

5 August 2022

Eyeopener

US labour market data today

Today release of non-farm payrolls – most important US labour market statistics

CNB left interest rates unchanged at 7%

Małag: unemployment rate at 4.9%

EURPLN returned to 4.72, yields down

Today, in the absence of any major domestic releases on the calendar, market eyes will be on the US. Today's US labour market data, including non-farm payrolls and the unemployment rate for July, should help investors assess the validity of recent concerns that the Fed is nearing the end of its hike cycle. Strong readings should reinforce expectations of further rapid Fed rate hikes and support the dollar.

According to the **MPC's vote in May**, a 75bp hike was supported by all members of the body except Ludwik Kotecki and Przemysław Litwiniuk. L. Kotecki favoured a stronger move and voted for a 100bp hike. The Council member said that, in his opinion, the zloty is undervalued by around 30% and that the way the NBP President communicates with the markets is problematic.

Labour Minister Marlena Małag reported that **the unemployment rate** remained unchanged at 4.9% in July, above forecasts (4.8%). This would imply a marked deceleration in the rate of decline in the number of unemployed in July: to -7k from -32k in June.

The ECB has begun publishing its monthly survey of consumer expectations. Euro zone 3-year **consumer inflation expectations** rose from 2.5% to 2.8% in June. 12-month inflation expectations rose from 4.9% to 5%. Rising consumer inflation expectations are another argument for further strong rate hikes in the euro zone.

Capital outflows from emerging markets in July totalled \$9.8 billion, according to a report by the Institute of International Finance (IIF), which brings together some 500 financial institutions from 70 countries. \$1 billion flowed out of equity markets and \$8.8 billion from the debt market. July was the 5th consecutive month of capital outflows from emerging markets.

EURUSD has risen above 1.02 again. With slightly weaker macroeconomic readings from the US recently, expectations of a slowdown in the rate hike cycle overseas are growing. Despite relatively hawkish messages coming from Fed members in recent days, ahead of the release of non-farm employment (NFP) data, some investors tactically began to reduce their exposure in the dollar.

EURPLN returned to 4.72 from 4.70. The weaker dollar did not help the pair, which has probably already completed its downward correction.

Other CEE currencies: the EURCZK fell below 24.60 from around 24.64. By a minimal majority of 8 to 7, the CNB Board decided to leave the key interest rate at 7%, against the alternative of a 25bp hike. Although rates remained unchanged, the CNB did not announce that this was the definitive end of the cycle. A resumption of the hike cycle is possible if inflationary pressures clearly increase. According to the CNB, the key to bring inflation down is lowering the fiscal deficit and slower wage growth relative to productivity. The CNB's exchange rate policy strategy has not changed, heralding further interventionist measures for the Czech koruna. The EURHUF rose to around 395 from around 393. The MNB left the 1-week deposit rate unchanged at 10.75% equal to the base rate.

Debt market: The domestic yield curve corrected downward on Thursday after two days of rapid increases. Interest rate expectations in the FRA market also fell. Yields also went down in the main markets, influenced by the Bank of England meeting. Although the BoE's key interest rate rose by as much as 50bp (the most since 1995), the pessimistic tone of the meeting predicting a long recession in the UK spoiled the mood in global markets, reinforcing recessionary fears.

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FX market

Today's opening			
EURPLN	4.7147	CZKPLN	0.1915
USDPLN	4.6109	HUFPLN*	1.1935
EURUSD	1.0223	RUBPLN	0.0764
CHFPLN	4.8154	NOKPLN	0.4725
GBPPLN	5.5977	DKKPLN	0.6332
USDCNY	6.7461	SEKPLN	0.4547

*for 100HUF

Last session in the FX market					04/08/2022
	min	max	open	close	fixing
EURPLN	4.6935	4.7289	4.6970	4.7230	4.723
USDPLN	4.6142	4.6451	4.6189	4.6224	4.634
EURUSD	1.0155	1.0233	1.0162	1.0220	-

Interest rate market

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.88	-22
DS0726 (5Y)	6.14	-16
DS0432 (10Y)	5.63	-16

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.35	-13	3.48	-1	0.94	-2
2L	6.81	-16	3.30	-1	1.20	-4
3L	6.29	-16	3.06	-5	1.26	-5
4L	5.91	-16	2.92	-3	1.31	-5
5L	5.66	-16	2.83	-3	1.37	-3
8L	5.36	-14	2.73	-2	1.54	-6
10L	5.32	-15	2.74	-2	1.63	-6

WIBOR rates

Term	%	Change (bps)
O/N	6.67	-2
T/N	6.70	-8
SW	6.81	2
2W	6.82	1
1M	6.80	1
3M	7.02	1
6M	7.30	0
1Y	7.44	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.09	-3
3x6	7.31	-10
6x9	7.28	-18
9x12	7.00	-19
3x9	7.44	-14
6x12	7.38	-19

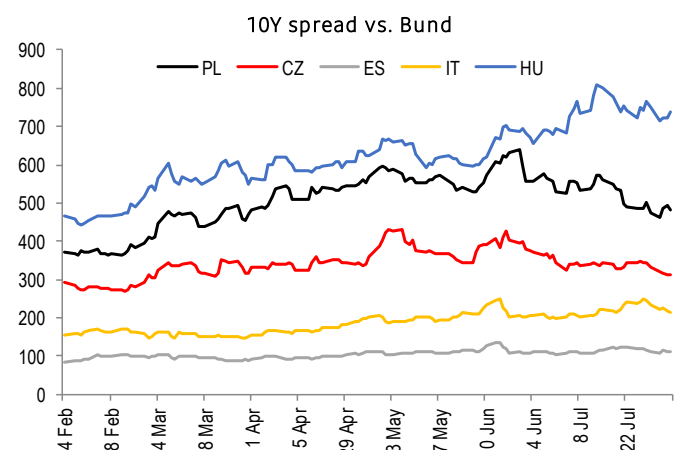
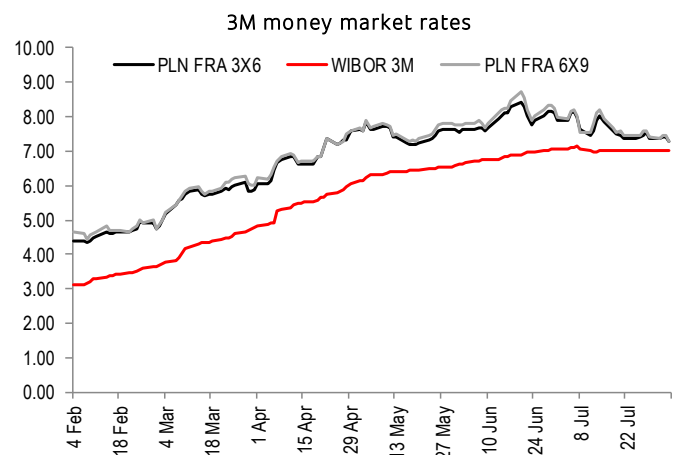
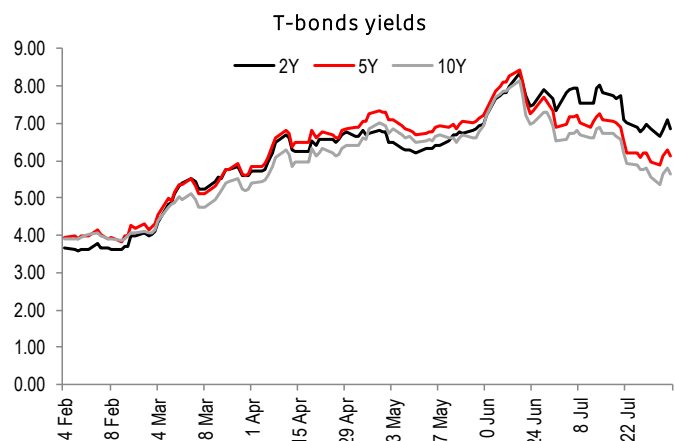
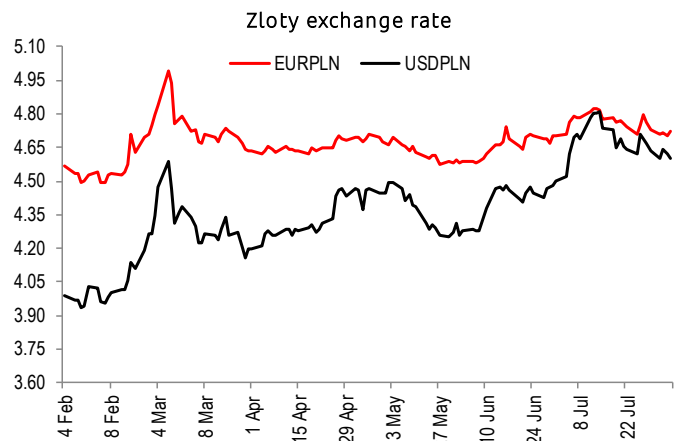
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	-4	483	-10
France	14	-1	55	-2
Hungary	189	-4	737	15
Spain	53	3	110	-2
Italy	70	0	214	-3
Portugal	40	0	103	-3
Ireland	13	0	60	-3
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



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (29 July)							
09:00	CZ	GDP SA	2Q	% y/y	3.3	3.6	4.9
10:00	PL	CPI	Jul	% y/y	15.6	15.5	15.5
10:00	DE	GDP WDA	2Q	% y/y	1.7	1.4	3.6
11:00	EZ	Flash HICP	Jul	% y/y	8.7	8.9	8.6
11:00	EZ	GDP SA	2Q	% y/y	3.4	4.0	5.4
14:30	US	Personal Spending	Jun	% m/m	0.9	1.1	0.3
14:30	US	Personal Income	Jun	% m/m	0.5	0.6	0.6
14:30	US	PCE Deflator SA	Jun	% m/m	0.9	1.0	0.6
16:00	US	Michigan index	Jul	pts	51.1	51.5	51.1
MONDAY (1 August)							
03:45	CN	Manufacturing PMI	Jul	pts	51.5	50.4	51.7
08:00	DE	Retail Sales	Jun	% m/m	0.4	-1.6	1.2
09:00	PL	Manufacturing PMI	Jul	pts	42.9	42.1	44.4
09:55	DE	Manufacturing PMI	Jul	pts	49.2	49.3	52.0
10:00	EZ	Manufacturing PMI	Jul	pts	49.6	49.8	52.1
11:00	EZ	Unemployment Rate	Jun	%	6.6	6.6	6.6
16:00	US	ISM manufacturing	Jul	pts	52.1	52.8	53.0
TUESDAY (2 August)							
No key events or releases							
WEDNESDAY (3 August)							
03:45	CN	Services PMI	Jul	pts	54.0	55.5	54.5
08:00	DE	Exports SA	Jun	% m/m	1.0	4.5	1.3
09:55	DE	Services PMI	Jul	pts	49.2	49.7	52.4
10:00	EZ	Services PMI	Jul	pts	50.6	51.2	53.0
11:00	EZ	Retail Sales	Jun	% m/m	0.0	-3,7	0.2
16:00	US	Durable Goods Orders	Jun	% m/m	-	2.0	1.9
16:00	US	ISM services	Jul	pts	53.9	56.7	55.3
16:00	US	Factory Orders	Jun	% m/m	0.8	2.0	1.6
THURSDAY (4 August)							
08:00	DE	Factory Orders	Jun	% m/m	-1.2	-0.4	-0.2
14:30	US	Initial Jobless Claims	week	k	-	260	254
14:30	CZ	Central Bank Rate Decision		%	7.00	7.00	7.00
FRIDAY (5 August)							
08:00	DE	Industrial Production SA	Jun	% m/m	-0.4	0.4	-0.1
09:00	HU	Industrial Production SA	Jun	% y/y	-	-	3.4
14:30	US	Change in Nonfarm Payrolls	Jul	k	250	-	372
14:30	US	Unemployment Rate	Jul	%	3.6	-	3.6

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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