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Global markets

Coming on the heels of a recent string of weak US data, the ISM services PMI dropped by a higher than expected 3.9pts in March to 51.2, mainly driven by a sharp decline in the new orders sub-index. Additionally, the US ADP report revealed that private employment increased by much a lower-than-expected 145k, reinforcing concerns over a significant downshift in US activity as the economy is feeling the effects of tighter Fed monetary policy. Increased US growth concerns and ongoing US banking sector uncertainty, continued to enhance the safe-haven appeal of USTs, with 2yr yields standing not far from yesterday's fresh multi-session low near 3.65% at the time of writing, reflecting a reduced probability of a 25bp Fed rate hike at the May policy meeting, to 45%. Meanwhile, risk-off sentiment continued to grow in equity markets, oil prices moved slightly lower, while the USD, in spite of a fresh round of soft US data, managed to recover some ground, likely reflecting positioning adjustment ahead of the Easter break in various countries.

Greece

Greek banks agreed on an interest rate freeze applicable to certain loan categories, according to reports in the Press. In particular, the Greek lenders decided not to pass through any further ECB rate hikes from Apr-23 onwards to performing adjustable-rate mortgage loans linked to the ECB policy rate or Euribor, effectively turning them into fixed-rate loans for the following 12 months. As of end-Feb-23, the mortgage loan balance to domestic residents stood at €29bn. Given, however, that about 10.5% of them were classified as non-performing (as of end-2022), and several are already on fixed rate, this measure is estimated to apply to ca €20bn of mortgage loans. On the macro front, the increase in the Industrial Producer Price Index (IPPI) decelerated to 4.7%YoY in Feb-23 from 13.4% in Jan-23 according to Eurostat, the third lowest in EU27 (-3.3%MoM, second lowest in EU27); excluding energy, the IPPI increased by 8.1%YoY.

CESEE

In Cyprus, the current account balance recorded a deterioration in 2022, with the deficit widening to €2.463,3mn (9.1% of GDP) from €1.638,2mn (7.1% of GDP) in 2021. The worsening is due to higher goods and primary income deficits, the latter owed to a deterioration in the direct investment balance. On the contrary, the services balance improved, mainly from a similar trend in the travel and ICT services balances. In other regional news, the Central Bank (CB) of Poland held its benchmark interest rate at 6.75% for the seventh straight month, on the basis of expectations over inflation gradually slowing towards the relevant target from weakening external and domestic economic conditions, the decline in commodity prices, and significant deceleration in credit growth. Last, in Serbia, an IMF mission has reached to a staff level agreement on the conclusion of the first review under the Stand-By Arrangement (SBA), stating that all Dec-22 quantitative targets were met, and all Mar-23 targets are expected to be met based on available data.

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