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Global markets

Following Fed Chair Powell's speech at the Economics Club of Washington DC. on Tuesday, focus yesterday was on a number of Fed speakers, including NY Fed President Williams, who noted that a terminal fed funds rate of 5-5.25% was still "a reasonable view", and though 25bps increments "seem like the right size", the Fed could return to larger hikes, if conditions warranted. Fed Governor Waller joined the chorus noting that "it might be a long fight, with interest rates higher for longer than some are currently expecting". In reaction, Asian bourses ended mostly lower today and the 10-yr UST yield briefly hit a one-month high slightly above 3.69% yesterday, while the 10-yr Bund yield was standing earlier today not far from yesterday's 2.39% five-week peak, after ECB officials highlighted the need for further hikes in Q2 2023. Meanwhile, Fed fund futures are pricing in a terminal fed funds rate of 5.132% in July and rate-easing expectations have been scaled down to just one 25bps cut late this year, while in the Eurozone, markets assign a peak rate near 3.50%.

Greece

Given the announced deficit of the merchandise trade balance in Dec-22 (€2.9bn in current prices) and the seasonality of the surplus in the balance of services (the services balance surplus usually takes relatively low values in December due relatively low incoming tourist flows), the current account deficit may well reach a figure close to 9% of nominal GDP for 2022 from 6.8% and 6.6% in 2021 and 2022 respectively. In terms of levels, the current account balance for Dec-22 is scheduled to be announced on the 20th of Feb-23. In other news, ELSTAT is scheduled to announce the manufacturing production index for Dec-22 tomorrow. The said index depicted a resilience in Oct-22 and Nov-22, registering a growth rate of 1.5% MoM / 2.0%YoY and 0.8% MoM /2.5 %YoY respectively.

CESEE

Countries in the region continue taking advantage of the fixed income spree at play since the start of 2023. In Serbia, the Ministry of Finance (MinFin) raised on Tuesday RSD12.35bn with a 12.5-year bond, first offered on Feb 2020. The bond was sold at an average yield of 7.10%, slightly below the 7.15% yield achieved at the Jan 9 auction of dinar bonds with the same maturity. On the same day in Poland, the MinFin priced a 10-year and a 20-year EUR denominated bond. The total nominal amount of these issues was EUR 3.5bn. The former bond was priced at 105bpts over mid-swap rate, yielding 3.945%, with an annual coupon of 3.875%, whereas the 20-year bond was priced at 155bpts over mid-swap rate, yielding 4.272%, with an annual coupon of 4.25%. Yesterday the MinFin in Czechia borrowed CZK16.3bn through three bond issuances with maturities of 8.1, 10.5 and 20 years. The former and the latter are fixed-rate bonds, with a coupon of 5.0% and 1.5% respectively, whereas the 10.5-year is a floating-rate bond. Bonds' yields are at 4.51%, 0.67% and 4.62%.

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