

GLOBAL & REGIONAL DAILY

May 22, 2023

Global markets

USTs kicked off the week on a positive tone, with yields retreating from recent highs, on market uncertainty over a timely debt ceiling resolution. Meanwhile, in an appearance last Friday, Fed Chairman Jerome Powell did not deviate from the message delivered at the May policy meeting over a potential rate pause at the next meeting on 14 June, noting though that the prospect of higher rates cannot be ruled out if data warrant. In reaction to the less hawkish tone the Fed Chair adopted compared to that of several Fed officials over the last few sessions, as well as renewed banking sector concerns following comments by Treasury Secretary Yellen that more bank mergers may be necessary, market-implied odds for a Fed rate hike in June halved to just 12%, while the rate priced in for the December meeting slightly dropped, implying 51bps of rate cuts by the end of the year. Meanwhile, the DXY index moved lower though still remaining above 103, ahead of revised US Q1 GDP data (Thursday) and April's US PCE core inflation (Friday).

Greece

The general elections for the 300-seat parliament in Greece were completed y-day (21 May 2023). According to the provisional results (the official announcement is expected later today), the current government (ND) wins the election with a majority of 40.79% while the main opposition's (SYRIZA) result was at ca 20%. Five parties (from six previously) qualified for the parliament. The result was unexpected, but ND is still five seats short of a majority due to the proportional representation electoral system that applied only to the Sunday elections. A second round of elections is expected to take place 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; the norm in Greek politics in the recent past). For reference, the 10-YR bond yield earlier today was at 3.92% and the spread with the respective German bond (Bund yield at 2.41%) was at 151 bps, improved by 13 bps compared to Friday's settlement.

CESEE

In Cyprus, fresh data concerning the tourism sector reaffirm its vital role for exports and economic activity also in 2023. Tourist arrivals continued to increase strongly in April, albeit much weaker compared to March, by 18.5%YoY against 43.0%YoY, but more importantly relative to 2019, before the pandemic (+4.1%). During the January-April period, the average increase of tourist arrivals relative to a year ago stood at 37.9% and their rise with respect to 2019 at 7.3%. These growth dynamics in arrivals are expected to continue in the coming months, providing further support to tourism revenues, which in the first two months of 2023 were higher by 50.7%YoY, but also by 11.1% relative to the same period in 2019. In other country news, the NPLs ratio declined further in February, to 9.3% against 9.6% in January, mainly due to a fall in households' (to 12.1% from 11.9%) and large-sized businesses' NPLs (to 3.2% from 3.8%).

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