

13 January 2020

Eyeopener

Zloty still quite strong

US labour market data disappointed
 EURUSD still at very important technical level 1.11
 EURPLN and POLGBs stable, IRS rates higher
 Today in Poland November's balance of payments data

On Friday markets awaited important data, especially those from the US labour market. In the Eurozone, industrial production in France and Spain was better than expected. In the US, the December non-farm employment was weaker than expected (145k vs 166.5k) and on top of that the November reading was revised down (to 256k from 266k), while the wage growth slowed. As a result, briefly after the publication of the data the bond yields slightly decreased and the dollar weakened, however after a while the prices moved back to the levels from before the publication of the data and the dollar index closed the day unchanged versus the previous day. Most of the emerging market currencies gained, however zloty was one of the rare exceptions and has not changed day on day. Prices of Brent oil and gold have not changed and remained in the vicinity of \$65.2/bbl and \$1550/oz, respectively.

EURUSD, having descended below 1.12 at the start of the previous week, approached an important resistance level of 1.11. There were hopes it could break through this level already on Friday, if the US labour market data had proved stronger than expected. However the data disappointed and the exchange rate temporarily rebounded, after which it went back to c1.11. The set of important data from the USA coming this week (inflation, PPI, retail sales, industrial output among others) should decide on further moves of the exchange rate.

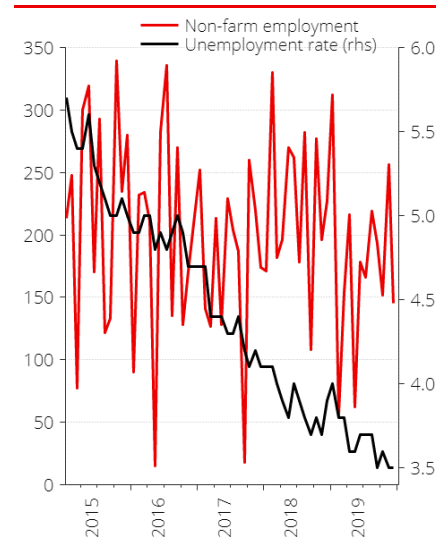
EURPLN market was calm on Friday, volatility was limited. After opening at 4.245 the pair climbed to 4.249 ahead of the NFP and then – due to the disappointing reading – fell temporarily to 4.2415 and ended the day back at 4.245. EURPLN remains close to the downward limit of 4.24-4.35 range valid since mid-2018. In our view, the exchange rate is unlikely to fall below 4.24 given global (possible profit-taking on the EM markets after signing the US-China trade deal) and local factors (MPC not reacting to CPI jump, still present risk factor due to outstanding FX loans). Moreover, it seems that the dollar is likely to stay strong in the short term, especially if next US data surprise to the upside. CHFPLN ended the day at 3.923 and USDPLN at 3.827.

In the case of other CEE currencies, the forint performed poorly for the second day in a row. After a 0.4% rise, EURHUF closed at 334.05. We think that forint may soon test the weakest levels in history vs the euro (at c337.0). EURCZK rose slightly, by 0.2%, to 25.27, and the ruble was stable vs the currency basket and vs USD – close at 61.4 – which could have been due to stable oil prices. Since the start of December, USDRUB decreased already by 5%, which makes us expect some technical rebound to c62.

On the **domestic interest rate market**, strong rise of the Polish bond yields resulted in breaking important resistance levels and we think that the last days have shown the direction where the market could head in the coming weeks. After a very sharp sell-off recently suffered, bonds could try to recover and so the yields upwards move might be somewhat slower. On Friday, yields rose only marginally while the IRS rose by 2-3bp. Thus, the 10Y asset swap spread narrowed to c20bp. The 10Y PL-DE bond yield spread did not change vs Thursday and closed the week near 245bp.

This week, the market attention could turn to the data releases. The calendar is rich in important US releases that could be key for the dollar and core bonds. In Poland, we will get to see details of December CPI, including the core CPI ex food and energy prices, which – according to our estimates – hit 3.2% y/y, its highest for 17 years. November balance of payments data is to show current account surplus similar as in October amid some slowdown in foreign trade turnover.

US labour market data



Source: Refinitiv Datastream, Santander

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FX market

Today's opening

EURPLN	4.2369	CZKPLN	0.1677
USDPLN	3.8072	HUFPLN*	1.2684
EURUSD	1.1128	RUBPLN	0.0625
CHFPLN	3.9125	NOKPLN	0.4292
GBPPLN	4.9565	DKKPLN	0.5669
USDCNY	6.9013	SEKPLN	0.4012

*for 100HUF

Last session in the FX market 10/01/2020

	min	max	open	close	fixing
EURPLN	4.232	4.249	4.244	4.237	4.2467
USDPLN	3.804	3.832	3.821	3.809	3.8272
EURUSD	1.109	1.113	1.111	1.112	-

Interest rate market 10/01/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.51	-1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.93	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.26	-1	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	1.76	1	1.72	-1	-0.33	0
2L	1.88	1	1.63	-2	-0.30	1
3L	1.92	2	1.61	-3	-0.26	2
4L	1.95	1	1.61	-4	-0.21	2
5L	1.97	1	1.63	-4	-0.15	2
8L	2.02	1	1.71	-5	0.04	2
10L	2.05	1	1.77	-5	0.16	2

WIBOR rates

Term	%	Change (bps)
O/N	1.52	11
T/N	1.54	1
SW	1.55	0
2W	1.58	0
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	1.72	0
3x6	1.74	1
6x9	1.74	1
9x12	1.76	1
3x9	1.83	1
6x12	1.86	2

Measures of fiscal risk

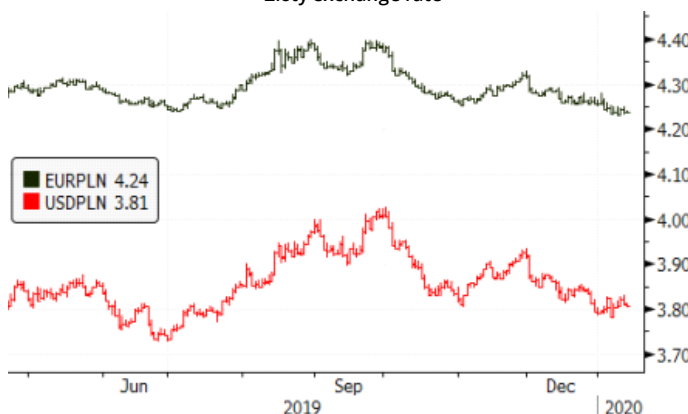
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.45	-2
France	19	0	0.25	0
Hungary			2.21	-3
Spain	41	-1	0.64	0
Italy	125	-8	1.54	2
Portugal	37	-1	0.59	0
Ireland	23	1	0.25	-3
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

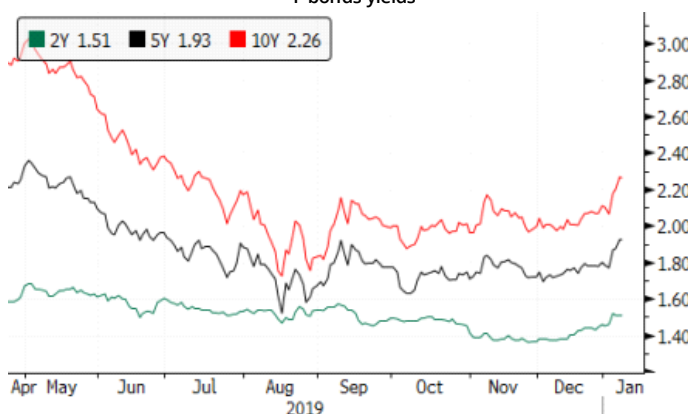
**Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

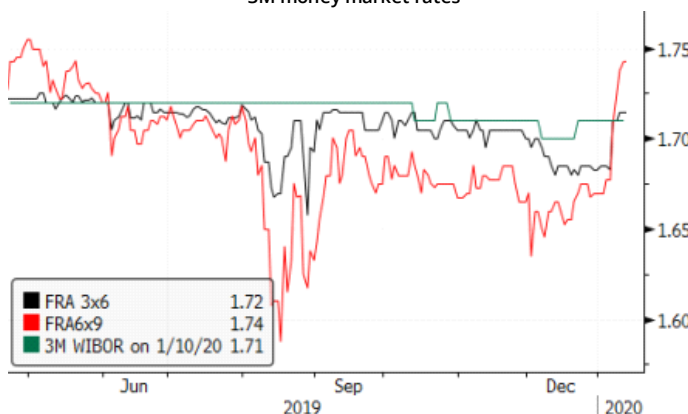
Zloty exchange rate



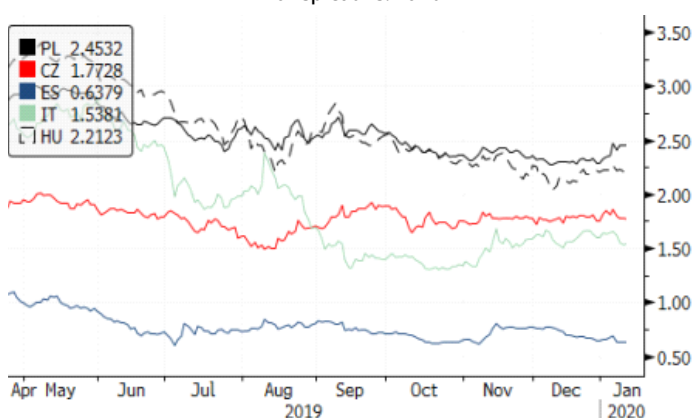
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (10 January)							
09:00	CZ	GDP SA	3Q	% y/y	2.5	2.5	2.5
09:00	CZ	Industrial Production	Nov	% y/y	-4.0	-5.7	-3.0
14:30	US	Change in Nonfarm Payrolls	Dec	k	160.0	145.0	256.0
14:30	US	Unemployment Rate	Dec	%	3.5	3.5	3.5
MONDAY (13 January)							
09:00	CZ	CPI	Dec	% y/y	3.1	-	3.1
14:00	PL	Current Account Balance	Nov	€mn	450.5	881.91	529.0
14:00	PL	Trade Balance	Nov	€mn	356.0	576.96	440.0
14:00	PL	Exports	Nov	€mn	20652.5	21529.42	21791.0
14:00	PL	Imports	Nov	€mn	20392.0	20952.46	21351.0
TUESDAY (14 January)							
09:00	HU	CPI	Dec	% y/y	4.0	-	3.4
14:30	US	CPI	Dec	% m/m	0.2	-	0.3
WEDNESDAY (15 January)							
10:00	PL	CPI	Dec	% y/y	2.8	3.37	3.4
11:00	EZ	Industrial Production SA	Nov	% m/m	0.4	-	-0.5
THURSDAY (16 January)							
08:00	DE	HICP	Dec	% m/m	0.6	-	0.6
14:00	PL	CPI Core	Dec	% y/y	3.15	3.18	2.6
14:30	US	Initial Jobless Claims	Jan.20	k	220.0	-	214.0
14:30	US	Retail Sales Advance	Dec	% m/m	0.3	-	0.2
14:30	US	Index Philly Fed	Jan		3.4	-	2.4
FRIDAY (17 January)							
11:00	EZ	HICP	Dec	% y/y	1.3	-	1.3
14:30	US	Housing Starts	Dec	% m/m	1.1	-	3.2
15:15	US	Industrial Production	Dec	% m/m	0.0	-	1.1
16:00	US	Michigan index	Jan	pts	99.15	-	99.3

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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