

# GLOBAL & REGIONAL DAILY

June 20, 2023

## Global markets

Investors retain an overall cautious stance against risk assets, with Asian bourses losing ground at today's session on market concerns that China's smaller than expected 10bps cut in the 5-year Loan Prime Rate (LPR) would not be enough to shore up slowing economic recovery. Meanwhile, UST yields moved higher today, affected by a slightly more hawkish direction of Fed funds futures which are currently pricing in a higher rate for the December FOMC policy meeting at 5.22%. On the flipside, EGBs were modestly firmer on the day, recovering part of yesterday's losses following fairly hawkish comments by ECB officials, while UK gilts underperformed, with the 2-yr yield rising above 5% for the first time since July 2008 amid market expectations for a further increase in the bank rate in the coming months, close to 6.00% from 4.50% currently. In FX markets, the USD retains a weak tone, with the DXY index, though, managing to hold above the 102 level ahead of today's US May housing starts and permits data.

## Greece

According to BoG data, residential property prices remained on a steep upward trajectory at the start of 2023. More specifically, the apartment prices index registered an annual increase of 14.5% in Q1 2023 (8.1% in real terms), from 10.0% in Q1 2022 (3.4% in real terms). Broken down by geographical area, the apartment prices in Athens posted an annual increase of 16.5%, followed by 16.1% in Thessaloniki, 13.1% in other cities and 10.6% in other areas of Greece. Broken down by age, new apartment prices increased on an annual basis by 12.8% and old apartment prices by 15.6%. Finally, compared to the trough in Q3 2017, residential property prices have increased by 49.3%, whereas relative to the peak in Q3 2008, remain lower by 14.0% (the respective figure for nominal GDP is -11.1% and for real GDP -22.5%).

## CESEE

The Governing Council of the Bulgarian National Bank (BNB) announced its decision to maintain the countercyclical capital buffer rate applicable to domestic credit risk exposures at 2.0% in Q3-2024 after gradual increases from 0.5% in Q3-2022, 1.0% in Q4-2022, 1.5% in Q1-2023 and 2.0% in effect from Q3-2023 onwards. The BNB has grounded the increases on the need to strengthen the resilience of the banking system against the pressure by a potential rise of non-performing loans and provision. The determination of the buffer level is based on a reference indicator, calculated on guidelines from the European Systemic Risk Board (ESRB) and other reference variables, among which credit growth and credit market developments, indebtedness, the standing of the real estate market and the broader macroeconomic outlook. On the regional calendar front, key events that stand out this week are the two central bank meetings, today in Hungary and tomorrow in Czechia.

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