

GLOBAL & REGIONAL DAILY

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Global markets

Investors shrugged off S&P's downgrade of France's sovereign credit rating on Friday evening to AA- from AA, with European government bonds little changed at today's open. The yield on 10yr French government bonds is currently up by slightly less than 1bp at 3.14%, while the yield on 10yr Bunds is unchanged at 2.65%. Meanwhile, USTs retained a firm tone after Friday's PCE inflation data, which showed core PCE inflation slowing to 0.2%MoM in April from March's 0.3%MoM, compared with the consensus expectation that it would remain unchanged. The PCE report also showed that real personal spending unexpectedly dropped 0.1%MoM in April, after increasing a downwardly revised 0.4%MoM the month before. The yield on 10yr USTs fell 4bps on Friday and is down another 2bps so far today at 4.49%. Back in Europe, May's eurozone CPI came in higher than expected on Friday, with headline inflation rising to 2.6%YoY from 2.4%YoY in April and core rising to 2.9%YoY from 2.7%YoY.

Greece

Inflation, as measured by the annual growth rate of the Harmonized Index of Consumer Prices (HICP) retreated to 2.3% in May-24 from 3.2% in Apr-24 and 4.1% a year ago, according to preliminary data released by Eurostat, falling behind the EA20 average (2.6%) for the first time in eight months. Core inflation, that is, the change in HICP excluding energy, food, alcohol, and tobacco declined to 2.7% from 3.1% in Apr-24 and 7.3% in May-23, hitting a two-year low. Energy prices dropped by 1.7%YoY, while food (incl. alcohol and tobacco) inflation decelerated to 2.3%YoY, from -1.7%YoY and 4.8%YoY respectively in Apr-24. Greece was the only EA20 country to record a negative monthly change in HICP in May-24 (-0.3%). According to Eurostat, Greece topped EU27 in 2023 in actual working hours for people aged 20-64 in their main job for a 14th year in a row, with a weekly average of 39.8 hours, versus 36.1 hours in EU27 and 36.3 hours in EA20. On other news, Fitch maintained its sovereign rating of Greece at BBB-, with the outlook remaining stable.

CESEE

In Turkey, seasonally adjusted GDP growth spiked in Q1 2024, to 7.4%YoY – the strongest growth in nine quarters – from 4.8%YoY a quarter earlier. Growth also surged on a quarterly basis, to 2.4% from 1.0% in Q4 2023. The annual print is mainly due to the improvement of the external balance, as exports expanded by 3.7%YoY, a six-quarter high, and imports fell for the first time in 10 quarters (-2.2%YoY). Among the domestic demand components, only government consumption grew faster in Q1 2024 relative to Q4 2023, 3.2%YoY vs. 1.6%YoY, with the growth weakening more pronounced in household consumption (7.8%YoY from 8.6%YoY). In Czechia, s.a. Q1 GDP growth was revised downwards in the second estimate, to 0.2%YoY from 0.4%YoY in the flash print. Household consumption was the main growth driver, rising 2.1%YoY, its first increase in two years. In contrast, gross fixed capital formation fell for the first time in three years, by 2.7%YoY. Net exports deteriorated, despite a stronger exports increase, due to a smaller fall in imports.

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