

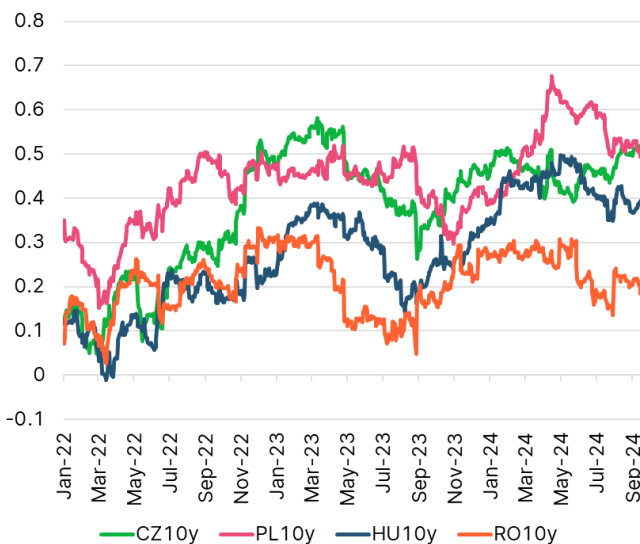
CEE MACRO AND FI DAILY

US FED lowers the key rate by 50bp

On the Radar

- The FOMC lowered the interest rates by 50 basis points on Wednesday.
- Today, at 10 AM CET, Poland will release set of data. Industrial output growth, producer prices, employment and wage growth for August.
- Slovakia will publish current account data.
- Croatia, at 11 AM CET will publish unemployment rate for August and real wage growth in July.

120-day rolling correlation of US and CEE yields

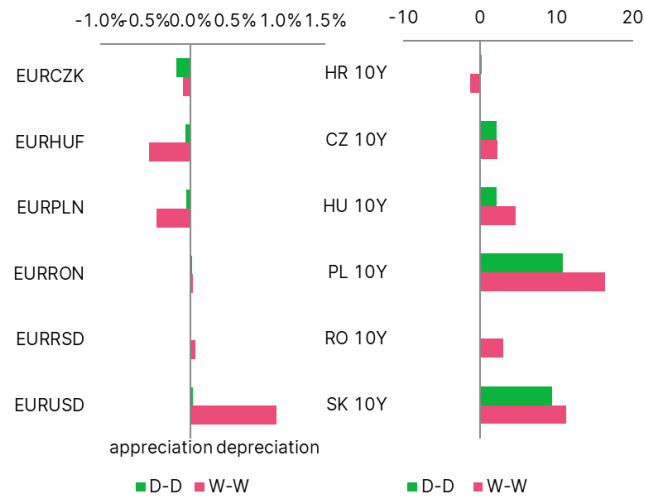


Source: Erste Group Research

Economic developments

Yesterday, Jerome Powell announced a larger-than-expected 50 basis point reduction in the key US interest rate. This decision appears to be driven by two primary factors: confidence that inflationary pressures are under control and concerns about the weakening job market. The US unemployment rate now stands at 4.2%, up from a low of 3.4% last year, with 4.4% expected for next year. The interest rate environment in the US also has implications for the CEE region. As shown in today's chart, the 120-day rolling correlation of intra-day changes for the 10-year benchmarks has been increasing since 2022. For Poland and Czechia, the correlation currently stands at 0.5, up from 0.1 for Czechia and 0.3 for Poland since January 2022. The correlation of the 10-year Hungarian benchmark has also risen significantly. However, Romanian treasuries remain relatively weakly correlated with the 10-year US treasury. Up until now, the bond markets did not react sharply to the FED's decision, suggesting that they already considered the 50 basis point cut as possible. The decline in long-term yields in both the US and the CEE region happened already in July and August, as the expectations for monetary policy changed favoring faster easing. The market expects two more 25bp cuts by the end of the year.

Market performance



Source: Erste Group Research

Market developments

The FOMC decided to lower the interest rates by 50 basis points on Wednesday. Federal Reserve Chair Powell explained that such a move would help limit the chances of downturn. CEE currencies have strengthened against the euro since the beginning of the week. The EURCZK and EURPLN moved down to a greater extent than EURHUF. The long-term yields on the other hand showed mixed performance week-to-date. In Czechia, according to media releases, the economist Jakub Seidler (currently chief economist at the Czech Banking Association) is expected to replace Tomas Holub at the central banker's post. In Slovakia, Ministry of Finance cut the 2025 growth prospects and increased inflation projection for the next year responding to the recent announcement on tax increases. Finally, Romania is preparing itself to tap the Japanese bond market with potential 3Y, 5Y, 7Y, 10Y, 15Y and 20Y senior fixed rate transactions.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
19. Sep		RS	Current Account Balance (monthly)	Jul			-392.40
	09:00	SK	Unemployment Rate	Aug			5.06%
	10:00	PL	Industrial Production (y/y)	Aug	0.55%		4.90%
	10:00	PL	PPI (y/y)	Aug	-4.25%		-4.80%
	10:00	PL	Wages (y/y)	Aug	10.82%		10.60%
	10:30	SK	Current Account Balance (monthly)	Jul			63.50
	11:00	HR	Unemployment Rate	Aug		4.80%	4.80%
	11:00	HR	Wages (y/y)	Jul			11.70%
20. Sep	10:30	SI	PPI (y/y)	Aug			-1.90%
	12:00	RS	CPI (m/m)	Aug			0.40%
	12:00	RS	Central Bank Rate	Sep 24		5.75%	6.00%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.04	-0.2	-0.1
EUR/HUF	394.04	-0.1	-0.5
EUR/PLN	4.27	0.0	-0.4
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.95	0.0	0.1
EUR/USD	1.11	0.0	1.0

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.31	0	-2
HUF	6.46	0	-3
PLN	5.85	-2	0
RON	5.55	0	0
RSD	4.95	-1	-20
EUR	3.46	-2	-1

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.70	2	2
HU 10Y	6.05	2	5
PL 10Y	5.31	11	16
RO 10Y	6.77	0	3
HR 10Y	3.21	0	-1
SK 10Y	3.29	9	11

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