ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

June 1, 2023

Global markets

Risk on sentiment prevailed earlier today after an unexpected increase in China's Caixin May PMI and news that the US House of Representatives approved a bill to suspend the federal debt ceiling. Weaker than expected preliminary inflation data from Germany and France also had an impact, with futures now pricing-in less than 50bps of additional ECB rate tightening. Against this backdrop, European government bonds extended recent gains yesterday before moving slightly lower earlier today, ahead of the Eurozone flash May CPI release. Meanwhile, the implied probability of a June Fed rate hike dropped to 37% after yesterday's comments from Fed officials suggested that the Central Bank may skip a meeting before rising rates further, if needed, pushing the DXY USD index below fresh highs close to 104.70. However, investors still expect some further tightening in this cycle, with fed futures pricing in almost fully a rate hike in July, also affected by yesterday's US data showing that job openings unexpectedly rose to 10.1mn in April.

Greece

The Economic Sentiment Indicator (ESI) marginally retreated to 108.1 in May-23 (96.5 in the Euro Area), from 108.7 in Apr-23 (99.0 in the Euro Area), posting its second highest value since Mar-22 when uncertainty was high due to the start of the war in Ukraine. Regarding the five subindices that form the ESI, the confidence indicators in construction and of consumers improved, while the respective indices in retail trade and industry deteriorated (the confidence indicator in services posted a marginal deterioration). In other data releases, the 3-month average retail trade volume index shrunk by 1.3% QoQ / 2.5% YoY in Q1 2023, from a decrease of 1.5% QoQ / 0.8% YoY in Q4 2022. The specialized store categories that led to this negative result were the supermarkets, the automotive fuel and the pharmaceutical products and cosmetics. Finally, yesterday the Public Debt Management Agency (PDMA) proceeded to an auction of 26W T-Bills, raising €812.5mn at a yield of 3.5%.

CESEE

Mild headwinds to Turkey's economic activity in Q1 2023 from the February earthquakes according to data released yesterday. Seasonally adjusted GDP grew by 3.0%YoY, the slowest pace since Q3 2020, albeit slightly below the 3.5%YoY growth rate in Q4 2022, while recovery continued on a quarterly basis (+0.3% vs. +0.9%). The GDP rise in Q1 2023 is mainly due to a widening of household consumption by 15.3%YoY against 16.4%YoY in end-2022, despite persistent high inflation (54.5%YoY in Q1 2023), and investments expansion (+4.2%YoY vs. +3.5%YoY). Public consumption rose by 5.3%YoY, posting, however, a strong deceleration compared to a quarter earlier (10.7%YoY), despite emergency measures to tackle the implications of the earthquakes. The impact of the external sector was negative, as exports were broadly unchanged relative a year ago (-0.1%YoY), while imports expanded strongly (+14.8%). The preliminary figures for GDP and its components in Cyprus are due later today.

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