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Global markets

Strong retail sales data from the US underlined the continued resilience of the world's biggest economy, adding to the signs that the late-2023 rally in bonds may have overestimated the extent of the Fed's dovish pivot. Retail sales increased 0.6%MoM in December, more than expected and up from 0.3%MoM in November. Separately, US industrial production also beat expectations, growing 0.1%MoM in December. The data followed several catalysts causing bonds to sell off on both sides of the Atlantic this week, including pushback by policy makers against market expectations over the extent and timing of cuts. USTs have recovered slightly today, but the yield on the 10yr benchmark is up 14bps so far this week to 4.08%. The yield on 10yr bunds is up 13bps this week to 2.32%. Derivatives markets currently fully price in a first rate cut by May for the Fed, and June for the ECB. Yesterday's comments by the ECB's Lagarde that she expects to cut in summer seem to have had an effect; markets had fully priced in a cut by April before her interview.

Greece

The Public Debt Management Agency tapped the markets yesterday by reopening a 5-year bond for €250mn. The total amount offered stood at €1.086bn, with the yield settling at 2.72%, from 3.85% in the initial offer. In other news, according to press, the target for a primary surplus of 1.1% of GDP in 2023 is on track (1st notification on April 22nd, 2024), based on the Jan-23 to Dec-23 budget execution results released on Monday and the respective central government cash balance results released yesterday. The Ministry of Economy and Finance aims in achieving primary surpluses of 2.1% of GDP in the following years, a goal which will be presented in the Stability Programme 2025-2028. Finally, on data releases, tomorrow the Bank of Greece (BoG) will announce the balance of payments data for Nov-23. The current account balance has already improved (lower deficit) by 41.3% in Jan-23 to Oct-23.

CESEE

In Cyprus, the growth in tourist arrivals accelerated in December to 12.3%YoY from 6.5%YoY a month earlier. However, the December rise lags the average increase in January-September, by 23.4%YoY, mainly due to a change of trend in arrivals from Israel during the war in Gaza, which fell in December by 40.9%YoY against an average increase of 77.7%YoY in 9M2023. On the other hand, the stronger rise in December relative to November is mainly due to inflows from EU countries (+30.9%YoY from +19.0%YoY). Also in Cyprus, headline inflation declined in December to 1.9%YoY – a 31-month low – from 2.4%YoY in November. The deceleration is mainly due to weakening inflation in housing-utility-water supply, from 2.5%YoY to 1.4%YoY, and rising deflation in transports (from -2.6%YoY to -4.2%YoY), with both trends backed by disinflationary measures since November/December (cuts in excise duties on fuels, nulling the VAT on fresh meat and vegetables, subsidizing electricity consumption).

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