

Eyeopener

Strong NFP at the end of week

US labour market data surprise to the upside
 EURUSD down, core yields sharply up
 Zloty and bonds weaker
 Today, presentation of the new Inflation report

The key event on Friday was the release of the US non-farm payrolls data. The previous reading (for May) was very weak; ADP report perceived as a hint for official employment was also not very strong, and thus market forecast was not very optimistic. In the first half of the day markets were quite stable, awaiting the key data release, and the reading surprised strongly to the upside, which trimmed market expectations for Fed's interest rate cuts and triggered some volatility – equity prices fell and bond yields soared (10Y US Treasuries up by 10bp, 10Y Bunds by 5bp).

Today at the opening market sentiment is slightly weak. Morning data releases from Germany (export and industrial output) were only a notch below expectations and showed a rebound versus previous months.

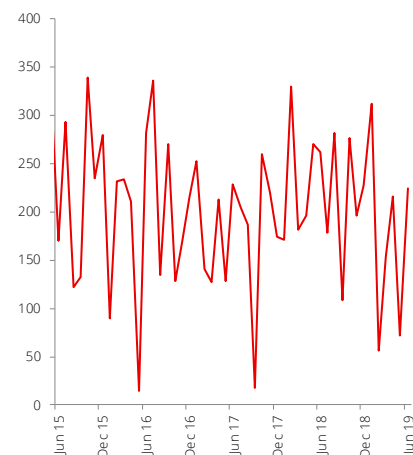
EURUSD started Friday session at around 1.127. Strong US data made the market trim its Fed rate cuts expectations, which strengthened dollar and the exchange rate fell to around 1.121 at the end of the day. This week's calendar of foreign data publications may be rather sparing, hence the market will focus on signals from central banks (FOMC minutes, Jerome Powell's speech in Senate). We think that neither FOMC minutes, nor Powell's speech will be sufficiently dovish to awake again expectations for a July cut, so dollar may still gain. Today there won't be any crucial data published, thus EURUSD will probably fluctuate around Friday's minimum waiting for Wednesday FOMC minutes and Thursday Fed's head speech.

The US data hit the zloty and **EURPLN** rose to 4.253 at the end of the day from 4.243 at the opening. Last week, the exchange rate did not manage to stay long below 4.24 despite a significant rise of the equity indexes. That suggests that we may need a new factor that could push EURPLN lower but yet we do not see that coming. USDPLN rose from 3.76 to 3.79. There won't be any domestic data publication this week, but today NBP will post a new "Inflation Report" with inflation and GDP's projections. We already know that in both cases 2019-2020 forecasts are better than expected and those for 2021 are practically the same. Today at the opening, European stock markets are slightly in red which, together with stronger dollar, may weigh on the the zloty at the begging of the week.

The other CEE currencies also reacted noticeably to the global sentiment change and depreciated versus main currencies. EURHUF rose from 322.9 to 324.3, EURCZK from 25.48 to 25.51 and USDRUB from 63.4 to 63.82. Forint weakened the most, most likely also due to weaker than expected Hungarian industrial output data. This week several data releases in Czechia and Hungary are due.

In the domestic interest rate market bond yields rose after the hawkish US data release. During the day yields were higher even by 5bp, but at the session close the market has stabilised and finally the yield curve moved up by 2-3bp vs. Thursday's close. IRS curve also moved up, by 1bp at the short end and 3bp at the long end. This week a further upward move is possible. Today in the morning yields of US Treasuries and Bunds are on decline, which may support Polish debt at the very start of the session.

US non-farm payrolls



Source: Thomson Reuters Datastream, Santander

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FX market

Today's opening			
EURPLN	4.2522	CZKPLN	0.1667
USDPLN	3.7885	HUFPLN*	1.3116
EURUSD	1.1224	RUBPLN	0.0593
CHFPLN	3.8247	NOKPLN	0.4393
GBPPLN	4.7473	DKKPLN	0.5697
USDCNY	6.8920	SEKPLN	0.4017

*for 100HUF

Last session in the FX market 05/07/2019

	min	max	open	close	fixing
EURPLN	4.242	4.256	4.244	4.255	4.2445
USDPLN	3.758	3.796	3.762	3.788	3.7689
EURUSD	1.121	1.129	1.128	1.123	-

Interest rate market 05/07/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0721 (2L)	1.58	2	21 mar 19	OK0521	1.633
PS0424 (5L)	1.88	3	21 mar 19	PS0424	2.209
DS1029 (10L)	2.28	1	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.72	0	2.10	8	-0.39	0
2L	1.73	1	1.90	11	-0.41	0
3L	1.73	1	1.83	11	-0.37	2
4L	1.77	3	1.81	10	-0.35	-1
5L	1.82	4	1.82	10	-0.29	-1
8L	1.95	5	1.91	10	-0.08	-3
10L	2.02	4	1.99	8	0.08	-3

WIBOR rates

Term	%	Change (bps)
O/N	1.56	2
T/N	1.56	1
SW	1.57	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	1.78	0
6x12	1.77	0

Measures of fiscal risk

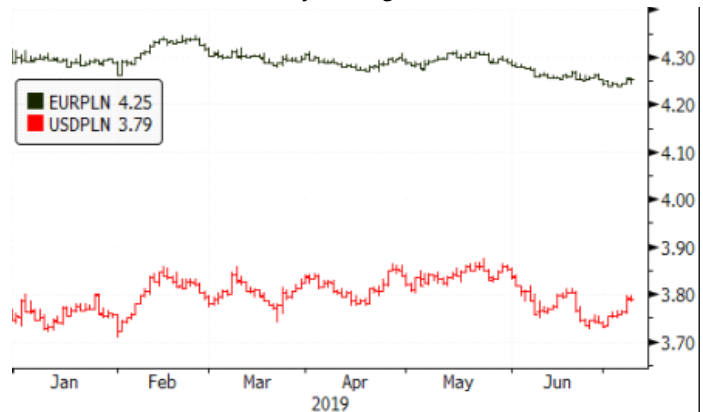
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.66	3
France	24	-1	0.27	-1
Hungary			2.69	7
Spain	36	1	0.74	5
Italy	168	6	2.08	-3
Portugal	37	1	0.79	-1
Ireland	27	0	0.46	6
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

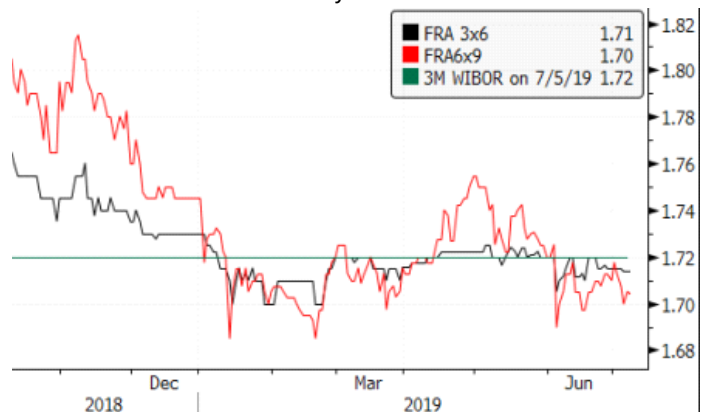
Zloty exchange rate



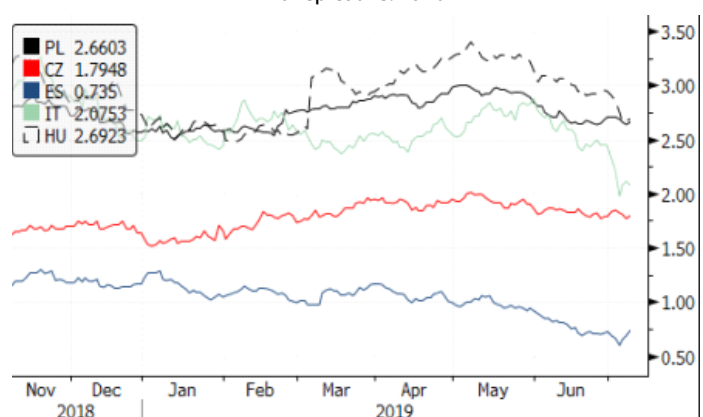
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (5 July)								
08:00	DE	Factory Orders	May	% m/m	-0.2	-	-2.2	0.3
09:00	HU	Industrial Production SA	May	% y/y	4.9	-	6.1	6.0
14:30	US	Change in Nonfarm Payrolls	Jun	k	160	-	224	75.0
14:30	US	Unemployment Rate	Jun	%	3.6	-	3.7	3.6
MONDAY (8 July)								
08:00	DE	Exports SA	May	% m/m	1.6	-	1.1	-3.7
08:00	DE	Industrial Production SA	May	% m/m	0.5	-	0.3	-2.0
09:00	CZ	Industrial Production	May	% y/y	1.0	-	-	3.3
09:00	PL	Inflation Report						
TUESDAY (9 July)								
09:00	HU	CPI	Jun	% y/y	3.6	-	-	3.9
WEDNESDAY (10 July)								
20:00	US	FOMC Meeting Minutes						
THURSDAY (11 July)								
08:00	DE	HICP	Jun	% m/m	0.1	-	-	0.1
09:00	CZ	CPI	Jun	% y/y	2.6	-	-	2.9
14:30	US	CPI	Jun	% m/m	0.0	-	-	0.1
14:30	US	Initial Jobless Claims	week	k	222	-	-	221
FRIDAY (12 July)								
11:00	EZ	Industrial Production	May	% m/m	-0.1	-	-	-0.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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