ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

March 8, 2023

Global markets

In his testimony before the Senate Banking Committee yesterday, Fed Chair Jerome Powell stated that the ultimate rate peak may have to go “higher than previously anticipated” and warned that “if the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes”. In reaction to the more hawkish than expected remarks, market pricing of the Fed’s terminal rate rose to a new high of the current tightening cycle, at 5.65% by September, as the probability for a reacceleration in the pace of rate tightening to 50bps at the March policy meeting rose to above 60%. US sovereign bonds came under selling pressure. 2-yr yields rose above 5.0% for the first time since June 2007 and the 2/10-yr yield curve bear-flattening, with the spread falling below -100bps for the first time since 1981. Alongside higher UST yields, the USD broadly firmed, with the DXY index hitting a new year-to-date high of 105.88 ahead of today’s ADP employment report and JOLTs job openings data.

Greece

The real GDP growth rate remained strong in 2022, printing a value of 5.9% YoY (3.5% YoY in the Euro Area) from 8.4% YoY in 2021 and -9.0% YoY in 2020. As a result, the value of real GDP in 2022 surpassed its pre-pandemic level (2019) by 4.5% (+6.4% if we compare Q4 2022 with Q4 2019). Based on the expenditure approach in measuring GDP, the main lever of growth in 2022 was domestic demand (+8.6ppts). Private consumption, fueled by accumulated savings and employment growth (5.5% YoY), accelerated to 7.8% YoY in 2022 from 5.8% YoY in 2021, whereas gross capital formation, based on an extraordinary pick up of inventory investment -at 7.7% of nominal GDP in 2022 versus a long-term average of 1.6%- but also on a solid increase of fixed investment (11.7%), kept its 2021 pace with an increase of 21.8% YoY. Finally, net exports of goods and services had a negative contribution on growth (-2.5ppts) since the widening of the deficit in the balance of goods exceeded the widening of the surplus in the balance of services.

CESEE

The Serbian Ministry of Finance raised yesterday RSD11.2bn in 12.5-year bonds, which were initially offered in February 2020. The scope of the auction was RSD27.5bn, but the ministry capped it at lower levels as investors placed bids for RSD15.2bn. The notes bear a 4.5% semi-annual coupon and were sold at an average yield of 6.95%, which is lower compared to the 7.10% yield achieved at the latest identical auction (in dinar and of same maturity) held on February 7. Elsewhere in the region, in Romania, the preliminary Q4-2022 GDP growth estimate, released earlier today, confirmed the earlier flash indicator and the growth estimate for FY-2022 was maintained at 4.8%, slowing down from 5.8% in 2021. Finally, in Bulgaria, in view of the detailed Q4-2022 growth data due today, the Central Bank of the country, in its latest economic review, foresees deceleration in H1-2022 on the back of declining inventories and weaker exports because of the deteriorating international economic situation, among other factors.

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