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Global markets

With investors continuing to digest last week's surprisingly strong US non-farm payrolls report and the pronounced rebound in the ISM services index, focus today is on Chair Jerome Powell's speech at the Economic Club of Washington DC. (18:00 CE) that might give him the chance to clarify whether the aforementioned releases will affect the Fed's monetary policy path. Meanwhile, investors assign a more aggressive pace of Fed rate tightening ahead since before the release of the strong US data late last week. Fed fund futures for June are currently pricing in a terminal fed funds rate at 5.118% and December 2023 contracts are up by near 50bps so far this week, also affected by Fed Atlanta President Bostic's comments yesterday that the strong US payroll report increases the possibility that the Fed might need to push rates further higher than previously expected. Against this backdrop, sovereign bonds remained under pressure, while the DXY USD index extended post-payroll gains reaching a one-month high near 103.8 earlier today.

Greece

According to the General Government (GG) data, the total GG arrears to the private sector in Dec-22 stood at €2.47bn, marking a monthly decrease of 14.4% and a year-to-date increase of 29.1%. The net amount of arrears is smaller due to the rebate and clawback amounts of the health sector. The stock of gross public debt in State Budget terms at the end of Dec-22 was at €400.28bn, registering an annual increase of €11.94bn (3.1%) and an increase of 2.0% compared to the respective 2023 Budget target. The latter was mainly due to the increase in short term loans (repos), i.e., intergovernmental debt which is not expected to affect the achievement of the annual GG public debt target (2023 Budget: €355.0bn or 168.9% of GDP). Interest expenditure amounted to €6.06bn for the Jan-Dec-22 period. The stock of GG guarantees at the end of Dec-2022 was at €29.63bn.

CESEE

Moody's affirmed Bulgaria's sovereign credit rating at Baa1 and kept the outlook stable. The ratings agency based its decision, among other factors, on the balance between the risks of government effectiveness and progress on key policy priorities arising from the protracted political deadlock and the improvement on the economy's credit profile from the prospect of euro adoption, despite the risk of delays extending beyond 2024. While GDP growth rate is expected to slow down to 1.4% in 2023 from the expected 2.7% in 2022, the said forecast is seen to rank among the more robust European sovereigns' growth rates this year. The continuing nominal wage growth, amid labour shortages, will support private consumption in 2023, even though inflation will remain high ending 2023 close to 6.0%, sizably lower than 2022, and nibbling disposable incomes.

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