ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

June 22, 2023

Global markets

In his testimony to the House of Representatives, Fed Chair Jerome Powell's remarks were similar to those at the press conference last week, continuing to point to data dependency but with a tightening bias, acknowledging that the dot plot suggests that a "big majority" of FOMC participants expects higher rates by year-end as there is still "a long way to go" to get inflation down to 2%. Today, focus switches to the BoE's MPC meeting, with market participants pricing in a 45% chance of a 50bps rate hike following big upside surprises in the latest inflation and private-sector wage growth data (OIS forward rates are currently pricing in near 150bps of rate tightening by the end of this year, which would take the bank rate to 6.00% from 4.50% currently). Awaiting the outcome of the meeting, risky assets remained under pressure with European and US stock futures trading in negative territory, while the DXY USD index slipped back close to 102 as the Fed Chair did not sound more hawkish than he did at last week's press conference.

Greece

According to BoG data, the current account balance deteriorated on an annual basis by €120.7mn in Apr-23, from improvements of €117.4mn, €1,019.4mn and €1,994.0mn in Mar-23, Feb-23 and Jan-23 respectively. The deficit in the goods balance improved by €673.2mn, mostly reflecting the effect of the decline in energy prices on the oil balance (+€592.5mn YoY). The surplus in the services balance posted a small increase of €21.8mn, with the improvement in the balances of travel and other services, €69.0mn and €87.1mn respectively, counterbalancing the deterioration in the surplus of services (-€134.3.mn YoY). Finally, the balances of primary and secondary incomes decreased by €155.3mn and €660.3mn respectively. The drop in the balance of secondary incomes reflects the one-off factor of receiving the first payment from the RRF in Apr-22 (a proportion of the payment in grants is recorded as a credit in the government balance).

CESEE

The meetings of the monetary policy committee by the two regional central banks, yesterday in Czechia and the day before in Hungary, held no surprises as they both came in line with market expectations. In Hungary, the overnight deposit rate was cut by 100bps to 16.0%, following the tantamount easing in May's session, with the key policy rate, however, kept unchanged at 13.0% amid decreasing, albeit high (the highest in the region, CPI 21.5%YoY in May from 24.0%YoY in April) inflation readings. In Czechia, the key policy rate was left unchanged at 7% and so were the discount rate at 6%, and the Lombard rate at 8%. The following official statement of the MPC meeting sent out a hawkish tone as it broadly reiterated the points outlined in the May statement, keeping the vein of interest rates higher than normal for longer as headline and core inflation may continue to decelerate but they remained at unacceptably high levels (CPI 11.1%YoY in May from 12.7%YoY in April and core inflation 8.6%YoY from 10.0%YoY respectively).

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