

20 August 2020

Eyeopener

Rebound of employment

FOMC *minutes* without a clear indication of more stimulus coming
 Zloty weaker despite positive data, EURUSD down overnight
 Domestic bonds stable
 Today Polish industrial production and PPI

On Wednesday, a day after the S&P 500 index reached an all-time high, the moods were still positive and main stock indices gained another 0.3%. Higher than expected inflation print in the UK helped the pound to remain at the elevated level – highest since January 2020. In the euro zone the final reading of July inflation was the same as the preliminary one (0.4% y/y). The dollar was not weakening anymore during the day which caused some of the emerging market currencies to lose ground. Relatively stable core market yields (UST 0.65%, Bund -0.47%) gave no reasons for significant moves in the precious metals or Polish yields space. The OPEC+ meeting communique was cautious regarding the oil demand bounce back, smaller producers were asked to comply with the supply quotas – as a result oil temporarily gained. Markets were awaiting the July Fed meeting minutes. The document did not announce further monetary policy easing, just underlined extremely high economic uncertainty. Many committee participants wanted to introduce in the future post-meeting statements more details on the forward guidance (to give markets more clarity on the future moves) by binding the actions more with data (outcome-based forward guidance). The 10Y US inflation expectations were rising towards the minutes release but fell back to 1.66% afterwards.

In July **employment in the corporate sector** was down only 2.3% y/y vs -3.0% y/y consensus and our -3.1% call. In m/m terms, employment rose by 66k, the most ever, ex Januaries. Wage growth accelerated to 3.8% y/y from 3.6% while market expected it to slow to 3.4%. While these numbers are quite promising in regard to private consumption outlook, the consumer confidence deteriorated in August, most probably due to rising Covid-19 restrictions. The latter factor could be a risk factor for the consumption recovery in Poland. Read more in our [Economic Comment](#).

Today the Council of Ministers will work on **amendment of this year's budget**. According to Dziennik Gazeta Prawna daily the planned deficit is to be increased to PLN100-110bn from zero.

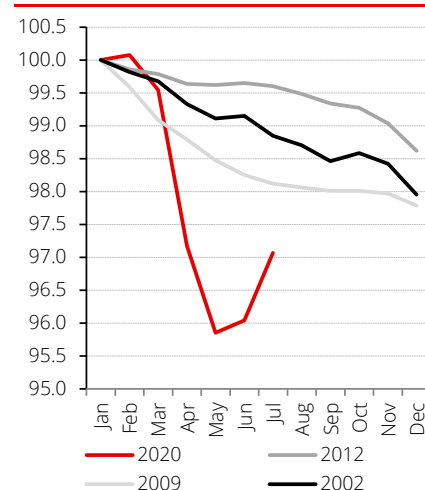
EURUSD was stable ahead of FOMC minutes from July meeting and did not change during the European trading time, ending the day at 1.194. The document included no suggestion of increased economic stimulus and this dragged the pair lower to 1.185 overnight.

EURPLN, despite better-than-expected data on wages and employment, was rising dynamically, ending the day at 4.394, 0.4% above the opening level. Thus, the zloty seems to be driven not only by local data, but mostly by global market situation. Overnight USD strengthening has sent EURPLN to around 4.40. That said, today industrial output data (our forecast is above market) and producer prices are less likely to move the exchange rate, but they could hamper depreciation if the dollar was to keep appreciating.

As to the **other regional currencies**, forint had another day of weak performance – EURHUF rose on Wednesday to 349.7 (from 349.0, or by 0.4%) trying to break through the 350.0 level which held on the previous try (on Tuesday). The overall FX market reaction to the FOMC minutes makes us believe that EURHUF rising above the 350.0 in the short term is highly probable now. EURCZK has not changed for another day (26.10) and – as opposed to the forint – has not reacted to the new information on Fed plans. Also USDRUB did not change by much on Wednesday (73.2) thanks to stable dollar and Brent. On Thursday morning it opens higher, though (73.5).

On the Polish **fixed income market** FRA have not changed (e.g. 9x12 at 0.22%, 21x24 at 0.34%). Similarly, IRS 2Y at 0.31% and 10Y at 1.04%. Bond yields were stable at the front end 2Y at 0.16% and only at the long end some small volatility was observed – 10Y yields after opening at 1.37% fell to 1.35% but then bounced back and finally closed at 1.38%. US minutes release pushed UST yields higher, which may support gradual rise of Polish yields. The **NBP** in the buy back auction only bought PLN 0.36bn worth of bonds.

Corporate employment in slowdown years, Jan=100



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: 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	4.3985	CZKPLN	0.1667
USDPLN	3.7170	HUFPLN*	1.2622
EURUSD	1.1836	RUBPLN	0.0507
CHFPLN	4.0600	NOKPLN	0.4180
GBPPLN	4.8588	DKKPLN	0.5901
USDCNY	6.9226	SEKPLN	0.4271

*for 100HUF

Last session in the FX market 19.08.2020

	min	max	open	close	fixing
EURPLN	4.378	4.400	4.399	4.380	4.386
USDPLN	3.660	3.703	3.699	3.671	3.673
EURUSD	1.188	1.197	1.189	1.193	-

Interest rate market 19.08.2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.19	0	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.78	-3	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.37	-2	5.03.2020	DS1029	1.725

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.21	-1	0.23	0	-0.48	0
2L	0.30	-1	0.22	0	-0.43	0
3L	0.40	-2	0.23	0	-0.43	-1
4L	0.53	-1	0.26	0	-0.41	-1
5L	0.66	-1	0.32	1	-0.38	0
8L	0.89	-2	0.53	1	-0.28	0
10L	1.02	-1	0.66	2	-0.20	-1

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
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	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.22	0
3x6	0.20	0
6x9	0.21	0
9x12	0.23	1
3x9	0.25	0
6x12	0.27	2

Measures of fiscal risk

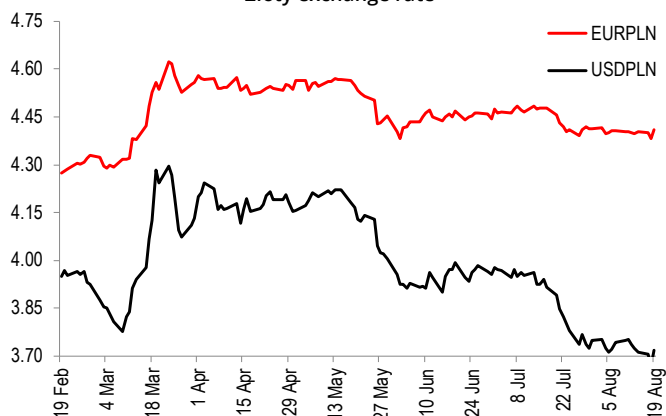
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	184	0
France	10	0	29	-1
Hungary	74	0	280	4
Spain	60	-1	77	-1
Italy	101	-1	145	0
Portugal	38	0	82	0
Ireland	18	0	34	0
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

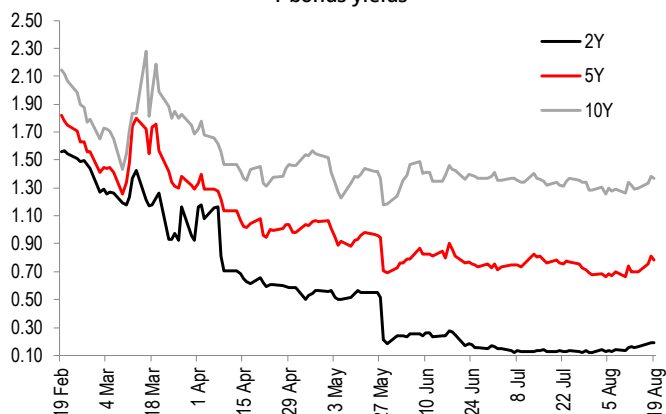
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

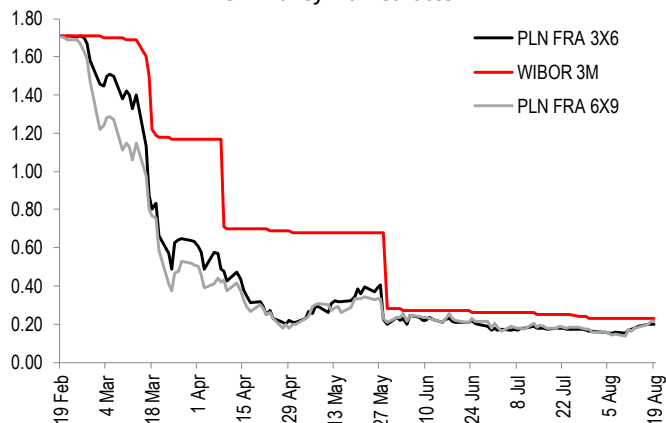
Zloty exchange rate



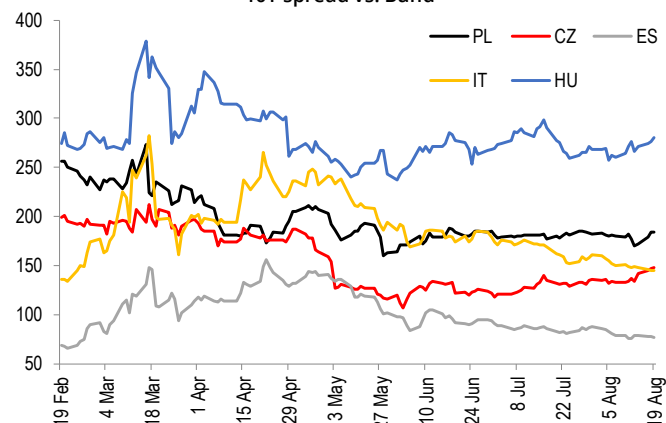
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
FRIDAY (14 August)								
09:00	HU	GDP	2Q	% y/y	-10.1	-	-13.6	2.2
10:00	PL	CPI	Jul	% y/y	3.1	3.1	3.0	3.3
10:00	PL	Flash GDP	2Q	% y/y	-9.0	-11.7	-8.2	2.0
11:00	EZ	GDP SA	2Q	% y/y	-15.0	-	-15.0	-3.1
14:30	US	Retail Sales Advance	Jul	% m/m	2.1	-	1.2	8.4
15:15	US	Industrial Production	Jul	% m/m	3.0	-	3.0	5.7
16:00	US	Michigan index	Aug	pts	71.9	-	72.8	72.5
MONDAY (17 August)								
14:00	PL	Core CPI	Jul	% y/y	4.2	4.1**	4.3	4.1
TUESDAY (18 August)								
14:30	US	Housing Starts	Jul	% m/m	5.0	-	22.6	17.5
WEDNESDAY (19 August)								
10:00	PL	Employment in corporate sector	Jul	% y/y	-3.0	-3.1	-2.3	-3.3
10:00	PL	Average Gross Wages	Jul	% y/y	2.9	4.5	3.8	3.6
11:00	EZ	HICP	Jul	% y/y	0.4	-	0.4	0.4
20:00	US	FOMC Meeting Minutes						
THURSDAY (20 August)								
10:00	PL	Sold Industrial Output	Jul	% y/y	-1.2	3.7		0.5
10:00	PL	PPI	Jul	% y/y	-0.5	-0.5		-0.8
14:30	US	Initial Jobless Claims	week	k	1 100	-		963
14:30	US	Index Philly Fed	Aug	pts	21.0	-		24.1
FRIDAY (21 August)								
09:30	DE	Flash Germany Manufacturing PMI	Aug	pts	52.5	-		51.0
09:30	DE	Flash Markit Germany Services PMI	Aug	pts	55.0	-		55.6
10:00	EZ	Flash Eurozone Manufacturing PMI	Aug	pts	53.1	-		51.8
10:00	EZ	Flash Eurozone Services PMI	Aug	pts	54.7	-		54.7
10:00	PL	Construction Output	Jul	% y/y	-5.5	-4.5		-2.4
10:00	PL	Retail Sales Real	Jul	% y/y	-0.7	2.8		-1.3
16:00	US	Existing Home Sales	Jul	% m/m	12.9	-		20.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

** estimate after CPI inflation data

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>.