

8 May 2023

Eyeopener

US labour market remains strong

Today, German industrial production
US labour market remains resilient
EURPLN ended the week close to weekly low, bond yields rebounded after US data

Today, apart from the already published German industrial production for March (which looks just as bad as the rest of the industrial sector data: new orders and exports), there is nothing left for us to do but wait for the important events later in the week. In Poland, the MPC's decision is scheduled for Wednesday, followed by a press conference of the NBP governor, probably on Thursday. Abroad, there will be inflation data from Europe (including the Czech Republic, Hungary and the euro area) and the US, the Michigan consumer confidence index. There is also the Bank of England decision on Thursday.

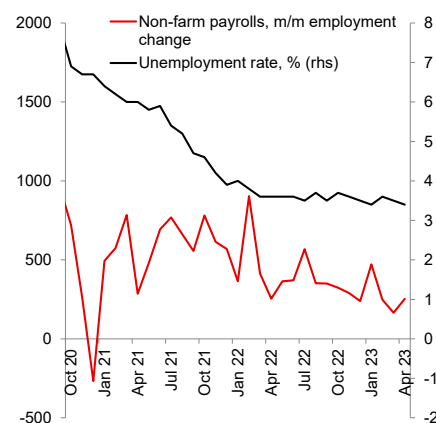
The US labour market report for April showed no significant weakening. On the contrary. The unemployment rate was at its lowest since 1969. Employment growth turned out to be stronger than the market had expected. Significant downward revisions of the previous two months, in our opinion, do not change the strong message of the payrolls data. A tight labour market means problems in beating inflation. This can be seen in the 4.4% y/y increase in hourly wages (accelerating from 4.3%) and the 0.5% m/m increase (previously 0.3%) - these also surprised on the upside.

EURUSD: The end of last week saw the euro weaken in the face of a smaller ECB move (25bp hike) and strong US labour market data, which led to lower expectations for rate cuts this year and a rise in US bond yields. Once again, however, the move was fairly short-lived: EURUSD, after falling to around 1.097, later that evening started to bounce back upwards and today starts the week close to 1.104, without reacting significantly to this morning's weak German manufacturing data.

CEE currencies: although the past week generally brought a halt to the zloty's appreciation trend, on Friday EURPLN declined again, to around 4.58. The Czech koruna and the Hungarian forint behaved similarly. This week's potential confirmation of dovish signals by the MPC and a possible continuation of the EURUSD's downward movement could lead to the correction of the zloty that we have been awaiting for some time.

Interest rate market: On Friday, there was a rise in IRS rates and bond yields in the core markets in response to the US data, which translated into a similar movement albeit of a smaller scale in the domestic market as well. Bonds lost slightly more, which translated into an increase in asset swap spreads in Poland. However, the Friday's yield rise did not offset the downward move which had occurred earlier in the past week. In the coming days, we see an opportunity for a steepening of the yield curve in Poland, provided the MPC maintains or reinforces its dovish message, and abroad this may be supported by the downward trend in US core inflation.

US labour market data



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.5776	CZKPLN	0.1948
USDPLN	4.1450	HUFPLN*	1.2175
EURUSD	1.1041	RUBPLN	0.0538
CHFPLN	4.6609	NOKPLN	0.3916
GBPPLN	5.2384	DKKPLN	0.6123
USDCNY	6.9149	SEKPLN	0.4070

*for 100HUF

Last session in the FX market 05/05/2023

	min	max	open	close	fixing
EURPLN	4.5708	4.5944	4.5880	4.5735	4.5885
USDPLN	4.1464	4.1737	4.1553	4.1497	4.1612
EURUSD	1.0965	1.1047	1.1040	1.1024	-

Interest rate market 05/05/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.77	1
WS0428 (5Y)	5.80	4
DS1033 (10Y)	5.83	5

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	6.68	4.94	3.60
2L	6.09	4.14	3.37
3L	5.58	3.77	3.14
4L	5.36	3.57	3.02
5L	5.24	3.47	2.97
8L	5.17	3.43	2.94
10L	5.20	3.44	2.96

WIBOR rates

Term	%	Change (bps)
O/N	6.83	10
T/N	6.74	1
SW	6.82	0
2W	6.80	-1
1M	6.87	2
3M	6.90	0
6M	6.95	0
1Y	7.05	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.87	2
3x6	6.83	11
6x9	6.43	4
9x12	6.02	9
3x9	6.87	11
6x12	6.41	2

Measures of fiscal risk

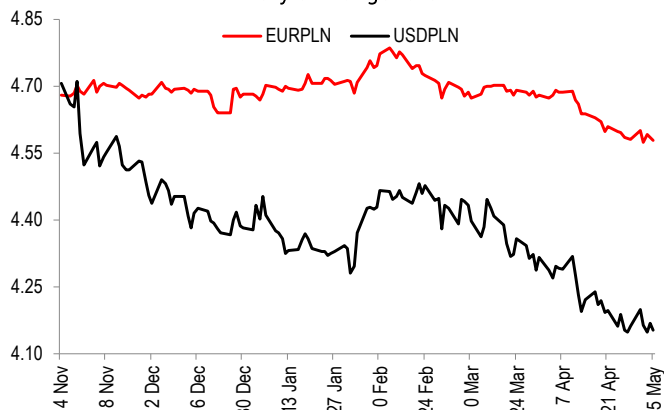
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	90	354
France	14	59
Hungary	172	556
Spain	54	109
Italy	49	191
Portugal	39	86
Ireland	19	45
Germany	10	-

* 10Y treasury bonds over 10Y Bunds

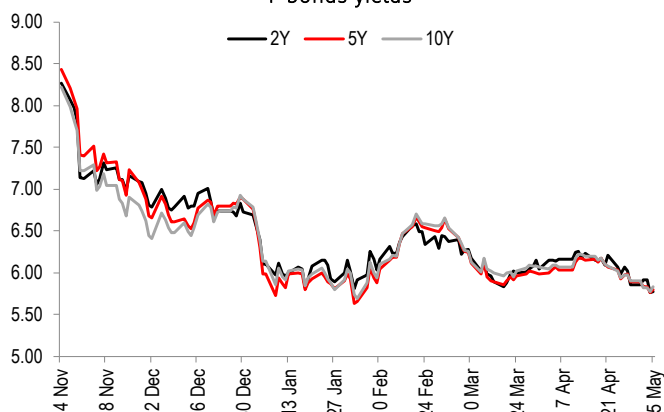
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

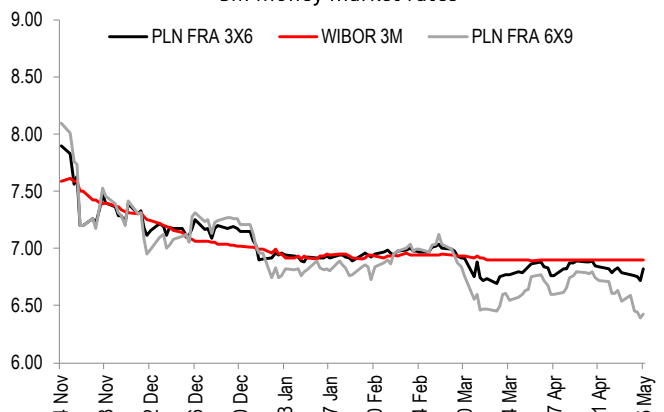
Zloty exchange rate



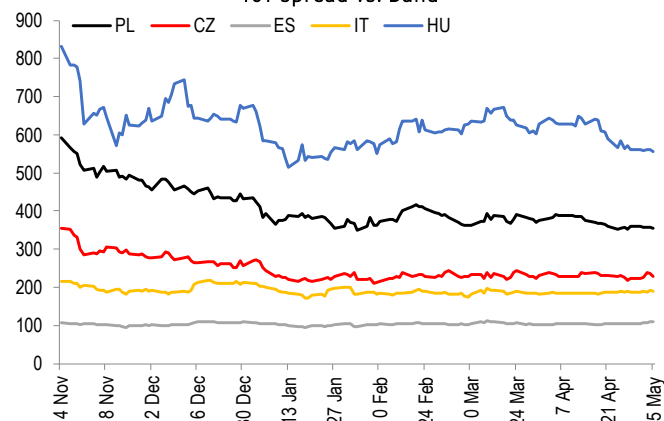
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL	LAST
					MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (5 May)								
03:45	CN	Caixin China PMI Services	Apr	pts	57.3		56.4	57.8
08:00	DE	Factory Orders	Mar	% m/m	-2.3		-10.7	4.8
08:30	HU	Industrial Production SA	Mar	% y/y	-2.7		-4.0	-4.6
11:00	EZ	Retail Sales	Mar	% m/m	-0.2		-1.2	-0.2
14:30	US	Change in Nonfarm Payrolls	Apr	k	185		253	165
14:30	US	Unemployment Rate	Apr	%	3.6		3.4	3.5
MONDAY (8 May)								
08:00	DE	Industrial Production SA	Mar	% m/m	-1.4		-3.4	2.0
TUESDAY (9 May)								
09:00	CZ	Industrial Production	Mar	% y/y	1.9		-	2.0
WEDNESDAY (10 May)								
	PL	MPC decision		%	6.75	6.75	-	6.75
08:00	DE	HICP	Apr	% m/m	0.6		-	0.6
08:30	HU	CPI	Apr	% y/y	24.0		-	25.2
14:30	US	CPI	Apr	% m/m	0.4		-	0.1
THURSDAY (11 May)								
09:00	CZ	CPI	Apr	% y/y	13.3		-	15.0
13:00	UK	BoE decision	May	%	4.50			4.25
14:30	US	Initial Jobless Claims		k	240		-	242
FRIDAY (12 May)								
16:00	US	Michigan index	May	pts	63.0		-	63.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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