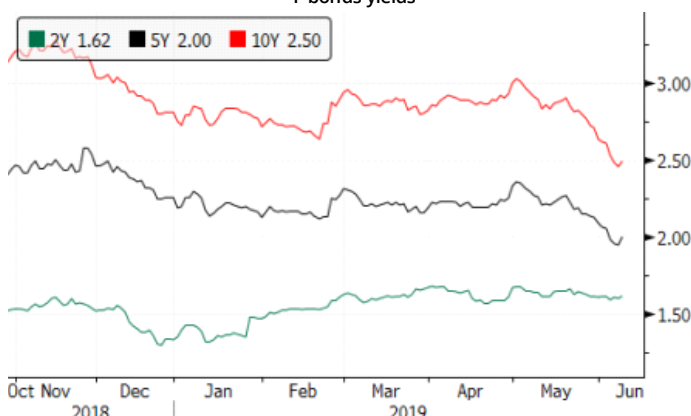
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

Zloty exchange rate



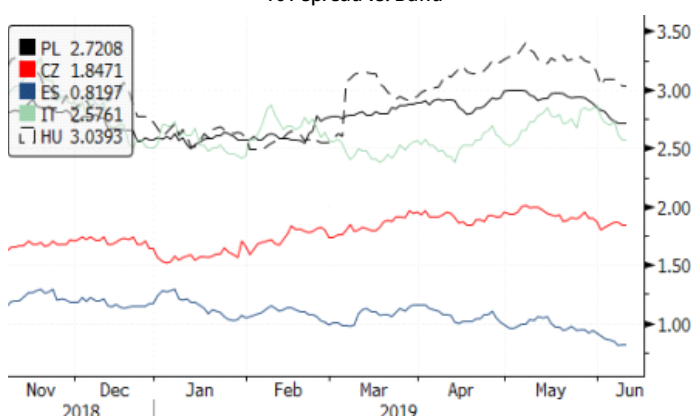
T-bonds yields



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	-	2.9	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>.