

GLOBAL & REGIONAL DAILY

HIGHLIGHTS

January 7, 2021

Global Markets

Democrats won both of the Georgia Senate seats in the run-off elections that were held on January 5, and will hence take control of the Senate and both chambers of Congress. In reaction, long-dated USTs came under severe pressure on the view that this development increases the odds of additional fiscal stimulus, triggering a sizable bearish steepening in the yield curve. Global equity markets were generally higher and US stock futures erased earlier losses pointing to a higher open later today, on news that order has been restored after President Donald Trump's supporters stormed the Capitol building, forcing Congress to temporarily interrupt the certification process of the Presidential election. In FX markets, the USD was under pressure on structural concerns, with the EUR/USD hovering close to y-day's near 3-year peak of 1.2349.

Greece

The Alternate Minister of Finance, Theodoros Skylakakis, stated in an interview that the first projects under the Recovery Fund will start in Jan-Feb. Their costs will be covered from the state budget, until they are approved by the EC. Among the first to be eligible for funding will be projects related to buildings' energy upgrading, urban planning, reforestation, rehabilitation of lignite areas, distance education and digital transformation. Meanwhile, according to the BoG, the total increase of deposits in the private sector, from Feb-20, when the pandemic broke out in Greece, to Nov-20 was +€15.1bn ($\Delta\%$ +10.6%), with deposits of private firms increasing by +€8.5bn ($\Delta\%$ +32.6%) and deposits of households by +€6.7bn ($\Delta\%$ +5.7%). In 2019, the total increase of deposits from Feb to Nov was +€7.4bn ($\Delta\%$ +5.6%).

CESEE

In its Global Economic Prospects report released on Tuesday, the WB downgraded its GDP growth forecast for Bulgaria for 2021 to +3.3%, from +3.9% in October. The WB reiterated its projection on GDP contraction for 2020 at -5.1% and projected a +3.7% GDP growth in 2022. While no country-specific justifications are mentioned in the report, it is probably the lingering uncertainty on the Covid-19 effect that tilts risks for the entire CESEE region to the downside. On the flipside, Serbia's economic outlook appears more favorable as GDP is forecast to grow by +3.1%, compared to +2.9% projected in October. Referring to 2020, however, the WB remains a bit more conservative than the local authorities, anticipating a -2.0% recession compared to October's previous estimate of -3.0% and the recent -1.1% estimate of the local statistics office.

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