

# GLOBAL & REGIONAL DAILY

May 24, 2022

## Global markets

On monetary policy, ECB President Christine Lagarde said yesterday that she expects the ECB to abandon negative interest rates by the end of September. Following Lagarde's comments the euro climbed against the dollar to its highest level since 26 April, with the EUR/USD closing at 1.0689 yesterday and trading even higher today at 1.0726 at the time of writing. Meanwhile, in the US, Atlanta Fed President Bostic said that after two more hikes in June and July, as Fed Chair Powell has signaled, "a pause in September might make sense", whilst Kansas City Fed President George painted a more mixed picture arguing that whether factors such as the war in Ukraine and China's lockdowns will intensify or ease inflation is not clear yet. Against this background, 10yr UST yields trade at a tighter range today, standing at 2.8189% currently, lower from yesterday's close of 2.8605% and 2yr UST yields at 2.5892%, from 2.6287% yesterday.

## Greece

The EC 14<sup>th</sup> Enhanced Surveillance Report that was published yesterday, was positive overall and is likely to open the way for the release by the Eurogroup of the next set of policy-contingent debt measures worth €748mn. Despite the challenging circumstances triggered by the economic implications of new waves of the pandemic as well as of Russia's invasion in Ukraine, the report overall concludes that "Greece has taken the necessary actions to achieve its specific commitments, in the areas of public financial management, property taxation, disability benefits, environmental inspections and justice, and agreed on the extension of the mandate of the Hellenic Financial Stability Fund". Finally, the EC may not prolong the enhanced surveillance after its expiration on 20 August 2022, given the fact that the Greek authorities remain committed to the implementation of reforms and the completion of outstanding items.

## CESEE

In its annual report for 2021 released last week, the Central Bank of Cyprus revised downwards its GDP growth forecast for 2021 to 2.3% from 3.6% in December 2021. According to the report, the economic consequences of Russia's invasion in Ukraine are expected to intensify through further rises in commodity prices and losses in tourism and other services exports, while indirect impacts are foreseen due to the deterioration in international economic activity owing to confidence effects on business and consumer sentiment. At the same time, the Central Bank revised upwards its inflation forecast for 2022 to 6.8%YoY (from 2.5%YoY in December), due to increases in energy prices as well as the broadening of inflationary pressures in food, services and non-energy industrial goods.

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