

10 August 2020

# Eyeopener

## Better than expected US labour market data

Decent US data end the week  
Stronger dollar weighs on the CEE currencies  
Bonds stable before the weekend  
Today no important data releases

Since the start of the Friday's session the fluctuations were subdued due to the expectation for the US jobs report in the afternoon, but the sentiment was slightly negative amid rising US-China political tension. It helped bond yields to hover at low levels and was supporting the American currency. EM currencies were trimming Thursday's losses since the start of the day, but it was interrupted by the US data release. The latter showed slightly bigger than expected rise in non-farm payrolls, while the unemployment rate fell more than predicted, which supported the dollar even further.

**MPC member Jerzy Kropiwnicki** repeated on Friday that there was no room for further interest rate cuts and that the rates should be returned to pre-pandemic levels in several moves. In his view, weaker zloty could additionally boost exports, which outlook has improved recently after good data from the region.

**EURUSD** was going on Friday and prior to the US labour market data it was slightly above 1.18 versus 1.19 on Thursday evening. A positive surprise in US data was not particularly strong, but was enough to bring the rate to 1.177 at the end of Friday due to profit taking after major rises last week. We are expecting the dollar to continue to gain in the days to come.

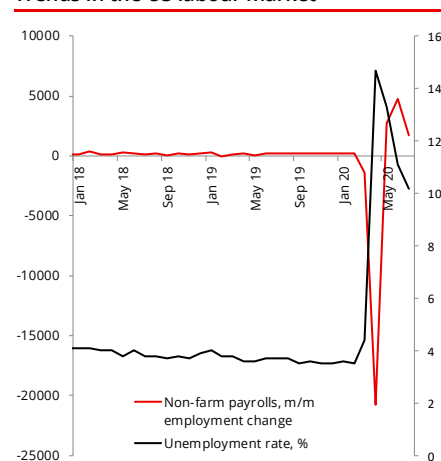
**EURPLN** climbed above 4.42, but in the following hours it was hovering in 4.40-4.42 range. **USDPLN** climbed to 3.744 from 3.71. The zloty was performing against the euro better than other CEE currencies, and **EURPLN** was below Thursday peak while **EURCZK** and **EURHUF** were higher.

**In case of the other CEE currencies**, on Friday morning we were watching the continuation of the Thursday depreciation, but ahead of the US data the forint and the koruna started to recover. June trade balance of Hungary was better than expected. The afternoon impulse that caused the dollar to appreciate sent **EURCZK** to 26.35 and **EURHUF** to around 347. **USDRUB** was rising for the whole session stimulated by declining oil price and finished the day around 73.73

**On the domestic interest rate market**, yields of 5Y and 10Y bonds closed changed by only 1bp (**POLGB** 10Y at 1.30%). The IRS rates for these tenors also did not change much. Better-than-expected US data caused the 10Y Bund and Treasuries to rise by c.3bp, to -0.50% and 0.57% respectively.

**This week** in Poland we will get to see the first GDP for 2Q20 data and we are expecting a decline by 11.7% y/y. i.e. stronger than expected by the market. Still, as we know that the economy was rebounding quite fast in the recent weeks, the reading for 2Q20 does not matter that much. This week also numerous inflation readings will be released, among others in the USA, Germany and in CEE region, including Poland final CPI data. Summer holiday mood on the FX market as measured by low realized volatility may persist for another week. If the dollar regains some ground, however, this might weaken EM currencies, including zloty, a bit. Bond yield curve might remain stable at the front end while at the long end of the curve is likely to follow core market closely.

Trends in the US labour market



Source: Bloomberg, Santander

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## FX market

### Today's opening

EURPLN	4.4108	CZKPLN	0.1654
USDPLN	3.7473	HUFPLN*	1.2580
EURUSD	1.1768	RUBPLN	0.0509
CHFPLN	4.0961	NOKPLN	0.4108
GBPPLN	4.8875	DKKPLN	0.5923
USDCNY	6.9675	SEKPLN	0.4263

\*for 100HUF

### Last session in the FX market

09.08.2020

	min	max	open	close	fixing
EURPLN	4.400	4.424	4.422	4.409	4.414
USDPLN	3.717	3.752	3.736	3.744	3.730
EURUSD	1.175	1.185	1.183	1.177	-

## Interest rate market

09.08.2020

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

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.15	2	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.70	3	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.29	2	5.03.2020	DS1029	1.725

### IRS on the interbank market\*\*

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.16	0	0.23	1	-0.47	0
2L	0.22	2	0.21	2	-0.42	0
3L	0.28	1	0.21	2	-0.42	1
4L	0.39	2	0.24	2	-0.40	1
5L	0.50	2	0.29	2	-0.38	1
8L	0.74	2	0.47	3	-0.29	2
10L	0.84	1	0.57	4	-0.22	2

## WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.12	0
2W	0.17	0
1M	0.20	0
3M	0.23	0
6M	0.27	0
1Y	0.27	-1

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

Term	%	Change (bps)
1x4	0.20	0
3x6	0.16	1
6x9	0.15	0
9x12	0.13	-1
3x9	0.20	1
6x12	0.19	1

## Measures of fiscal risk

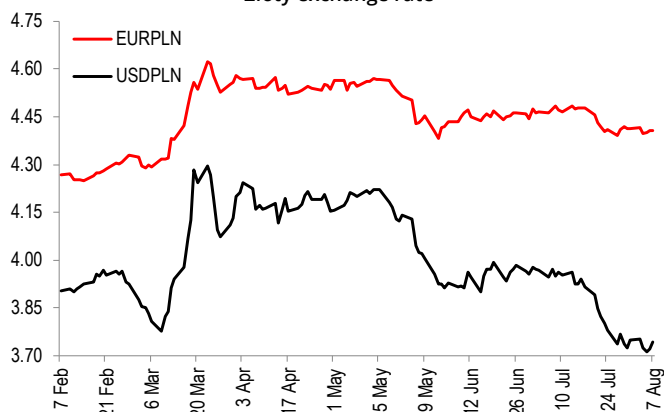
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	57	0	180	-1
France	10	0	29	-1
Hungary	75	0	261	-1
Spain	62	-2	79	-2
Italy	103	-2	149	-3
Portugal	38	-3	81	-3
Ireland	18	0	38	-1
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

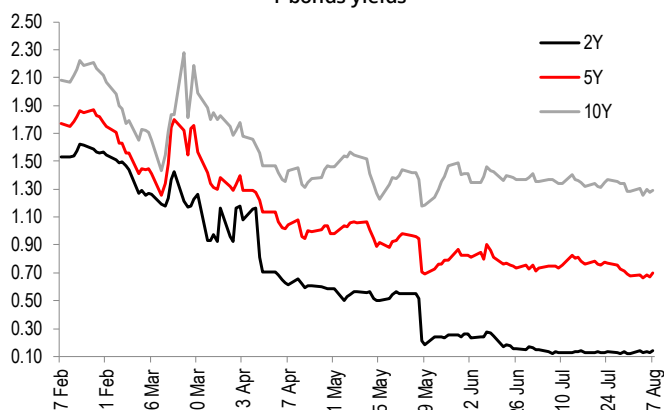
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

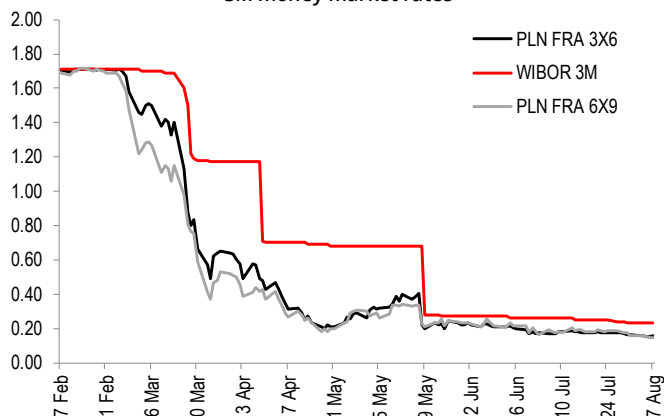
## Zloty exchange rate



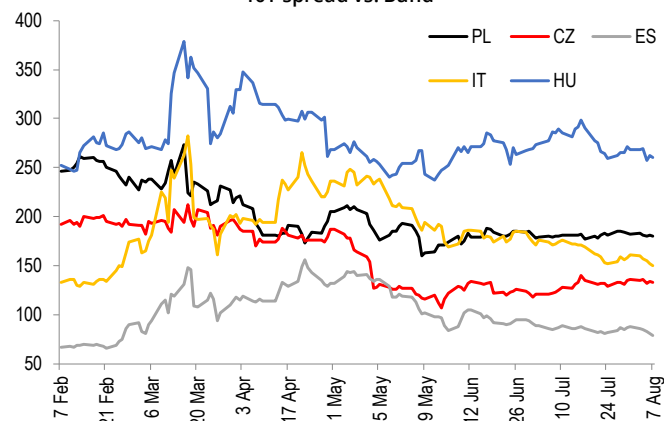
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

Economic calendar								
TIME	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
CET					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (7 August)								
08:00	DE	Exports	Jun	% m/m	14.4	-	14.9	9.0
08:00	DE	Industrial Production	Jun	% m/m	8.2	-	8.9	7.8
14:30	US	Change in Nonfarm Payrolls	Jul	k	1 480	-	1 763	4 791
14:30	US	Unemployment Rate	Jul	%	10.1	-	10.2	11.1
TUESDAY (11 August)								
09:00	HU	CPI	Jul	% y/y	3.3	-		2.9
11:00	DE	ZEW Survey Current Situation	Aug	pts	59.0	-		-59.3
WEDNESDAY (12 August)								
11:00	EZ	Industrial Production	Jun	% m/m	12.0	-		12.4
14:30	US	CPI	Jul	% m/m	0.3	-		0.6
THURSDAY (13 August)								
08:00	DE	HICP	Jul	% m/m	0.0	-		-0.5
09:00	CZ	CPI	Jul	% y/y	3.1	-		3.3
14:00	PL	Current Account Balance	Jun	€mn	2 074	1 766		2 455
14:00	PL	Trade Balance	Jun	€mn	1 148	1 059		1 250
14:00	PL	Exports	Jun	€mn	17 691	18 099		15 700
14:00	PL	Imports	Jun	€mn	16 474	17 040		14 450
14:30	US	Initial Jobless Claims	tyg.	k	1 400	-		1 186
FRIDAY (14 August)								
09:00	HU	GDP	2Q	% y/y	-	-		2.2
10:00	PL	CPI	Jul	% y/y	3.1	3.1		3.1
10:00	PL	GDP	2Q	% y/y	-9.0	-11.7		2.0
11:00	EZ	GDP	2Q	% y/y	-15.0	-		-15.0
14:30	US	Retail Sales Advance	Jul	% m/m	1.6	-		7.5
15:15	US	Industrial Production	Jul	% m/m	2.7	-		5.41
16:00	US	Michigan index	Aug	pts	71.0	-		72.5

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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