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Global markets

The UST yield curve flattening extended earlier today with the short-end underperforming amid increased uncertainty about the Fed's monetary policy outlook after Friday's strong US non-farm payrolls data. The probability of a cut by the Fed's June meeting has dropped slightly below 50%, while the cumulative easing priced in by end-2024 has fallen to just 61bps. Meanwhile, short-dated German bonds continued to face selling pressure after data from Germany showed a 2.1%MoM rise in February's industrial production, the strongest monthly gain in more than a year, leading to a bear-flattening Bund yield curve. Core EGBs underperformed the periphery, with the 10-yr BTP-Bund yield spread narrowing below 135bps. In FX, the DXY USD index continued to consolidate slightly above 104, failing to capitalise on the hawkish repricing of Fed rate easing expectations. Meanwhile, the CHF continued to underperform its G10 currency peers, on investors' appetite for carry trades after the SNB was the first G10 central bank to initiate a rate easing cycle.

Greece

Yesterday, the Governor of the Bank of Greece (BoG) Yannis Stournaras, in his speech at the annual general meeting of shareholders, stressed that political, fiscal and financial stability constitute public goods that must be protected, especially in Greece, which exited from its biggest post-war economic crisis a few years earlier. According to the forecasts by the BoG, real GDP growth is expected at 2.3% in 2024, from 2.0% in 2023, whereas inflation is estimated to decelerate to 2.8% in 2024, from 4.2% in 2023. In the fiscal front, the general government primary balance is expected to register a surplus of 2.1% of GDP in 2024, leading, along with the "snowball effect", to a decline of the debt-to-GDP ratio to 153.0%. Finally, the current account deficit is estimated at 6.0% of GDP in 2024, from 6.4% in 2023.

CESEE

In Cyprus, the fiscal (general government) balance continued improving in February relative to the previous year on an accrual basis (ESA 2010 approach), posting an overall surplus in the first two months of 2024 of €534.8mn (+34.3%YoY), with the primary balance print at +€594.7mn (+26.0%YoY). The improvement in the primary balance is exclusively due to higher revenue (+16.7%YoY), as primary spending also expanded (+13.9%YoY). Higher receipts from social contributions (+17.1%YoY), corporate taxes (+42.7%YoY) and VAT on products (+11.0%YoY) were the main sources of increased public revenue, with the latter increase coming despite nulling the VAT on a series of basic products since November (food products etc.), in the context of the disinflationary measures adopted by the government. Standard & Poor's Ratings revised up Serbia's sovereign credit outlook to positive from stable on improving fiscal and external performance, affirming the BB+ long-term sovereign credit rating, which is one notch below investment grade.

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