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Global markets

Tacking the rally in Wall Street overnight that took the S&P 500 to another record high, Asian bourses ended mostly higher today. Meanwhile, UST yields remained stuck in a recent trading range, as the impact of fresh comments by Fed officials that the Fed is in no rush to cut rates was partially offset by yesterday's solid $42bn 10-yr bond auction, the largest ever, that somewhat allayed fears over excess supply. Markets are still assigning an 80% probability of a Fed rate cut by May and 115bps of cumulative easing by year-end. By contrast, EGBs came under some pressure as investors continued to dial back their expectations for an imminent rate cut, with the market-implied odds of a cut at the next ECB meeting in March dropping to just 11%. In FX, lacking a clear direction, range trading prevailed for major currency pairs. The US dollar index (DXY) is still off Monday's peak of 104.60 but continued to hover above 104. Turning to commodities, oil prices extended recent gains as Middle East tensions continue, with Brent crude approaching $80/bbl.

Greece

According to the Dec-23 commercial transactions data released by ELSTAT, exports of goods were down by €0.68bn (-21.7%), and imports of goods were down by €1.36bn (-17.7%) compared to Dec-22. As a result, Greece's trade deficit in 2023 stood at €31.05bn (13.9% of GDP according to the 2024 Draft Budget forecast), lower by €7.74bn or 20.0% compared to 2022 (18.6% of GDP). This consolidation was predominantly driven by the de-escalation in the prices of energy goods: excluding petroleum products, the country's trade deficit narrowed by a mere €0.84bn or 3.0% on an annual basis (at 12.2% of expected GDP from 13.5% of GDP in 2022). In other news, net purchases of Greek Government Bonds (GGB) by the ECB under its Pandemic Emergency Purchasing Programme (PEPP) in the period from Dec-23 to Jan-24 amounted to €130mn, pushing its aggregate GGB holdings under PEPP to €39.36bn, the highest since Nov-22.

CESEE

In Poland, the Monetary Policy Council (MPC) decided yesterday to hold its benchmark interest rate at 5.75% for a fifth consecutive month, matching market expectations. In its post-meeting press release the MPC cited that, despite the observed economic recovery, demand and cost pressures in the economy remain low, which, amidst falling inflation pressures from abroad, support lower inflation domestically. However, in the following quarters, inflation developments are surrounded by uncertainty, related in particular to the potential impact of fiscal and regulatory policies on price developments, as well as to the pace of domestic economic recovery. Furthermore, demand will be stimulated by growth in nominal wages, e.g., from wage increases in the public sector. In other country news, the MinFin announced that it covered in January 36% of its gross borrowing needs for 2024, a rate up from a 25% coverage in January 2023. 22.7% was covered from domestic market and 13.3% from international markets.

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