

3 November 2023

## Eyeopener

### Polish PMI up again, Czechs still wait with a rate cut

Today US data about the labour market and services ISM  
Polish manufacturing PMI reached the highest level since June  
Appreciation of the zloty and the euro

**Today**, October non-farm payrolls and unemployment rate will flow in from the US labour market. The market expects employment to increase by c.180k jobs and the unemployment rate to remain at 3.8%. Unemployment rate will also be published in the euro area, where it is also expected to remain unchanged, at 6.4%. In addition, we will see the October reading of the ISM indicator of sentiment in the US service sector. Earlier today we have learned the Chinese service sector sentiment data – the Caixin PMI index surprised to the downside for the third consecutive month in October, although it remained slightly above the neutral threshold of 50 pts. September German foreign trade data showed a slightly higher surplus than expected, but with a much lower trade volume than the market had expected (exports fell by 2.4% m/m, imports by 1.7%), the negative tone was mitigated by an upward revision of the August data (instead of a 1.2% m/m decline in exports, there was an increase of 0.1%).

**Polish manufacturing PMI rose to 44.5** pts in October from 43.9 pts in September, slightly above the market consensus. The indicator recorded its second rise in a row and climbed to the highest level since June, which, however, still is not very high. The report mentions softer declines in new orders and employment, but deepening fall of output (the sub-index is the lowest since November) and purchases – in order to reduce inventories. Assessment of production outlook remained positive, with the sub-index among the strongest levels recorded in 2022. Low demand seems to be forcing companies to pass any cost savings to clients, as the output price index stayed in the contraction territory. Alternative business sentiment indicators were more positive on industry situation and prospects, we also saw some positive momentum in real data regarding output in September.

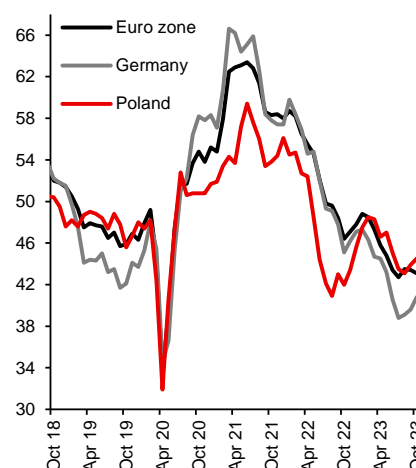
**The Czech National Bank kept its main interest rate unchanged** at 7.00%, in line with our expectations and above the market's expectation of a 25 bps cut. In its new projection, the bank pulled up average inflation in 2024 to 2.6% from 2.1% and at the same time lowered expected economic growth from 2.3% to 1.2%. The Bank of England (5.25%) and the Bank of Norway (4.25%) also decided yesterday to keep their rates unchanged.

**The number of new US jobless claims** rose to 217k last week from 212k the week before and against expectations of a fall to 210k. The total number of people receiving unemployment benefits rose by 35k in the week ended 21 October, exceeding the 1.8mn level for the first time since April. However, the end of the strike by the UAW (auto manufacturers' trade union) could translate into a correction of the increase in the coming weeks.

During yesterday's **foreign exchange market** session, the zloty gained against the euro by around 0.5% following the publication of the Polish manufacturing PMI, bringing the EURPLN down to 4.450. The Czech koruna also strengthened against the euro, by more than 0.6%, following the CNB's decision to keep its main interest rate unchanged. The Hungarian forint also recorded gains against the euro. The EURUSD spent the session in an upward trend, rising by 1.0% to 1.064.

In the **debt market** on Thursday, the yield curve of Polish bonds flattened further, slipping by 3 bp at the short end and by 9 and 8 bp at the belly and the long end, respectively. As a result, by the end of the session, the slope of the curve was just above 40 bp (and the slope of the IRS curve decreased to +6 bp). Yields also fell and curves flattened in the underlying markets. Bonds lost 1-6 bp in Germany and 4 and 8 bp in the US at the middle and long end of the curve, respectively, while yields on two-year bonds rose by 3 bp.

Manufacturing PMIs, pts



Source: S&P Global, Santander

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## FX market

### Today's opening

EURPLN	4.4505	CZKPLN	0.1806
USDPLN	4.1855	HUFPLN*	1.1535
EURUSD	1.0630	RUBPLN	0.0450
CHFPLN	4.6235	NOKPLN	0.3749
GBPPLN	5.1021	DKKPLN	0.5972
USDCNY	7.3130	SEKPLN	0.3763

\*for 100HUF

### Last session in the FX market

02.11.2023

	min	max	open	close	fixing
EURPLN	4.4429	4.4689	4.4589	4.4501	4.4582
USDPLN	4.1674	4.2159	4.2089	4.1922	4.1963
EURUSD	1.0589	1.0667	1.0596	1.0613	-

## Interest rate market

02.11.2023

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

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.17	-1
WS0428 (5Y)	5.24	-7
DS1033 (10Y)	5.60	-7

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.18	5.61	3.87
	-6	1	2
2L	4.79	5.11	3.53
	-3	-1	-1
3L	4.62	4.86	3.30
	-6	1	-1
4L	4.55	4.72	3.20
	-9	6	-2
5L	4.56	4.65	3.17
	-13	-2	-3
8L	4.73	4.56	3.18
	-13	-6	-5
10L	4.86	4.59	3.23
	-13	-6	-2

### WIRON rate

Term	%	Change (bps)
WIRON	3.97	-131

### WIBOR rates

Term	%	Change (bps)
O/N	5.74	88
T/N	5.81	-1
SW	5.80	-2
1M	5.76	-4
3M	5.64	-2
6M	5.55	-1
1Y	5.53	-1

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

Term	%	Change (bps)
1x4	5.50	-4
3x6	5.24	-6
6x9	4.85	-5
9x12	4.56	-6
3x9	5.15	-5
6x12	4.78	-4

### CDS rates and 10Y yield spread vs. German Bund

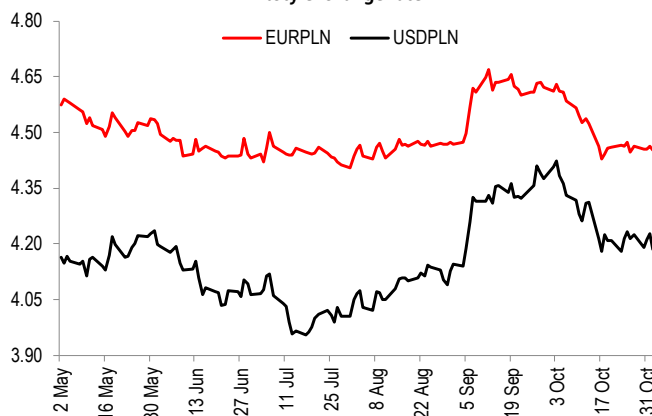
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	64	291
	-3	5
France	13	62
	0	0
Hungary	152	479
	-2	5
Spain	54	108
	-1	0
Italy	49	190
	-2	-2
Portugal	40	70
	-1	-1
Ireland	20	44
	0	0
Germany	16	-
	-1	-

\* 10Y treasury bonds over 10Y Bunds

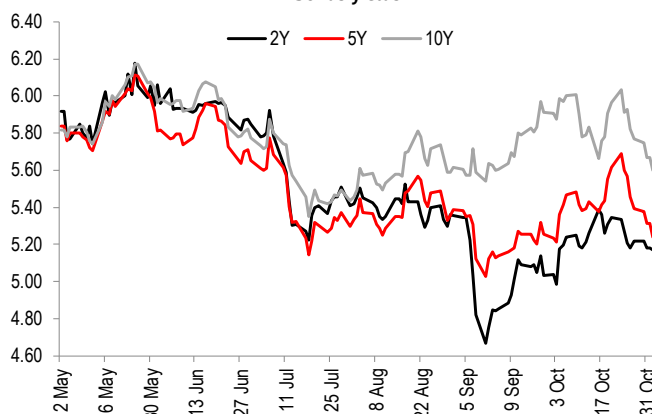
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

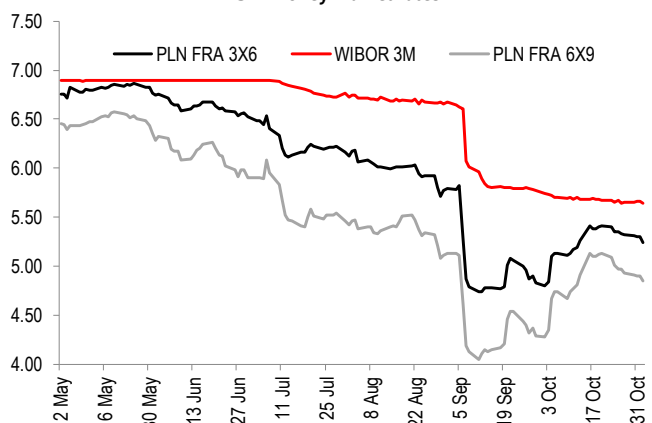
## Zloty exchange rate



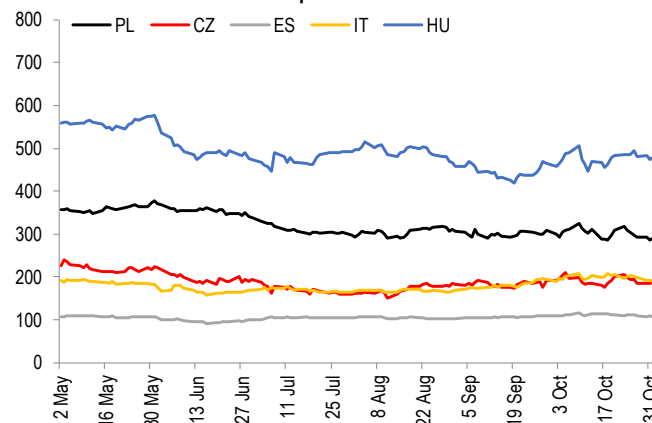
## T-bonds yields



## 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 (27 October)								
14:30	US	Personal Spending	Sep	% m/m	0.5	-	0.7	0.4
14:30	US	Personal Income	Sep	% m/m	0.4	-	0.3	0.4
14:30	US	PCE Deflator SA	Sep	% m/m	0.3	-	0.3	0.4
16:00	US	Michigan index	Oct	pts	63.0	-	63.8	67.9
MONDAY (30 October)								
10:00	DE	GDP WDA	3Q	% y/y	-0.7	-	-0.3	-0.2
11:00	EZ	ESI	Oct	pts.	93.2	-	93.3	93.4
14:00	DE	HICP	Oct	% m/m	0.1	-	0.0	0.2
TUESDAY (31 October)								
09:00	CZ	GDP SA	3Q	% y/y	-0.3	-	-0.6	-0.6
10:00	PL	CPI	Oct	% y/y	6.6	6.5	6.5	8.2
11:00	EZ	Flash HICP	Oct	% y/y	3.1	-	2.9	4.3
11:00	EZ	GDP SA	3Q	% y/y	0.2	-	0.1	0.5
15:00	US	Consumer Conference Board	Oct	pts	100.5	-	102.6	103.0
WEDNESDAY (1 November)								
13:15	US	ADP report	Oct	k	150	-	113	89
15:00	US	ISM manufacturing	Oct	pts	49.0	-	46.7	49.0
19:00	US	FOMC decision	Nov	%	5.50	-	5.50	5.50
THURSDAY (2 November)								
09:00	PL	Poland Manufacturing PMI	Oct	pts	44.4	44.2	44.5	43.9
09:55	DE	Germany Manufacturing PMI	Oct	pts	40.7	-	40.8	40.7
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	43.0	-	43.1	43.0
13:30	US	Initial Jobless Claims	Oct.23	k	210	-	217	212
14:30	CZ	Central Bank Rate Decision	Nov	%	6.75	-	7.00	7.00
15:00	US	Durable Goods Orders	Sep	% m/m	4.7	-	4.6	4.7
15:00	US	Factory Orders	Sep	% m/m	2.3	-	2.8	1.0
FRIDAY (3 November)								
02:45	CN	Caixin China PMI Services	Oct	pts	51.0	-	50.4	50.2
08:00	DE	Exports SA	Sep	% m/m	-2.0	-	-2.4	0.1
11:00	EZ	Unemployment Rate	Sep	%	6.4	-	-	6.4
13:30	US	Change in Nonfarm Payrolls	Oct	k	168	-	-	336
13:30	US	Unemployment Rate	Oct	%	3.8	-	-	3.8
15:00	US	ISM services	Oct	pts	53.0	-	-	53.6

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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