

Eyeopener

Strong US labour market data

Today: Services PMIs and PPI in the euro area, factory orders in the US
 US non-farm payrolls above forecasts
 Weaker local government fiscal accounts in 1Q23
 Stronger zloty, higher yields

Today, a lot of interesting data from the major economies will be published: services PMI and PPI indices for April in the euro zone countries, in the US durable goods orders and industrial orders. In addition, speeches by ECB president C. Lagarde (11am) and Bundesbank head J. Nagel (4pm) are also scheduled for today. At the weekend, Saudi Arabia decided to cut oil production by 1 million barrels per day from July, which translated into a slight increase in oil prices (Brent around \$76). Meanwhile, J. Biden signed the bill to suspend the US debt limit before Yellen's deadline indicated for today.

May US labour market data showed a very strong job growth (339k against expectations of 195k and an upward revision of the previous month's data), with the unemployment rate rising to 3.7% from 3.5% and rather weak wage growth. Evidently, the US labour market is still tight. The data had an upward impact on yields in the interest rate markets.

In 1Q23, local governments recorded revenues of PLN91.0bn (up 1.4% y/y), with expenditures of PLN79.1bn (up 6.9% y/y). This translated into a surplus of PLN11.9bn, significantly less than a year earlier (PLN15.8bn). The sector's investment expenditure amounted to PLN7.8bn and was significantly higher than a year earlier (PLN4.7bn, up 65.7% y/y), with EU-funded investment spending at PLN2bn, roughly the same as a year earlier. The data from local government support our forecast of an increase in the public finance sector deficit above 5% of GDP this year. On the other hand, we do not believe that the high growth rate of investment will be repeated in subsequent quarters.

EURUSD was quite volatile on Friday. Ultimately, the decisive factor for the exchange rate was the US labour market data, which caused the dollar to strengthen. The exchange rate ended the day slightly above 1.07 against around 1.077 at the start of the session.

On Friday, **the zloty strengthened against the euro**, probably mainly due to better global sentiment following the US debt limit agreement. EURPLN fell from around 4.515 at the start of the day to just **below 4.49**. The publication of the higher-than-expected data from the US labour market brought the currency pair back to 4.50. We attribute higher probability to zloty weakening than to strengthening, but the movement may be neither significant nor lasting. Perhaps only in the following week the CJEU verdict scheduled for 15 June may be the impulse for greater volatility in the domestic currency. The EURHUF oscillated around 371 with a slight downward trend, and the EURCZK fell from around 23.70 at the beginning of the session to 23.63 at the end of the day.

Strong US labour market data pushed up bond yields in the core markets. Domestic bond yields, on the other hand, were fairly stable, with only the long end going up slightly (by c. 3bp). The IRS curve reacted slightly more strongly, moving higher in parallel by 4-5 bp. Today, the upward adjustment of rates in the core markets continues supported by better-than-expected export data from Germany and anticipation of significant US Treasuries issuance following the signing of the debt limit increase agreement. Domestically, the possible lack of a clear statement from the NBP President on a possible interest rate cut this year at his conference scheduled for Wednesday may work in the direction of higher yields. However, we assume that after a slight upward correction, market rates will resume their downward trend. This may be supported by German manufacturing data still to come this week and, in the longer term, by following inflation data showing further decline.

US labour market data



Source: Refinitiv, Santander

Economic Analysis Department:

aL. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
 Piotr Bielski +48 691 393 119
 Cezary Chrapek, CFA +48 887 842 480
 Marcin Luzziński +48 510 027 662
 Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4,4952	CZKPLN	0,1893
USDPLN	4,2039	HUFPLN*	1,2013
EURUSD	1,0692	RUBPLN	0,0515
CHFPLN	4,6001	NOKPLN	0,3790
GBPPLN	5,2167	DKKPLN	0,6010
USDCNY	7,1134	SEKPLN	0,3868

*For 100HUF

Last session in the FX market 02.06.2023

	min	max	open	close	fixing
EURPLN	4,4867	4,5211	4,5110	4,4930	4,5148
USDPLN	4,1679	4,1996	4,1923	4,1902	4,1903
EURUSD	1,0716	1,0778	1,0762	1,0723	-

Interest rate market 02.06.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5,96	-10
WS0428 (5Y)	5,82	1
DS1033 (10Y)	5,99	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6,63	1	5,37	11	3,76	5
2L	6,06	3	4,66	14	3,54	8
3L	5,60	2	4,25	18	3,30	8
4L	5,38	1	4,03	16	3,14	8
5L	5,29	3	3,91	15	3,05	7
8L	5,26	5	3,75	13	2,96	5
10L	5,31	5	3,73	12	2,96	4

WIBOR rates

Term	%	Change (bps)
O/N	6,70	-31
T/N	6,79	0
SW	6,84	1
2W	6,84	-1
1M	6,85	3
3M	6,90	0
6M	6,95	0
1Y	7,05	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6,86	-1
3x6	6,76	1
6x9	6,32	4
9x12	5,90	6
3x9	6,75	1
6x12	6,30	3

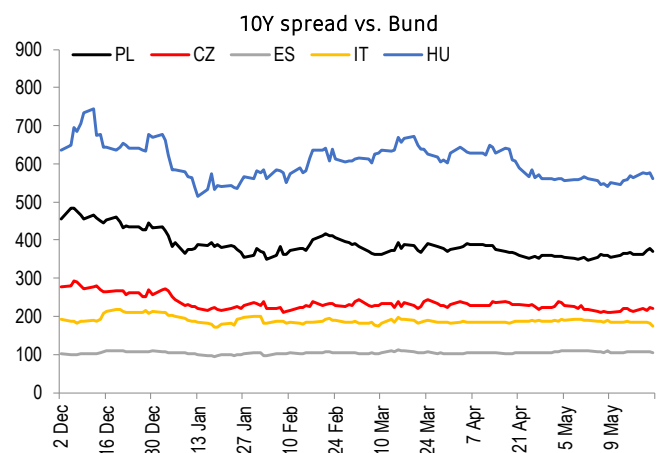
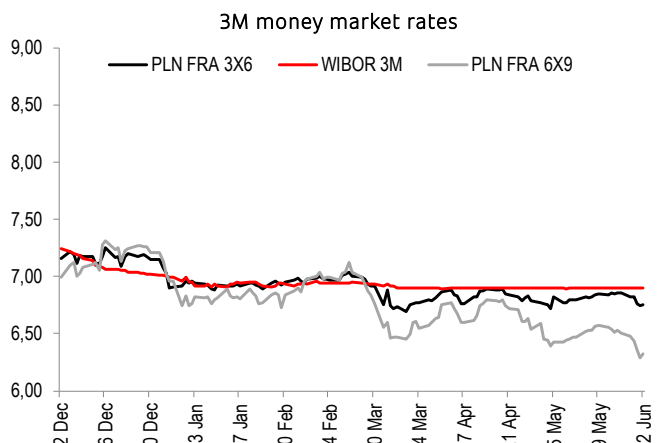
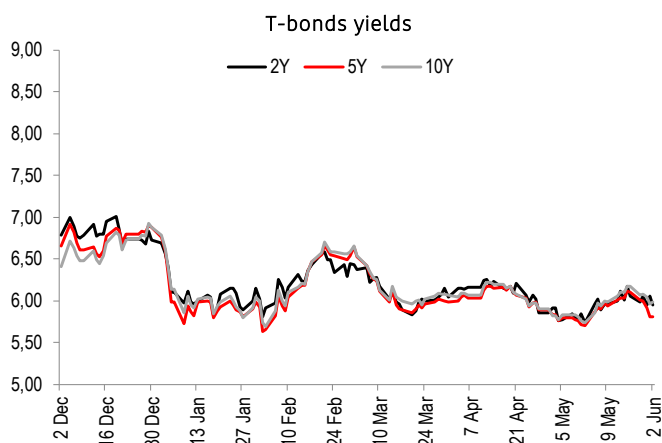
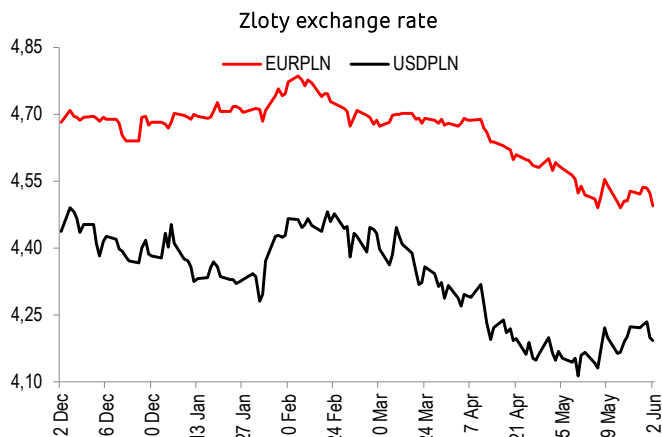
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	78	0	370	-7
France	13	0	57	0
Hungary	177	0	560	-17
Spain	52	0	104	-3
Italy	43	-2	175	-7
Portugal	40	0	72	-3
Ireland	18	0	43	-4
Germany	10	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		
FRIDAY (2 June)							
14:30	US	Change in Nonfarm Payrolls	May	k	195	339	294
14:30	US	Unemployment Rate	May	%	3.5	3.7	3.4
MONDAY (5 June)							
03:45	CN	Caixin China PMI Services	May	pts	55.2	-	57.1
08:00	DE	Exports SA	Apr	% m/m	-1.5	-	1.2
09:55	DE	Markit Germany Services PMI	May	pts	57.8	-	57.8
10:00	EZ	Eurozone Services PMI	May	pts	55.9	-	55.9
16:00	US	Durable Goods Orders	Apr	% m/m	1.1	-	1.1
16:00	US	ISM services	May	pts	52.5	-	51.9
16:00	US	Factory Orders	Apr	% m/m	0.8	-	0.4
TUESDAY (6 June)							
	PL	MPC decision		%	6.75	6.75	6.75
08:00	DE	Factory Orders	Apr	% m/m	3.0	-	-10.7
09:00	CZ	Industrial Production	Apr	% y/y	-0.5	-	2.4
11:00	EZ	Retail Sales	Apr	% m/m	0.2	-	-1.2
WEDNESDAY (7 June)							
08:00	DE	Industrial Production SA	Apr	% m/m	0.7	-	-3.4
08:30	HU	Industrial Production SA	Apr	% y/y	1.4	-	-4.0
THURSDAY (8 June)							
08:30	HU	CPI	May	% y/y	22.3	-	24.0
11:00	EZ	GDP SA	1Q	% y/y	1.3	-	1.3
14:30	US	Initial Jobless Claims		k	235	-	232.0
FRIDAY (9 June)							
No key data releases or events							

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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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.