CEE MACRO AND FI DAILY

Rate relief remains limited

On the Radar

- Slovenia's retail trade declined by 0.2% m/m in June.
- Slovakia's industrial producer prices for the domestic market accelerated to 3.5% y/y in June.
- Croatia is scheduled to release June industrial production data at 11:00 CET today.

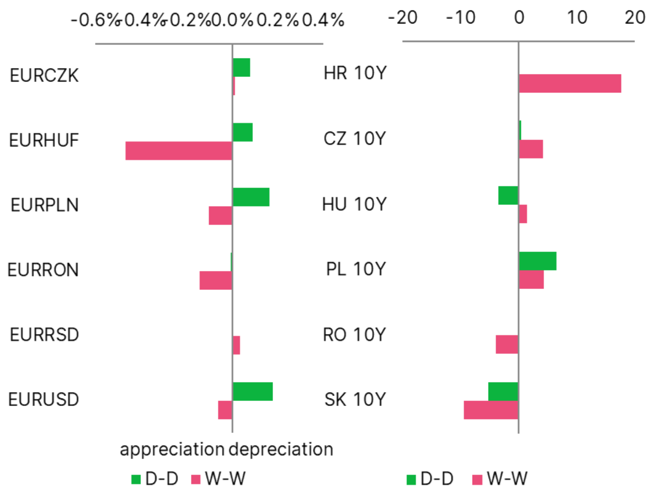
FRA 9x12, %

Source: Erste Group Research

Economic developments

Today, we are looking at three-month interest rates nine months ahead in Czechia, Poland and Hungary. As shown in the chart, we assess these implied rates relative to the current policy rates of 3.75% in Czechia and Poland and 5.75% in Hungary. The initial ceasefire agreed in June eased inflation concerns and provided some relief to CEE fixed income markets. During that period, market pricing shifted towards fewer rate hikes in Czechia, broadly unchanged policy expectations in Poland and deeper rate cuts in Hungary. The subsequent military campaign partly reversed this development, as renewed inflation concerns brought rate hike expectations back into the game in Czechia and Poland. Hungarian implied rates also moved higher, but they remain below the current 5.75% base rate and therefore point to monetary easing. Following the pause in the latest military strikes in the Middle East, some modest correction in market pricing is noticeable. Nevertheless, the chart shows that markets remain relatively hawkish compared with a month ago, particularly in Czechia and Poland, while Hungary remains the only market where implied pricing points to lower policy rates.

Market performance



Source: Erste Group Research

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Market developments

CEE currencies and bond markets remained calm yesterday as investors awaited the outcome of today's FOMC meeting. Following the removal of forward guidance from the statement after the previous meeting, assessing the Fed's next steps has become more challenging. Nevertheless, the probability of a policy rate change today remains low, both in market pricing and in our view. At the last meeting, no FOMC members voted in favour of a rate hike, although roughly half of the participants still expected one additional increase before year-end. We continue to expect the Fed's next policy move to come in September.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
29. Jul	**11:00**	**HR**	Industrial Production (y/y)	Jun		-0.50%	-1.10%
30. Jul	**8:00**	**RO**	Unemployment Rate	Jun			6.40%
	8:30	**HU**	Trade Balance	Jun			798.60
	8:30	**HU**	GDP (q/q)	2Q P	0.80%	0.60%	0.80%
	8:30	**HU**	GDP (y/y)	2Q P	2.00%	1.60%	1.70%
	9:00	**CZ**	GDP (q/q)	2Q A		0.60%	0.20%
	9:00	**CZ**	GDP (y/y)	2Q A	2.20%	2.20%	2.20%
	11:00	**HR**	Retail Sales (y/y)	Jun		1.00%	0.53%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.16	0.1	0.0
EUR/HUF	359.95	0.1	-0.5
EUR/PLN	4.32	0.2	-0.1
EUR/RON	5.23	0.0	-0.1
EUR/RSD	117.27	0.0	0.0
EUR/USD	1.14	0.2	-0.1

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.86	-1	1
HUF	5.59	-1	-6
PLN	3.82	3	5
RON	5.84	0	0
RSD	4.70	0	0
EUR	2.45	-1	-3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.92	0	4
HU 10Y	5.42	-3	1
PL 10Y	5.68	6	4
RO 10Y	6.76	0	-4
HR 10Y	3.53	0	18
SK 10Y	3.73	-5	-9

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