

CEE MACRO AND FI DAILY

Oil price and Composite PMI in Eurozone

On the Radar

- Unemployment rate in Poland declined to 5.9% in May.
- Today, Hungary will release unemployment rate at 8.30 AM CET.
- AT noon CET Serbia will publish real wage growth.

Oil price (pink) and Composite PMI in Eurozone (reversed, green)



Source: Erste Group Research

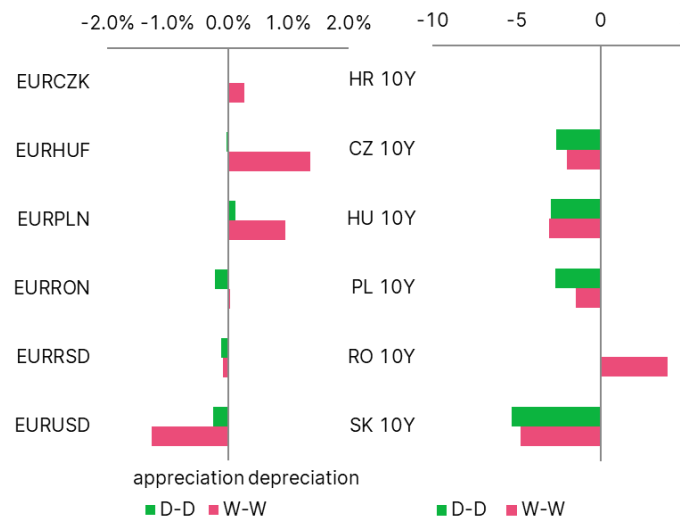
Economic developments

⁴Correlation does not imply causation. However, plotting the oil price against the Eurozone Composite PMI Index provides an interesting perspective. When the war in Iran started and the Strait of Hormuz was closed, oil and other commodity prices spiked. At the same time, the Eurozone Composite PMI Index declined, reflecting growing pessimism about economic prospects.

⁵With the ceasefire and stabilization in the Middle East, the Brent oil price has recently declined toward USD 74 per barrel, moving closer to pre-war levels of around USD 70 per barrel. We should therefore not be surprised to see the Eurozone Composite PMI Index rising in June.

⁵The flash release suggests that the indicator gained 1 point compared with the previous month, bringing the flash Composite PMI Index to 49.5 in June, close to the threshold separating economic growth from recession. While the services sector remains in contraction territory, the Manufacturing PMI Index has been above the threshold of 50, suggesting ongoing expansion. All in all, the resolution of the Middle East conflict is growth-positive news for the region.

Market performance



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Market developments

5 CEE currencies keep weakening this week driven by the EURUSD developments. EURHUF is at 355 while EURPLN close to 4.28. In Hungary, Governor Varga was quite explicit saying he sees room for two more rate cuts by 25 basis point each over the summer and before the September's assessment. As for other news, Romania's Social Democrats will propose Grindeanu as a potential candidate for Prime Minister position. Poland sold series of bonds worth over PLN 12 billion during regular auctions on Wednesday and followed with top up auction as well. Long-term yields keep declining throughout a week in the region.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
25. Jun		HU	Unemployment Rate	May			4.50%
	12:00	RS	Wages (y/y)	Apr			9.40%
26. Jun	8:30	HU	Current Account Balance (quarterly)	1Q			321.10
	9:00	SK	PPI (y/y)	May			2.60%
	10:30	SI	Retail Sales (y/y)	May			3.40%
	11:00	HR	Unemployment Rate	May			3.80%
	11:00	HR	Wages (y/y)	Apr			3.40%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.20	0.0	0.3
EUR/HUF	355.40	0.0	1.4
EUR/PLN	4.28	0.1	1.0
EUR/RON	5.23	-0.2	0.0
EUR/RSD	117.15	-0.1	-0.1
EUR/USD	1.14	-0.3	-1.3

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.82	0	19
HUF	5.76	-9	-13
PLN	3.84	1	-1
RON	5.84	0	0
RSD	4.69	-1	-1
EUR	2.30	-2	-11

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.62	-3	-2
HU 10Y	5.13	-3	-3
PL 10Y	5.38	-3	-2
RO 10Y	6.85	0	4
HR 10Y	3.36	0	0
SK 10Y	3.56	-5	-5

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