

GLOBAL & REGIONAL DAILY

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Global markets

The Fed delivered a 25bps rate hike yesterday, as was expected, but shifted its forward guidance from “ongoing increases” in the target range to “some additional policy firming”. In line with that change, the Fed kept the median end-2023 dot at 5.125%, indicating one more hike of 25bps, with Chair Powell stressing that tighter credit conditions were approximate substitutes for additional rate hikes and revealing that some participants considered a pause in the run up to the meeting before the banking sector had stabilized after the recent turmoil. He also expressed confidence in the health of the US banking sector but cautioned that tighter credit conditions pose a risk to economic activity. In reaction to the perceived dovish Fed policy outcome, risk sentiment continued to improve, the USD remained under pressure and the UST yield curve bull-steepened, as the front end outperformed on the back of a downward assessment in the expected Fed policy rate path. Market pricing implies a slightly more than even chance of a pause on rate hikes in May, and then around 70bps of easing by year-end.

Greece

According to the Bank of Greece (BoG), the apartment prices index for the entire country increased on annual basis by 12.2% in Q4 2022, from 11.7% in Q3 2022. The FY-2022 growth rate accelerated to 11.1%, from 7.6% in 2021, reflecting a strong interest in real estate investment (real estate activities and private purchases & sales of real estate, accounted the 27.1% of total net foreign direct investment in 2022), rising construction costs, but also supply constraints. The Q4 2022 was the 20th quarter in a row with a positive annual growth rate for the apartment prices, leading to a cumulative increase of 41.8% compared to the trough in Q3 2017. Nevertheless, compared to the peak in Q3 2008, the residential property prices remain lower by 18.3%.

CESEE

Based on the schedule of auctions for Q1-2023, the Serbian Ministry of Finance will offer today RSD30bn in 2-year bonds that carry a 5.00% annually paid coupon. The offer comes one day after the auction the Czech Republic held with bonds maturing in 2028, 2035 and 2040. Investors’ demand was primarily concentrated on the 5-year paper while the demand in total for all three maturities was lower than usual, resulting to a 1.22% cover ratio, with the average yields of the three tenors, 5-year, 12-year and 17-year, in yesterday’s transaction standing at lower levels compared to those shaped in an identical auction held in February. In other news, credit growth in Serbia decelerated to 4.8%YoY in February from 5.5%YoY the previous month, reflecting high base effects from last year but also the tightening of the monetary policy during the same period. The deceleration was attributed to both retail and corporate sectors.

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