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Global markets

Risk sentiment continued to improve on easing concerns over a wider financial crisis, with Asian equity markets posting decent gains today. Positive risk sentiment was also evident in fixed income markets which remained under pressure. Short-dated US sovereign bonds underperformed, with the yield curve undertaking some further bear-flattening. The 2-yr yield was standing slightly above 4.00% at the time of writing, up around 50bps from last week's lows but still down about 100bps from the levels of 8 March, just before the onset of banking stresses in the US and Europe. Risk-on mode was also reflected in fed funds futures which now point to an implied rate for year-end at 4.32%, indicating 60bps of rate easing by December compared to 70bps earlier this week and over 90bps last Friday. In FX markets, the USD retained a negative tone, with the EUR/USD rising further towards last week's 1.0930 post-FOMC high, in spite of the higher-than-expected increase in the US Conference Board consumer confidence index to 104.3 in March.

Greece

Prime Minister Kyriakos Mitsotakis announced yesterday that the 2023 legislative election will be held on May 21st. If this election results in a hung parliament –which seems quite likely given the latest polls and hardening party lines– a fresh election is to be held on July 2nd under a different, semi-proportional system favoring the largest party. On the macro front, non-financial private sector deposits decreased by 0.8%MoM in Feb-23 according to data released by the Bank of Greece, which can be explained by a largely seasonal drop of 3.5%MoM in corporate deposits. Nevertheless, the deposit balance of the non-financial private sector stood 3.7% higher compared to Feb-22. Despite retreating by 0.2%MoM, credit to the non-financial private sector (adjusted for write-offs, reclassifications, and FX fluctuations) increased by 4.4%YoY, resuming an uninterrupted upward streak of annual increases that began in Apr-20.

CESEE

In line with market expectations, the National Bank of Hungary kept the policy rate at 13.0% and the overnight deposit and lending rate at 12.5% and 25% respectively. Today, the National Bank of Czechia (CNB) picks up the torch, and is also expected to keep the key policy rate unchanged at 7.0% based on the monthly survey of the CNB among analysts. In view of a rather lightweight calendar for the remainder of the week, we pick out the 2023 GDP forecasts of S&P for two of the CEE3, Hungary and Poland, as tabulated in the emerging markets economic outlook released yesterday, which stand at 0.3% and 0.9% and bode well with those of the EC in February (0.1% for Hungary and 0.7% for Poland). Staying on regional news for rating agencies, Fitch Ratings affirmed Romania's sovereign credit rating, at BBB- but revised its outlook to stable from negative, grounding the improvement, inter alia, on stabilising public debt, gradual fiscal consolidation, and greater political stability.

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