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Global markets

As widely expected, the Fed unanimously decided to raise rates by 25bps yesterday, taking the fed funds target range to 5.00-5.25%. More importantly, the forward guidance in the statement was altered, hinting that this rate move may be the last of the Fed's tightening cycle. However, the Fed did not drop its tightening bias completely, with Chair Jerome Powell suggesting at the post-meeting press conference that the committee is "prepared to do more" rate hikes if necessary, noting though that "policy is tight" with real rates "meaningfully above" estimates of neutral rates. Amid increased expectations of a pause in the Fed's tightening cycle, USTs extended recent gains with the yield curve undertaking some further bull steepening, also affected by fresh US regional banking woes. With the Fed out of the way, focus now turns on the ECB which convenes later today, with markets pricing in a 78% chance of a 25bps rate hike. Meanwhile, the USD remained under pressure and oil prices took another leg lower amid growing global growth concerns.

Greece

After two months of —a largely— seasonal decline, non-financial private sector deposits at domestic MFIs increased by a robust 1.9%MoM (€3.3bn) in Mar-23, according to Bank of Greece data, standing 5.8% higher compared to Mar-22. This rebound was driven by both non-financial corporation (+2.1bn/+5.5%MoM) and household deposits (+1.2bn/+0.9%MoM). There was also a shift in the composition of deposits in both sectors, especially in the latter, with household time deposits posting a monthly jump of 10.4% (+€3.1bn), fueled by both overnight deposits (-€1.8bn) and new net inflows. Credit to the non-financial private sector picked up as well by €1.3bn/1.2%MoM (adjusted for write-offs, reclassifications, and FX fluctuations) following an increase in credit to non-financial corporations (+2.0%MoM); credit to households decreased slightly (-0.2%MoM), remaining on the mildly declining path it has been trekking in the past several years.

CESEE

In Turkey, headline inflation slowed down in April for the sixth consecutive month, to a 16-month low of 43.7%YoY against 50.5%YoY in March. However, on a monthly basis the increase in the CPI continued, at the same pace as in March (+2.4%), indicating that the annual weakening is due to base effects. The yearly deceleration was more pronounced in prices of food and non-alcoholic beverages (-14.0ppts from March to 53.9%YoY) and housing-water-electricity (-12.9ppts, to 13.8%YoY). The decline in the latter category reflects the fourth cutting in the utility price cap so far this year as of April 1, by another 13.1% from the energy market regulator EPDK. Accordingly, the decline in core inflation (excl. food-energy-beverages) was moderate (45.5%YoY in April from 47.4%YoY a month earlier). In other news from the region, in Serbia, real GDP growth accelerated to 0.7%YoY in Q1-2023 from 0.4%YoY in the prior quarter, according to the flash estimate of the Serbian statistics office. The detailed Q1 GDP print will be published on May 31.

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