

# GLOBAL & REGIONAL DAILY

February 23, 2023

## Global markets

The minutes of the Jan 31-Feb 1 FOMC meeting, released yesterday, revealed that “all” participants anticipated “ongoing increases” in the federal funds rate, and though “almost all” agreed that it was appropriate to downshift to a 25bps hike, “a few” favored a larger increase of 50bps that would “more quickly bring the target range close to the levels they believed would achieve a sufficiently restrictive stance”. In reaction to the perceived hawkish tilt of the minutes, market pricing for the terminal federal funds rate rose to a new high of this tightening cycle, as July futures now indicate a rate of 5.37%. Against this backdrop, investors adopted a cautious stance against risky assets, USTs came under pressure with the 2-yr yield rising to a fresh year-to-date peak near 4.75% earlier today, and the USD retained a broadly firm tone, pushing the EUR/USD close to 1.06, as Germany’s IFO business climate rose by 0.9ppts to an eight-month high of 91.1 in February, as expected, failing to provide any support for the common currency.

## Greece

According to ELSTAT, the turnover for the total of enterprises in all classes of the retail trade divisions amounted to €62.0bn in 2022, registering an increase of 12.2% YoY from 11.4% YoY in 2021 (during the first year of the pandemic it dropped by 7.2% YoY). The respective turnover in Q4 2022 stood at €17.0bn, printing an increase of 10.5% YoY from 12.5% in Q3 2022. In real terms, that is in constant prices, the annual rise of the turnover in retail trade was much lower, since the inflation rate picked-up to 9.3% YoY in 2022 from 0.6% YoY in 2021 (8.6% YoY in Q4 2022 from 11.5% YoY in Q3 2022). This trend has already been depicted in the national accounts data, with real private consumption – which also includes the consumption of services – registering a growth rate of -0.6% QoQ / +3.6% YoY in Q3 2022 from 0.0% QoQ / 6.3% YoY in Q2 2022.

## CESEE

The Serbian Ministry of Finance raised RSD22.3bn in 2-year bonds on Tuesday. The initial scope of the auction was RSD72.8bn but as investors placed bids for 26.6bn, the issuance was capped at RSD20bn. The notes bear a 5% annual coupon rate and were sold at an average yield of 5.85%, which is lower compared to the 5.95% yield achieved at the January 23 auction when the securities were first offered. One day earlier, data on January’s CPI showed that inflation accelerated to 15.8%YoY from 15.1%YoY in December, reaching a new record high level with the main upward driver identified in utility-related and food prices. Upward pressure remained evident on a monthly basis also, as CPI rose by 1.4% from 0.5% in the previous month, while core inflation also picked up to 10.4%YoY in January from 10.1%YoY one month earlier. Along these lines, based on a recent survey published by the central bank of Serbia (NBS), 1-year inflation expectations of the financial sector stood at 8% in January, unchanged compared to Q4-2022.

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