

10 January 2020

# Eyeopener

## 10Y POLGBs yields highest since July 2019

Lower risk of conflict escalation improves market sentiment  
 EURPLN stable at low levels, EURUSD awaits the data  
 Polish government bond yields still higher  
 Today US labour market data

Over the last few days, geopolitics was a major factor impacting the market sentiments and the same was observed yesterday. Donald Trump said on Wednesday, after close of Polish session, that he does not plan further military actions against Iran and this calmed investors, also given that Iran claimed it does not target starting a war. Additionally, ADP report came in better than expected (202k vs expectations at 165k) and this supported the Thursday sentiment. Positive data amplified hopes for a high reading of non-farm payrolls (NFP) today in the afternoon – global stock markets ended the day 0.3-1.0% higher, Brent remained at \$65 per barrel and gold price at \$1550 per ounce.

According to the Labour Ministry data, the **registered unemployment rate** amounted to 5.2%, in line with our and market expectations. Rise from 5.1% in November is a typical seasonal pattern and we are expecting the unemployment rate to climb further to 5.5% in January. In seasonally adjusted terms the unemployment rate is still falling, but slower and slower. In our view, the economic slowdown will stabilise the unemployment rate in the quarters to come.

**EURUSD** stabilised slightly above 1.11 yesterday, after two days of declines. Morning data from Germany were mixed, so the rate remained above an important support and in our view today's NFP could trigger a more pronounced move, with a positive surprise dragging the pair to 1.100 and then even to 1.090.

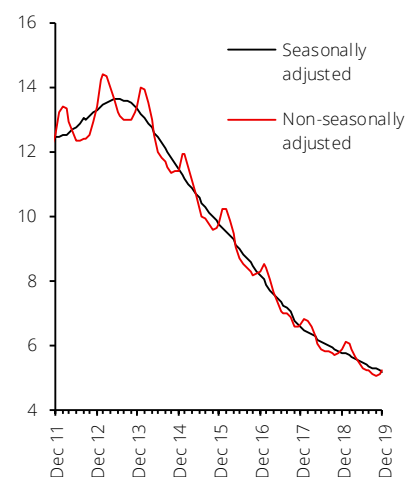
**EURPLN** for the fourth day in a row stayed in a tight range 4.23-4.25 while USDPLN set a new January high after three days of rising. The zloty is not benefitting from the gains on foreign stock exchanges. Since the start of the year, most of EM currencies gained vs the euro but the scale of appreciation of the zloty is the third lowest in this set. We think that EURPLN is unable to strongly escape south from the range due to the risk of quicker conversion of FX mortgages to PLN.

In the case of **other CEE currencies**, EURCZK managed to cross the support of 25.40 and at the end of the Polish session it moved around 25.25, the lowest since February 2018. The koruna took advantage yesterday of the positive global market sentiment. The rising price of oil (in the medium term) and the end of the dollar appreciation helped USDRUB get out of the three-week range trading. As a result, at the end of the day the exchange rate was close to 61.25, after it approached 61.0 a bit earlier – the lowest level since May 2018. The weakest currency in the region was the forint – EURHUF rose above 332.0, approaching the local peak from December at 332.5. Today at the opening EURHUF breached that peak (starting the day from 332.65) and the next important level in this direction is 336.6 (ATH).

On the **domestic interest rate market** yields and IRS rose noticeably again. Both curves moved 3-6bp up, mostly on the belly and long end. Polish bonds underperformed Bund again and the 10Y yield spread held near 250bp (10Y Bund yield rose to -0.18%). Polish bonds performed weaker than their CEE peers as well with only the Hungarian 10Y bond trying to keep the pace (+4bp). Polish 10Y bond yield reached 2.25% and 2.30% - local peak from July 2019 – could be the next target. Next important level to watch would be 2.50% - last time seen in 2019 and corresponding to price of 102.00 for the current 10Y benchmark DS1029. At the **bond auction**, the Ministry of Finance sold bonds for PLN5bn at the standard auction and further PLN848mn at the top-up. The Ministry informed that 2020 gross borrowing needs are now covered in 56%.

**Today** the US change in nonfarm payrolls will be released. Consensus (166k) is below the November reading (266k) and below 3M and 6M moving averages (205k and 196.3k, respectively). Thus, it seems there is potential for a positive surprise that could push UST yields further up.

### Registered unemployment rate, %



Source: GUS, Labour Ministry, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
**Piotr Bielski** +48 22 534 18 87  
**Marcin Łuziński** +48 22 534 18 85  
**Wojciech Mazurkiewicz** +48 22 534 18 86  
**Grzegorz Ogonek** +48 22 534 19 23  
**Marcin Sulewski, CFA** +48 22 534 18 84

## FX market

### Today's opening

EURPLN	4.2455	CZKPLN	0.1682
USDPLN	3.8219	HUFPLN*	1.2762
EURUSD	1.1108	RUBPLN	0.0624
CHFPLN	3.9278	NOKPLN	0.4308
GBPPLN	4.9999	DKKPLN	0.5682
USDCNY	6.9310	SEKPLN	0.4030

\*for 100HUF

### Last session in the FX market 09/01/2020

	min	max	open	close	fixing
EURPLN	4.231	4.248	4.232	4.244	4.2459
USDPLN	3.806	3.827	3.806	3.821	3.8251
EURUSD	1.109	1.112	1.112	1.111	-

## Interest rate market 09/01/2020

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

Benchmark (term)	%	Change (bps)	Last auction	offer	Average yield
DS1021 (2L)	1.52	0	21 mar 19	OK0521	1.633
PS1024 (5L)	1.93	5	21 mar 19	PS0424	2.209
DS1029 (10L)	2.27	7	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	1.75	1	1.73	1	-0.33	0
2L	1.87	3	1.65	1	-0.31	1
3L	1.90	4	1.64	2	-0.27	2
4L	1.94	6	1.65	2	-0.22	2
5L	1.97	6	1.67	2	-0.17	3
8L	2.01	7	1.76	2	0.02	4
10L	2.04	8	1.82	2	0.15	4

## WIBOR rates

Term	%	Change (bps)
O/N	1.41	-2
T/N	1.53	3
SW	1.55	0
2W	1.58	-1
1M	1.63	0
3M	1.71	0
6M	1.79	0
9M	1.80	0
1Y	1.84	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.71	0
3x6	1.73	0
6x9	1.74	1
9x12	1.75	2
3x9	1.81	0
6x12	1.84	2

## Measures of fiscal risk

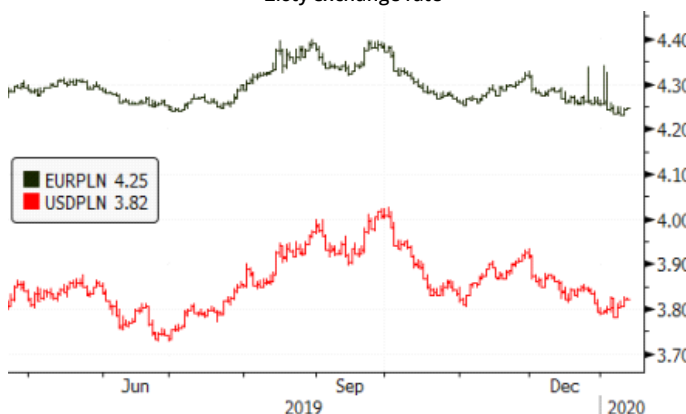
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.45 4
France	19 0	0.25 -1
Hungary		2.23 1
Spain	42 -1	0.63 -1
Italy	130 -5	1.56 -6
Portugal	38 -1	0.58 -2
Ireland	22 1	0.26 -2
Germany	9 0	- -

\* 10Y treasury bonds over 10Y Bunds

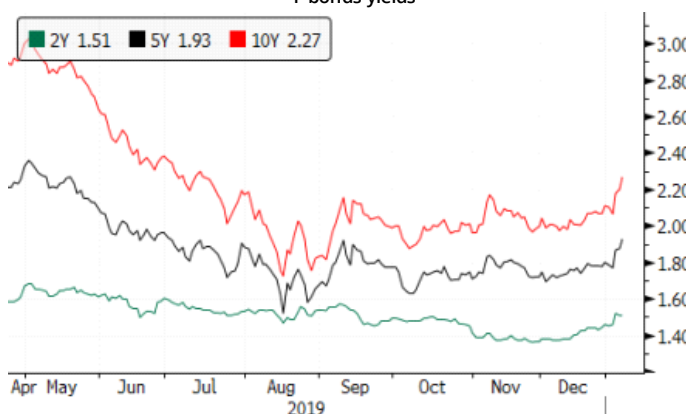
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

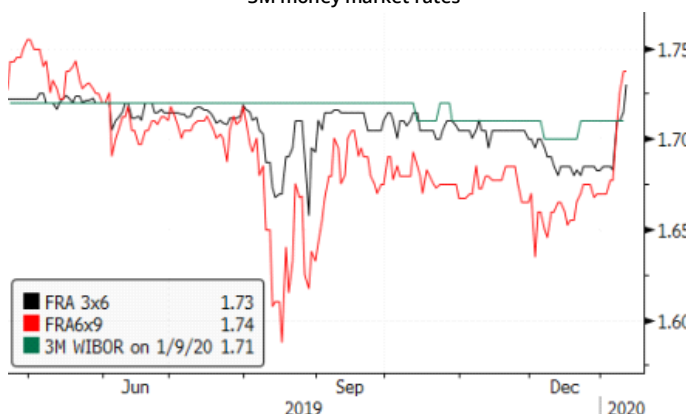
## Zloty exchange rate



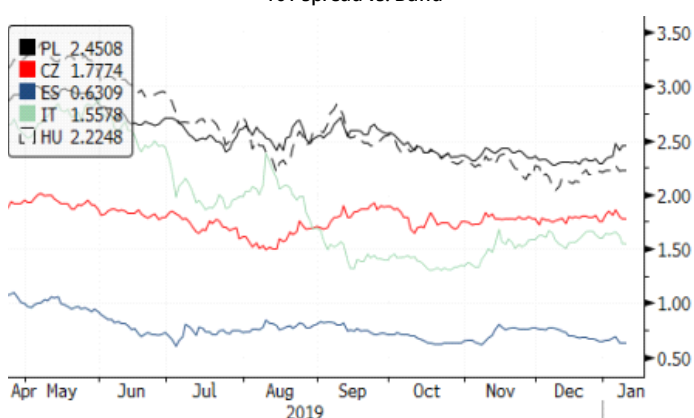
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME		COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (3 January)								
14:00	DE	HICP	Dec	% m/m	0.5	-	0.6	-0.8
16:00	US	ISM manufacturing	Dec	pts	49.0	-	47.2	48.1
20:00	US	FOMC Meeting Minutes						
MONDAY (6 January)								
	PL	Market holiday						
02:45	CN	Caixin China PMI Services	Dec	pts	53.2	-	52.5	53.5
09:55	DE	Markit Germany Services PMI	Dec	pts	52.0	-	52.9	52.0
10:00	EZ	Eurozone Services PMI	Dec	pts	52.4	-	52.8	52.4
TUESDAY (7 January)								
10:00	PL	Flash CPI	Dec	% y/y	2.8	3.0	3.4	2.6
11:00	EZ	Flash HICP	Dec	% y/y	1.3	-	1.3	1.0
11:00	EZ	Retail Sales	Nov	% m/m	0.5	-	1.0	-0.6
16:00	US	ISM services	Dec	pts	54.5	-	55.0	53.9
16:00	US	Factory Orders	Nov	% m/m	-0.7	-	-0.7	0.2
WEDNESDAY (8 January)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
08:00	DE	Factory Orders	Nov	% m/m	0.2	-	-1.3	0.2
09:00	HU	Industrial Production SA	Nov	% y/y	7.9	-	5.7	6.43
11:00	EZ	ESI	Dec	pct.	101.5	-	101.5	101.2
14:15	US	ADP report	Dec	k	165	-	202	124
THURSDAY (9 January)								
08:00	DE	Exports SA	Nov	% m/m	-0.9	-	-2.3	1.2
08:00	DE	Industrial Production SA	Nov	% m/m	0.8	-	1.1	-1.0
11:00	EZ	Unemployment Rate	Nov	%	7.5	-	7.5	7.5
14:30	US	Initial Jobless Claims	week	k	220	-	214	223
FRIDAY (10 January)								
09:00	CZ	GDP SA	3Q	% y/y	2.5	-		2.5
09:00	CZ	Industrial Production	Nov	% y/y	-4.0	-		-3.0
14:30	US	Change in Nonfarm Payrolls	Dec	k	160	-		266
14:30	US	Unemployment Rate	Dec	%	3.5	-		3.5

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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>.