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Global markets

Government bonds were under pressure earlier today and oil prices retreated from recent highs in the absence of a further escalation in geopolitical tensions in the Middle East over the weekend after a retaliatory Israeli missile strike against Iran on Friday morning. USTs underperformed with the 10-yr UST/Bund yield spread widening by some 2bps to 217.5bps ahead of the Eurozone PMIs for April due for release on Tuesday, the US Q1 2024 GDP on Thursday and US core PCE deflator for March on Friday. Meanwhile, ahead of a busy week of Q1 2024 earnings reports, risk sentiment improved after Wall Street's losses on Friday driven by tech stock weakness. In FX markets, the USD remained broadly firm, as reflected in the DXY index which continued to trade slightly above 106, though off last week's 106.517 peak. Meanwhile, the CHF weakened sharply amid easing geopolitical concerns and the GBP/USD retreated below 1.24 following weak UK retail sales data and BoE Deputy Governor Ramsden's dovish comments.

Greece

In its Friday report, S&P Ratings affirmed its sovereign rating of Greece at 'BBB-', the lowest in the investment grade scale. The agency, however, upgraded its outlook to 'positive' from 'stable', indicating that a rating upgrade is likely within 24 months, provided that GDP growth remains robust (estimated at 2.7% on average in 2024–27 in the baseline scenario), and the public debt-to-GDP ratio maintains its current declining trend. On the data front, the current account deficit receded marginally to €1.46bn in the first two months of 2024 from €1.50bn in the respective period of 2023 (-2.8%YoY), according to the Bank of Greece. The negative effect from the sharp widening in the goods deficit (to €5.80bn from €4.74bn in 2023, that is, +22.1%YoY or +21.3% excl. oil and ships) and the decrease in the primary account surplus (to €0.13bn from €1.03bn or -86.9%YoY) were more than offset by the improvement in the secondary account surplus (to €3.39bn from €1.58bn or +15.1%YoY) and in the services surplus (to €0.81bn from €0.64bn or +26.9%YoY).

CESEE

In Czechia, central government debt rose by 7.5%YoY in Q1 2024 (+CZK223.8bn), the most modest increase in nine quarters, extending public debt growth weakening trend since Q4 2022, with the quarterly increase at 3.5% (+CZK109.9bn). In both cases, debt increase came mainly on the back of debt securities issued in the domestic market. In terms of debt maturity, the ministry of finance has moved towards extending the yield curve by offering more long-term securities. As a result of these developments, central government debt stood at 43.6% of GDP in Q1 2024, up by just 0.54ppts from the same quarter last year. In Turkey, the seasonally adjusted number of paid employees increased by 3.8%YoY in February, a seventh-month high, from +3.2%YoY in January. The acceleration reflects rapidly growing employment in construction (+12.7%YoY), due to the reconstruction process after the Feb-23 quakes, but also in administrative-support services (+8.3%YoY). This week's calendar includes several releases of short-term indicators for March.

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