

GLOBAL & REGIONAL DAILY

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Global markets

On political news, in the second round of the French legislative elections yesterday, Emmanuel Macron's centrist Ensemble alliance secured the largest number of lawmakers in the 577-member National Assembly, but fell short of the absolute majority, with the leftwing and far right alliances performing strongly. This result means that the recently elected president will face difficulties in implementing many of his reforms. Separately, on monetary policy events this week, ECB President Lagarde speaks before the Committee on Economic and Monetary Affairs of the European Parliament today and Fed Chair Powell holds his semi-annual testimony before US Congress on Wed and Thu. On economic data releases, Germany's Producer Price Index for May increased by 33.6%YY / 1.6%MM from 33.5%YY / 2.8%MM in April. Later this week we anticipate UK inflation (Wed), global flash PMIs (Thu), Japan inflation (Fri), US existing (Tue) and new (Fri) home sales, and the final reading of the University of Michigan consumer sentiment (Fri).

Greece

According to the ESM annual Report 2021, released last week, in the short-term Greece has a comfortable liquidity position, stable access to markets, low financing needs that reflect a long average debt maturity and significant financial support from the European Union recovery funds (NGEU). However, the ESM notes that over the long term, the country remains vulnerable due to macroeconomic imbalances, particularly its very high public debt, as well as a persistent investment gap, low productivity and high NPLs. Finally, it concludes that the war in Ukraine casts shadows over the economic outlook, as Greece may be affected given its dependence on tourism and on imports of Russian oil and gas. On the data front, today the Bank of Greece is expected to announce the balance of payments of April 2022.

CESEE

The Serbian dinar maintained its stability in the past week supported by interventions by the National Bank of Serbia (NBS), with the NBS buying around EUR50 mn directly in the FX market in order to halt the domestic currency's appreciation. As a result, the EUR/RSD continued to test the 117.40 support level. In the fixed income market, the sovereign yield curve changed a little in comparison to the previous week, with 4-year, 6-year and 11-year bonds' yields traded at 6.30%, 6.70% and 7.00%, respectively. In Cyprus, the annual inflation rate measured by the HICP accelerated to 8.8%YoY in May, up from 8.6% in April, bringing the year-to-May performance to 6.9%YoY. The biggest increases on an annual basis were observed in the categories of Housing, Water, Electricity, Gas and Other Fuels (17.6%YoY), Transport (13.2%YoY) and Food and Non-Alcoholic Beverages (9.3%YoY).

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