

19 June 2020

Eyeopener

Slower decline of employment in May

Equity markets stable to slightly weaker after earlier gains
 EURPLN down after finance minister's remarks, EURUSD down after US data
 Domestic bonds stronger on the short end of the yield curve
 Today Polish industrial output and PPI

Equity markets on Thursday corrected gains from the previous days, but declines were mostly smaller than 1%. Mixed data from the USA, i.e. on one hand the bigger than expected number of new jobless claims, on the other hand better than expected Philly Fed index for June, caused decline of 10Y UST yields and at the same time dollar strengthening. Earlier, Bank of England did not change interest rates, but boosted asset purchase programme by GBP100bn, to GBP745bn. Emerging markets currencies were mostly stable, only South American currencies (Brazil, Chile) lost more visibly. Gold was relatively stable, while Brent oil price rose c.1%.

According to the **NBP minutes** after the May meeting - the one where the rates have been cut by 40bp - lower economic activity and lower commodity prices would lower the CPI with the risk of falling below the target. MPC assessed that the rate cut will decrease this risk and additionally will support the economic growth via helping households and corporates by lowering their interest payments and on the other hand the cuts will not influence the banking sector's financial result in a negative way (because the losses would be limited to a small number of deposit owners who deposited large sums) - we consider this a puzzling hypothesis. Some of the MPC members who have been against the cut, have suggested that lower rates would increase the banking transaction fees and would lower the effective deposit rates. Also the MPC members acknowledged that the rate cut would lower the risk of further zloty appreciation, which would negatively impact exporters' earnings (during the May MPC meeting the EURPLN stood at 4.43 - more less the same level as when the June MPC meeting took place, at which the MPC said that the zloty was too strong). We expect no interest rate cuts in 2020.

Poland's **labour market statistics** for May were roughly in line with expectations: employment declined further, but at a slower pace than in April (-1.4% m/m vs -2.4% in the previous month), and wage growth eased to 1.2% y/y from 1.9% y/y. We expect June statistics to see some rebound on the labour market. Meanwhile, consumer confidence improved markedly, but remained way below pre-covid levels. More in our [Economic Comment](#).

EURUSD was falling for the third day in a row. After it opened at 1.122 and reached 1.126 during the European trading hours, the exchange rate began to decline when the US session started and closed at 1.1215. Breaking 1.12 support would open door for further drop towards 1.11.

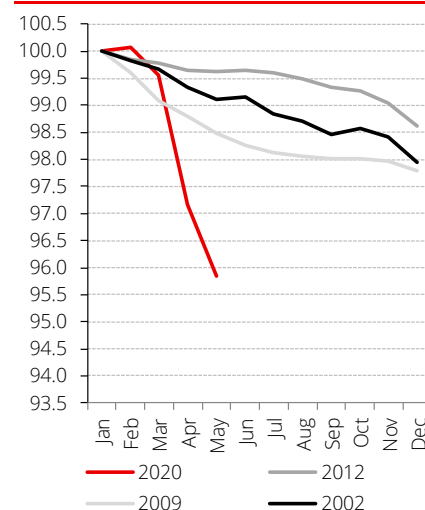
EURPLN fell on Thursday after two days of a rise. Yesterday's drop to 4.45 z 4.46 was triggered by the Finance Minister Tadeusz Kościński's comment that the zloty may be too weak. We rather expect EURPLN to climb slowly towards 4.50, the direction desired by the central bank.

In case of the **other CEE currencies**, EURHUF rose sharply to 346.7 from 344.3 (+0.7%) after information that Hungary lost case in the European Court of Justice related to imposing registration requirements on the non-government organizations. EURCZK rose 0.4% to 26.7. The ruble basket remained stable with USDRUB hovering around 69.6.

On the **domestic interest rate market**, after two days of upward march the IRS rates were going down: 2Y by 2 bp to 32 bp, 10Y by 5 bp to 88 bp. 2Y bond yields fell to 23 bp by a few bp. 10Y yields started the day at 1.46%, then slid to 1.42% and rebounded to 1.45%, which could be suggesting that the market is sold-off and further yield rises are possible in the days to come. Bund was stable at -0.40% and spread to Bund remained at 185bp. The FRA curve is not pricing-in any moves in interest rates in 2020, only some marginal increases in 2021.

Today in Poland we will get to see industrial output for May and we are hoping for a smaller y/y decline than in April.

Employment in "crisis" years, Jan=100



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.4427	CZKPLN	0.1663
USDPLN	3.9645	HUFPLN*	1.2740
EURUSD	1.1212	RUBPLN	0.0571
CHFPLN	4.1684	NOKPLN	0.4167
GBPPLN	4.9275	DKKPLN	0.5960
USDCNY	7.0752	SEKPLN	0.4208

*for 100HUF

Last session in the FX market 18.06.2020

	min	max	open	close	fixing
EURPLN	4.447	4.466	4.462	4.452	4.453
USDPLN	3.950	3.982	3.963	3.970	3.959
EURUSD	1.120	1.126	1.126	1.121	-

Interest rate market 18.06.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.27	-1	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.86	-4	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.43	-3	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL	US	EZ (17.06)
%	Change (bps)	%	Change (bps)
1L	0.25	-1	-0.43
2L	0.32	-2	-0.33
3L	0.38	-3	-0.34
4L	0.46	-4	-0.32
5L	0.56	-5	-0.30
8L	0.78	-5	-0.19
10L	0.88	-5	-0.11

WIBOR rates

Term	%	Change (bps)
O/N	0.13	-1
T/N	0.13	-1
SW	0.18	0
2W	0.20	0
1M	0.24	0
3M	0.27	0
6M	0.29	0
1Y	0.30	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.25	0
3x6	0.21	-1
6x9	0.23	-3
9x12	0.24	-4
3x9	0.26	0
6x12	0.28	-2

Measures of fiscal risk

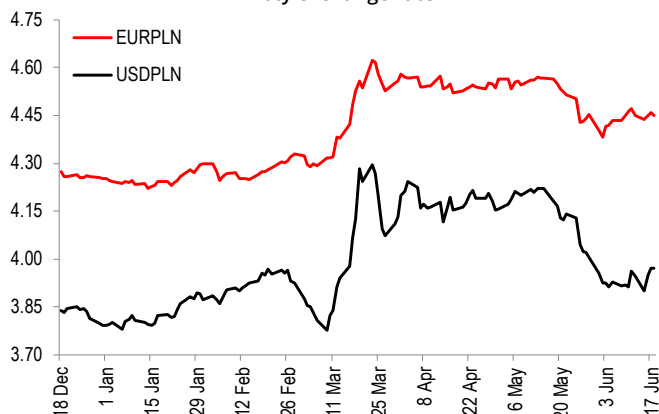
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	187	-1
France	14	0	37	-1
Hungary	77	0	283	-2
Spain	78	1	96	-3
Italy	125	-1	179	-1
Portugal	48	2	95	-4
Ireland	23	0	41	-2
Germany	13	0	-	-

* 10Y treasury bonds over 10Y Bunds

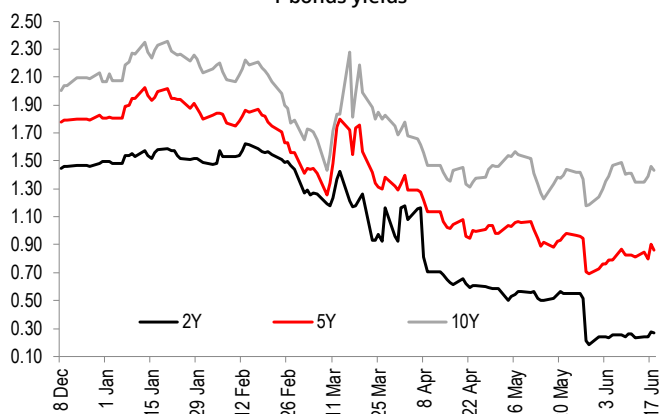
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

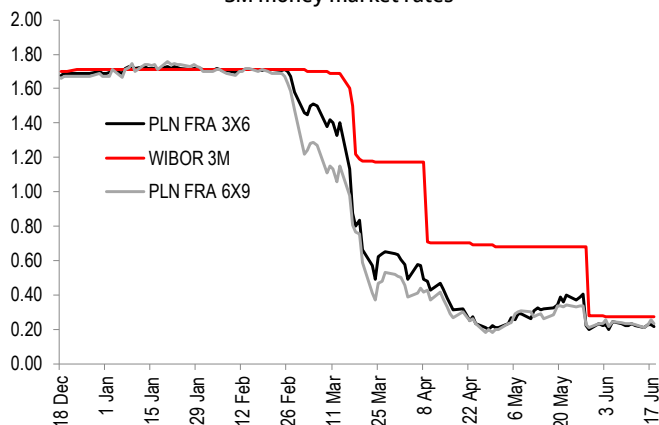
Zloty exchange rate



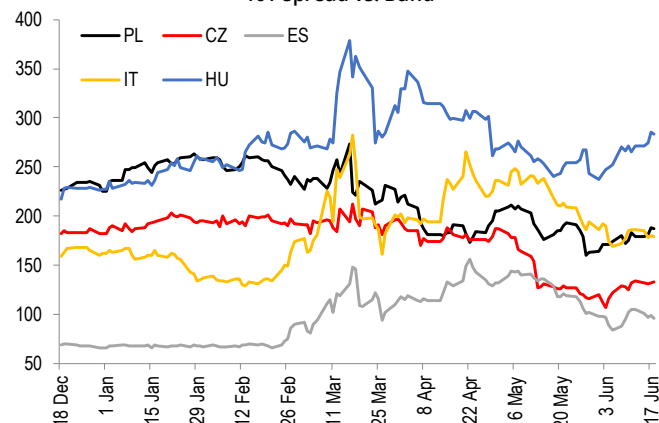
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		REALIZACJA	OSTATNIA WARTOŚĆ*	
				MARKET	SANTANDER			
WEDNESDAY (10 June)								
09:00	CZ	CPI	May	% y/y	2.6	-	2.9	3.2
14:30	US	CPI	May	% m/m	0.0	-	-0.1	-0.8
20:00	US	FOMC decision		%	0.25	-	0.25	0.25
THURSDAY (11 June)								
14:30	US	Initial jobless claims	week	k	1 833	-	1540	1 877
FRIDAY (12 June)								
11:00	EZ	Industrial output	Apr	% m/m	-20.0	-	-17.1	-11.9
16:00	US	Michigan index	Jun	pts	76.0	-	78.9	72.3
MONDAY (15 June)								
10:00	PL	CPI	May	% y/y	-	2.9	2.9	2.9
14:00	PL	Current account	Apr	€m	1334	2061	1163	2438
14:00	PL	Trade balance	Apr	€m	-391	-338	-33	-69
14:00	PL	Exports	Apr	€m	14206	13460	13771	18763
14:00	PL	Imports	Apr	€m	14597	13798	13812	18832
TUESDAY (16 June)								
	PL	MPC decision		%	0.10	0.10	0.10	0.10
08:00	DE	HICP	May	% m/m	-0.1	-	0.0	0.0
11:00	DE	ZEW	Jun	pts	-82.0	-	-83.1	-93.5
14:00	PL	Core inflation	May	% y/y	-	3.8	3.8	3.6
14:30	US	Retail sales	May	% m/m	8.4	-	17.7	-14.7
15:15	US	Industrial output	May	% m/m	3.0	-	1.4	-12.5
WEDNESDAY (17 June)								
11:00	EZ	HICP	May	% y/y	0.1	-	0.1	0.3
14:30	US	House starts	May	% m/m	23.5	-	4.3	-26.4
THURSDAY (18 June)								
10:00	PL	Employment	May	% y/y	-2.7	-2.7	-3.2	-2.1
10:00	PL	Wages	May	% y/y	1.6	0.3	1.2	1.9
14:30	US	Philly Fed index	Jun	pts	-25.0	-	27.5	-43.1
FRIDAY (19 June)								
10:00	PL	Industrial output	May	% y/y	-18.0	-16.7		-24.6
10:00	PL	PPI	May	% y/y	-1.5	-1.4		-1.3

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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