

# GLOBAL & REGIONAL DAILY

May 23, 2023

## Global markets

USTs reversed modest gains recorded early yesterday, with the yield curve bear-flattening anew, in reaction to further hawkish comments by Fed officials. Minneapolis Fed President Kashkari cautioned that a June pause on rates would not indicate an end to the current rate tightening cycle, and St. Louis Fed President Bullard said on the sidelines of the American Gas Association 2023 Financial Forum that US recession probabilities are "overstated" and rates "will have to go higher", "perhaps 50bps more" this year. Against this backdrop, the probability of a 25bp rate hike at the July meeting rose to 16%, while the rate priced in for the December meeting was up to 4.737%, indicating that market participants are getting more doubtful over whether the Fed would pivot towards rate easing this year. Meanwhile, investors retain a cautious stance against risk assets as they still wait for a debt ceiling resolution, while the DXY USD index maintained a relatively positive tone, though off last week's new highs, ahead of today's preliminary May PMIs.

## Greece

In the 1st quarter of 2023, the current account balance recorded a deficit of €3.9bn, lower by €3.1bn (44.8%) compared to a deficit of €7.0bn in the 1st quarter of 2022, but higher by €1.1bn (38.0%) relative to a deficit of €2.8bn in the 1st quarter of 2021. The goods and the secondary incomes balances had the highest contributions to the improvement of the current account balance relative to the 1st quarter of 2022, while the primary incomes balance recorded a deterioration. Specifically, the deficit in the balance of goods shrunk by €1.8bn (19.4%), reflecting an improvement in the balances of oil and excluding oil and ships goods by €0.9bn (31.5%) and €0.9bn (13.8%) respectively. The balance of the secondary incomes increased by €1.9bn, due to an SMP/ANFA and RRF payments (the balance of the general government increased by €1.5bn). According to the EC's Spring Economic Forecasts, the deficit in the current account balance is expected at 7.3% and 6.0% of GDP in 2023 and 2024 respectively (9.7% in 2022).

## CESEE

The key development of the region for the day comes from the political stage as yesterday, Mariya Gabriel, the former European Commissioner for innovation that resigned recently in order to run for nominated Prime Minister (PM) under the proposal of GERB-UDF coalition, and Nikolay Denkov, the PM designated by the second winning parties coalition of WCC-DB, stepped into a joint statement to the press spurring optimism that the political deadlock in Bulgaria is close to be passed by. A broader coalition among the first two winning group of parties (GERB-UDF and WCC-DB) has agreed to form an 18-month rotational government with two prime ministers to alter every 9 months. The first chair will be held by Nikolay Denkov, and Mariya Gabriel will act as deputy prime minister and foreign minister, and in the next 9 months the opposite will stand. Elsewhere in the region, the economic calendar is rather lightweight this week with unemployment and wages data for some peers on the spotlight.

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