

GLOBAL & REGIONAL DAILY

May 19, 2023

Global markets

USTs remained under pressure amid expectations of additional Fed rate tightening following further hawkish remarks by Fed officials and increased optimism for a debt ceiling resolution in the near term. Fed funds futures are currently assigning a 33.3% probability of a further 25bps rate hike at the June Fed policy meeting, while the repricing of Fed easing expectations continues, with the rate priced in for the December meeting implying just less than 50bps of rate cuts by the end of the year. A fresh string of firmer-than-expected US data releases yesterday, also had an impact. Initial jobless claims for the week ending May 13 came in at 242k, 22k lower from the prior week's reading which was distorted by reportedly fraudulent claims, while the Philly Fed manufacturing index rose by a higher-than-expected 20pts to -10.4 in May. Meanwhile, the USD continued to strengthen across the board, with the EUR/USD extending recent losses standing close to 1.0760 earlier today after closing below 1.08 yesterday for the first time since late March.

Greece

The general elections for the 300-seat parliament in Greece are scheduled for this Sunday (21 May 2023). The current proportional representation system (no bonus seats for the first party) may not permit the formation of a government after the elections. A second round of elections might be required in late June or early July 2023 under the electoral system voted by the current government in 2020 (re-introduction of the reinforced (bonus seats for the first party) proportional representation system). For reference, the 10-YR bond yield was at 4.04% yesterday, improved by 12.8% year-to-date, and the spread compared to the respective German bonds was at 162.4 bps improved by 39.3 bps year-to-date. In other news, according to ELSTAT, the issuing of road motor cars licenses (new and used from abroad) in Apr-23 stood at 18,343, compared to 17,994 in Apr-22, registering an annual increase of 1.9% (16.4% in Jan-23 to Apr-23).

CESEE

The week concludes with Q1 GDP growth flash estimates having been released and sealing the anticipated slowdown in almost all regional economies. Annual growth prints in Hungary, Poland and Czechia came in negative and lower than those in the previous quarter (-0.9%YoY vs +0.4%YoY in Q4-2022 in Hungary, -0.2%YoY vs +2.3%YoY in Q4-2022 in Poland and -0.2%YoY vs +0.3%YoY in Q4-2022 in Czechia). On a quarterly basis, Czechia and even more Poland fared on an expansionary tone, but Hungary remained into contracting territory for a third quarter in a row with the Q1 print coming in at 0.2%QoQ while deceleration is evident in annual terms as well (-0.9%YoY vs +0.4%YoY in Q4-2022). Romania's growth rate may have remained positive, albeit losing steam, in both annual and quarterly terms but beat market expectations to the downside; Q1 growth flash estimate came in at +2.3%YoY and +0.1%QoQ vs +4.5%YoY and +1.1%QoQ in Q4-2022 against market expectations for Q1 at +4.0%YoY and +0.5%QoQ.

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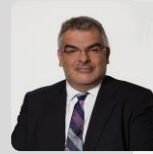
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