

GLOBAL & REGIONAL DAILY

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Global markets

US headline CPI was weaker than expected in May, at 0.0%MoM and core inflation eased to 0.2%MoM, the slowest pace since September 2021. Core goods prices were unchanged on the month after a 0.1%MoM decline in April. However, core services price growth halved to 0.2%MoM, driven by non-housing core services inflation which eased materially (0.4ppts slower than in April). In reaction to softer than expected inflation data, USTs firmed sharply and the USD weakened, but both partially retraced part of their moves due to the somewhat more hawkish than expected tone stuck by the Fed. The fed funds target range was kept at 5.25-5.50%, as expected, but the updated dot plot pointed to just one cut this year, as opposed to three forecast in March, due to upward revisions to core PCE inflation forecasts. However, the weak CPI report proved to be the key driver of activity, with the DXY index trading below 105 earlier today and 10-yr yields hovering around 4.30%, still some 13bps lower than levels recorded before the CPI report release.

Greece

According to the Prime Minister K. Mitsotakis, the Greek government is planning the early repayment (by the end of 2024) of bilateral loans of the first MoU, amounting to €7.935bn (three installments of €2,645bn each). After the past years' scheduled payments and early repayments as well as the expected early repayment of €7.935 billion the balance of bilateral loans will be reduced to €31.61bn. The aforementioned loans concern bilateral loans between Greece and Eurozone countries, initially amounting to €52.9bn. On other news, according to Eurostat, in 2023, 2.66mn or 26.1% of the population in Greece was at risk of poverty or social exclusion, i.e., lived in households experiencing at least one of the three risks, namely, risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity. The figure slightly decreased compared to 2022 (2.72mn or 26.3% of the population) but both in 2022 and 2023 the corresponding rate was above the EU-27 average which was 21.6% and 21.4% respectively.

CESEE

In Serbia, headline CPI inflation decelerated to 4.5%YoY in May from 5.0%YoY in the previous two months, which signals its return within the tolerance band (3%+/-1.5ppts) set by the Serbian Central Bank (NBS). The key policy rate was progressively set at 6.5% in July 2023 from 1% in March 2022 with the NBS holding fire since then and adopting a more data driven stance along with a wait mode for major banks to ease first. Following the ECB's recent rate cut along with the bank's perception over the course of inflation in the second half of the year which is expected to approach the target midpoint of 3% and continue moving below that point from 2025 onwards, combined with the latest CPI print in May which supports this narrative, the NBS is seen to proceed with some monetary easing at its MPC meeting later today. In other news, four days after the 9 June elections in Bulgaria, no major news has come regarding the formation of a government with the election winning party GERB not having stepped into any announcement over its intentions.

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