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Global markets

The University of Michigan (UoM) survey for May, released on Friday, revealed a hefty 9.8pts drop in the headline consumer sentiment index to 67.4, amid renewed concerns about households' finances following the recent resurgence in inflation and the Fed's message that rates will likely remain high for longer. In terms of inflation expectations, the median one-year-ahead expectations rose by 0.3ppts to 3.5%, the highest since November, and the median five-year-ahead measure inched up to 3.1% from 3.0%. In reaction to the upside surprise in inflation expectations, USTs came under pressure, though they managed to recover some of Friday's losses earlier today. Meanwhile, the sharp drop in the UoM consumer sentiment weighed on the USD ahead of this week's key US data releases, including April's PPI (Tuesday) and April's CPI and retail sales (Wednesday). However, losses were limited with the DXY index continuing to trade above 105, thanks to fresh comments by Fed officials making clear that the Fed will not rush to cut rates.

Greece

The manufacturing production index, in contradiction with the performance of the PMI manufacturing index (up to 56.9 in Mar-24, from 55.7 in Feb-24), slumped by 3.0% on a monthly basis and by 2.2% on an annual basis in Mar-24, from -0.9% MoM / 2.0% YoY in Feb-24. This result came from the categories of coke and refined petroleum products (-5.4% MoM), chemicals and chemical products (-3.2% MoM), basic pharmaceutical products and pharmaceutical preparations (-5.2% MoM), fabricated metal products, except machinery and equipment (-3.4% MoM) and basic metals (-1.2% MoM). Regarding Q1 2024, the manufacturing production index declined on a quarterly basis by 0.6%, whereas on an annual basis it increased by 1.6%. In other news, according to a press interview, the Governor of BoG, Mr. Yannis Stournaras, stated that Greece needs 20 years in order to converge to 90% of the EU-27 average real GDP per capita (given a higher growth rate relative to the EU-27 average by 1.5ppt).

CESEE

On Friday evening, S&P and Fitch rating agencies affirmed Poland's A- credit rating and both kept the outlook stable. The S&P foresees that economic growth could be supported by the new government's approach that is expected to release blocked EU funds, including the Recovery and Resilience Facility (RRF). Towards this end, it held its GDP growth forecast for 2024 at 2.8% and 3.1% for 2025, as in March. Broadly on the same footing, Fitch stressed out that Poland is a diversified and resilient economy within a sound macroeconomic framework anchored by EU membership, solid external finances and, lately, a more stable government. Perils such as lower income levels and governance indicators along with a wider fiscal deficit linger on. Its forecast for 2024 coincides with that of the S&P at 2.8% while any upgrade on the rating or outlook is linked with the fiscal consolidation over the medium term that leads to a firm decline in the government debt to GDP ratio.

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