

11 April 2023

## Eyeopener

### US labour market weaker but no collapse

Today euro zone retail sales, new IMF forecasts

US labour market data revealed some weakness but did not indicate a collapse

EURUSD close to the levels seen before NFP, core market yields higher

Low-importance data releases **today** - the market may be interested in retail sales in the euro area, and we will also get to see the March reading of NFIB small business sentiment index in the US. More on the data front will be happening later in the week: on Thursday we will see Polish balance of payments for February, and on Friday the final data on March inflation. Abroad, the calendar includes inflation data in Hungary, the Czech Republic, Germany and the US, plus industrial production data in the euro area and the US. Wednesday will see the minutes of the latest FOMC meeting. The today's data may be overshadowed by the publication of a new set of **IMF economic forecasts** (as part of the World Economic Outlook report). In addition to this, two current voting members of the FOMC (Goolsbee and Harker) and Villeroy from the ECB will speak in the evening. China's CPI inflation, published today, fell to 0.7% against expectations of a stabilisation at 1.0% y/y. PPI inflation fell as expected to -2.5% y/y from -1.4%.

**US labour market data** in March were weaker than in previous months, but slightly better than forecasts. However, a detailed look at the data reveals quite a few worrying signs, including a decline in construction and manufacturing employment and a drop in average hours worked per worker. Generally, the hard data did not confirm the fears of a major negative US labour market reaction, which grew on the back of poor sentiment indices in this respect.

**The FAO Food Price Index** fell by 2.2% m/m in March, to its lowest level since May 2021. This was the twelfth consecutive decline in the index. The components describing the prices of cereals and vegetable fats fell most sharply. On the other hand, the meat and sugar price indices went up. The index's behaviour gives reason to hope for a mitigation of food price increases in Poland in the coming months, but it should be borne in mind that it omits many food products, such as fruit and vegetables, which have recently got more expensive in Poland at an increased pace.

**Minutes from the MPC March meeting** revealed that the majority of Council members believed that slowdown of GDP growth plus already implemented policy tightening would cause lowering of inflation towards the target, although it will be a gradual process. Some members argued that the rate hikes delivered so far were insufficient and the expected disinflation will be too slow. The document does not add much to the already known picture of monetary policy in Poland.

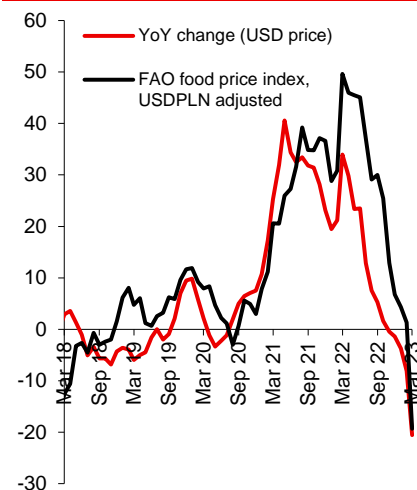
**EURUSD** fluctuated around the 1.09 level for another day in a row. The publication of data from the US labour market did not significantly affect the exchange rate. After a brief movement in favour of the USD, the exchange rate began to stabilise again around the levels from before the publication of unemployment, wages and employment in the US. The same was true on Monday, with a temporary strengthening of the dollar against the euro as the trading after the Easter holiday resumed.

**EURPLN** fell from around 4.685 to below 4.68 on Friday. Today, the rate opens near 4.69, indicating relative weakness against the rest of the region. The zloty gained slightly on data from the US labour market, which admittedly did not show full resilience to the downturn, but did not surprise with weakness, thus generally improving the sentiment in the markets.

**Other CEE currencies:** **EURCZK** remained in a gentle downtrend and is moving below 23.35 this morning. **EURHUF** is now at a similar point to Friday's opening, near 376.

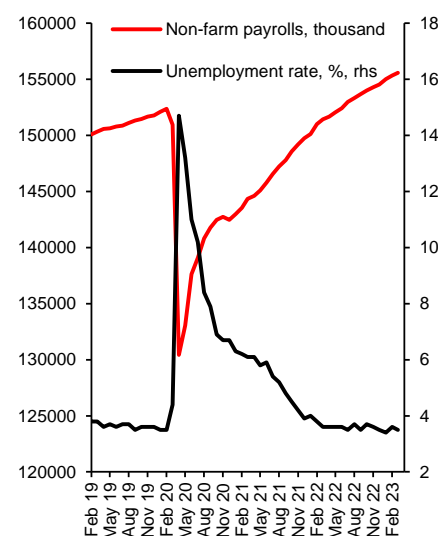
**Debt market:** the domestic yield curve remained stable on Friday despite the US labour market data release, but the limited liquidity in the market did not allow the new information to be fully priced in. The US yield curve already reacted to the data on Friday by rising by 8-15bp (more at the short end) and on Monday it added just 2bp over its entire span. The data also helped to reduce expectations of rate cuts in the US later this year.

FAO index, % y/y



Source: FAO, Santander

US labour market data



Source: Refinitiv, Santander

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**FX market**

**Today's opening**

EURPLN	4.6875	CZKPLN	0.1990
USDPLN	4.3046	HUFPLN*	1.2336
EURUSD	1.0888	RUBPLN	0.0526
CHFPLN	4.7348	NOKPLN	0.4078
GBPPLN	5.3107	DKKPLN	0.6269
USDCNY	6.8855	SEKPLN	0.4087

\*for 100HUF

**Last session in the FX market 10.04.2023**

	min	max	open	close	fixing
EURPLN	4.6773	4.6900	4.6792	4.6892	4.6862
USDPLN	4.2855	4.3288	4.2951	4.3260	4.2932
EURUSD	1.0830	1.0917	1.0895	1.0837	-

**Interest rate market 10.04.2023**

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.17	0
WS0428 (5Y)	6.04	0
DS1033 (10Y)	6.07	0

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.82	4	5.04	3	3.44	0
2L	6.28	2	4.31	6	3.27	0
3L	5.76	2	3.93	5	3.07	0
4L	5.51	2	3.71	4	2.96	0
5L	5.39	2	3.59	5	2.90	1
8L	5.31	3	3.43	3	2.84	0
10L	5.30	1	3.41	3	2.84	0

**WIBOR rates**

Term	%	Change (bps)
O/N	6.40	-32
T/N	6.77	2
SW	6.83	0
2W	6.83	0
1M	6.87	2
3M	6.90	0
6M	6.95	0
1Y	7.06	0

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

Term	%	Change (bps)
1x4	6.85	-2
3x6	6.83	6
6x9	6.62	2
9x12	6.22	4
3x9	6.84	6
6x12	6.63	5

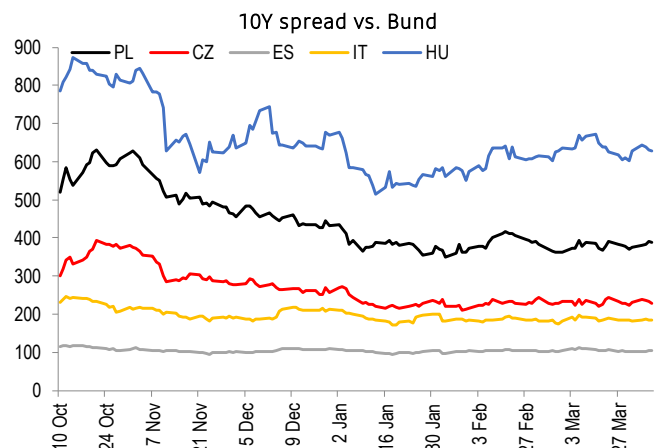
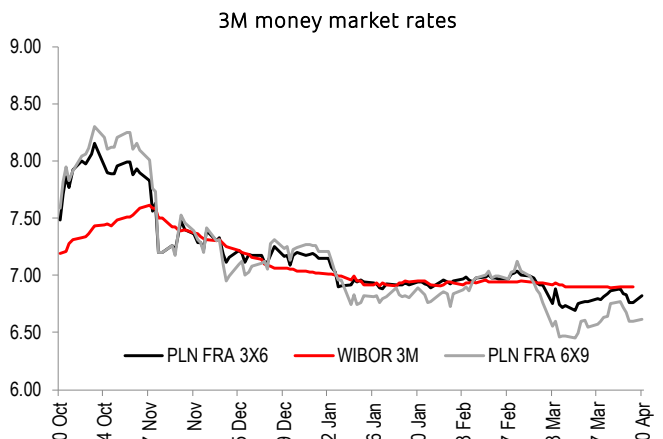
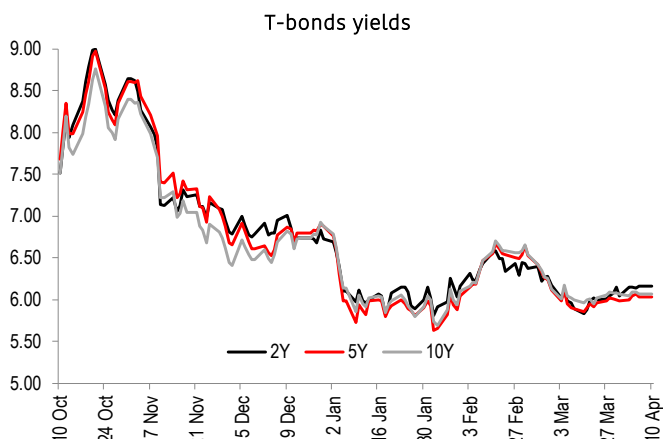
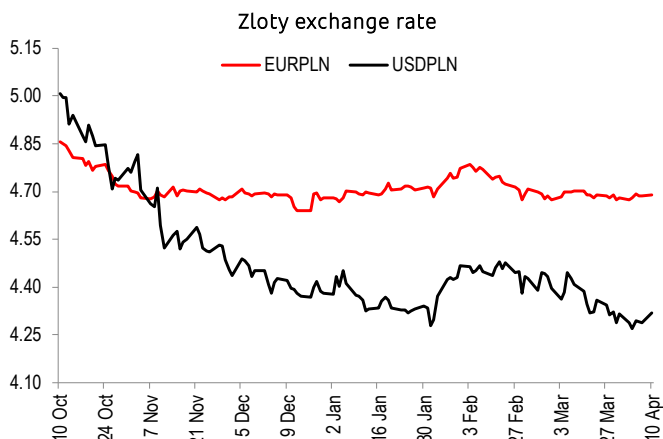
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	100	0	389	-2
France	14	0	52	1
Hungary	169	0	629	-1
Spain	48	0	104	1
Italy	48	0	184	0
Portugal	36	0	88	1
Ireland	19	0	44	-2
Germany	12	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



## Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
<b>FRIDAY (7 April)</b>								
14:30	US	Change in Nonfarm Payrolls	Mar	k	230	-	236	326
14:30	US	Unemployment Rate	Mar	%	3.6	-	3.5	3.6
<b>MONDAY (10 April)</b>								
	<b>PL</b>	<b>Holiday</b>						
<b>TUESDAY (11 April)</b>								
11:00	EZ	Retail Sales	Feb	% m/m	-0.8	-		0.3
<b>WEDNESDAY (12 April)</b>								
08:30	HU	CPI	Mar	% y/y	24.9	-		25.4
14:30	US	CPI	Mar	% m/m	0.2	-		0.4
20:00	US	FOMC Meeting Minutes	Mar.23		-			0.0
<b>THURSDAY (13 April)</b>								
08:00	DE	HICP	Mar	% m/m	1.1	-		1.1
09:00	CZ	CPI	Mar	% y/y	15.0	-		16.7
11:00	EZ	Industrial Production SA	Feb	% m/m	1.0	-		0.7
14:00	<b>PL</b>	<b>Current Account Balance</b>	<b>Feb</b>	<b>€mn</b>	<b>347</b>	<b>-416</b>		<b>1429</b>
14:00	<b>PL</b>	<b>Trade Balance</b>	<b>Feb</b>	<b>€mn</b>	<b>96</b>	<b>-815</b>		<b>1225</b>
14:00	<b>PL</b>	<b>Exports</b>	<b>Feb</b>	<b>€mn</b>	<b>26809</b>	<b>25945</b>		<b>26809</b>
14:00	<b>PL</b>	<b>Imports</b>	<b>Feb</b>	<b>€mn</b>	<b>26346</b>	<b>26760</b>		<b>25584</b>
14:30	US	Initial Jobless Claims		k	200	-		228
<b>FRIDAY (14 April)</b>								
10:00	<b>PL</b>	<b>CPI</b>	<b>Mar</b>	<b>% y/y</b>	<b>16.2</b>	<b>16.2</b>		<b>18.4</b>
14:30	US	Retail Sales Advance	Mar	% m/m	-0.5	-		-0.4
15:15	US	Industrial Production	Mar	% m/m	0.3	-		0.0
16:00	US	Michigan index	Apr	pts	61.8	-		62.0

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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