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Global markets

Ahead of the release of the FOMC March meeting minutes later today, Fed Governor Lael Brainard — historically among the most dovish members— spoke yesterday of a combination of interest rate hikes and a rapid balance sheet runoff to bring down inflation, causing a massive bond selloff. Treasury yields shot up, with the 10yr UST yield climbing to 2.6031% and the 2yr UST yield at 2.5633% at the time of writing, while the 10yr2yr UST yield curve turned upwards again. Meanwhile, the Governor of the central bank of Belgium Pierre Wunsch, stated yesterday that the ECB could raise interest rates to zero already this year, joining the group of policymakers that discuss a rate hike in 2022. Separately, fears of reduced demand due to the new surge of Covid-19 cases and reduced supply due to the 5th package of sanctions that the West is considering against Russia, have a mixed effect on the price of oil, with Brent futures inching up currently at USD107.10/bbl.

Greece

The Minister of Finance, Christos Staikouras, announced that Greece has repaid its outstanding debts dating back to the financial crisis, to the IMF, two years ahead of schedule. It is reminded that the early repayment of the remaining €1.8bn in IMF loans was formally approved by European Union bailout lenders earlier in Q1-2022. In other news, according to Eurostat, the unemployment rate in Greece was 11.9% in February (Euro-Area: 6.8%) – the lowest reading since April 2010 – from 12.8% in January and 16.2% in February 2021. Youth unemployment (under 25 years of age) was at 31.1% in February (Euro-Area: 14.0%) down from 33.1% in January and 40.2% in February 2021.

CESEE

As broadly expected, the National Bank of Romania decided to increase the Key Policy Rate (KPR) to 3.0% from 2.5% at the MPC meeting held yesterday. It is the third increase since the beginning of the year, with the Bank expecting inflation to rise more steeply in the coming months than anticipated in February, due to supply-side shocks. In Serbia, the central government budget deficit amounted to RSD52.9bn in Jan-Feb 2022 against a surplus of RSD7.5bn a year ago, accounting for 0.8% of the projected GDP. Budget revenues increased by 12.1%YoY, driven primarily by VAT collection, which rose by 28.2%YoY, while expenditures increased at a higher rate of 41.7%YoY, mainly on the back of transfers to social security funds. It is reminded that the 2022 budget targets a deficit of RSD200.2bn or 3% of GDP.

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