

GLOBAL & REGIONAL DAILY

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Global markets

There is increased uncertainty surrounding the French elections after the formation of a left-wing coalition, the New Popular Front, that could seriously harm the prospects of pro-Macron candidates to qualify for the second round on July 7. Against this environment, risk-off sentiment prevailed, with European equity markets continuing to suffer across the board. Meanwhile, risk reduction in the Eurozone continued to support a flight to safety, with the 10-yr Bund yield dropping to a two-month low close to 2.30%, and the French-German 10-yr spread widening further to 80bps, the widest since 2017. Meanwhile, USTs were slightly weaker earlier today, though still standing close to last week's fresh multi-week highs, supported by Friday's softer than expected US data that came on the heels of weak inflation-related surveys. In FX, the USD retained a firm tone favoured by its safe-haven appeal, with the EUR/USD moving below 1.07 for the first time since late April ahead of Tuesday's US May retail sales data.

Greece

Commercial property prices remained on an upward trajectory in H2 2023 according to data released by the Bank of Greece (BoG) last week. More specifically, the prime retail prices increased by 6.6% YoY (in nominal terms), from 7.2% YoY in H1 2023, whereas the prime office prices rose by 5.0% YoY, from 6.8% YoY in H1 2023. The cumulative increase of the prime retail prices compared to their trough in H2 2016 stands at 37.6%, whereas the respective increase of the prime office prices relative to their trough in H1 2017 stands at 29.0%. On other data releases, the rate of increase of the production index in construction decelerated to 5.0% YoY in Q1 2024, from 12.8% YoY in Q4 2023 (10.9% YoY, from 13.1% YoY in the production index of building construction, and 1.2% YoY, from 12.6% YoY in the production index of civil engineering).

CESEE

A few days after the credit rating upgrade of Cyprus by Fitch Ratings to BBB+ from BBB, with the outlook kept positive, which came in part due to a favourable medium-term fiscal outlook, the general government posted a fiscal surplus of €598.3mn in Q1 2024, higher by 58.9%YoY, which corresponds to 1.9% of the projected by the government 2024 GDP, up from 1.3% of GDP a year ago. As in 2023, the improvement in Q1 came from higher revenue, by 13.5%YoY, mainly on the back of more income tax receipts (+17.4%YoY), as expenditure also expanded, albeit at a slower pace (+6.7%YoY). In other news, the terms and conditions for loans to businesses tightened in Q1 2024 after remaining unchanged for three consecutive quarters, according to the Central Bank's bank lending survey, whereas net demand for business loans decreased. On the side of households, the terms and conditions for housing loans remained unchanged while they tightened for consumer credit. The net demand for both housing loans and consumer credit decreased.

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