ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

June 9, 2023

Global markets

US initial jobless claims for the week ending June 3 rose by a much higher than expected 28k to a more than 1 ½ year high of 261k, raising questions over a potential acceleration in the softening pace of the labor market. In reaction, USTs gained before moving slightly lower earlier today, with the futures pricing for a Fed June hike dropping to 25% after rising to 35% yesterday in the aftermath of the unexpected BoC rate increase. Amid increased expectations that the Fed will likely skip rate hikes at the June 14 policy meeting, Asian bourses ended higher, with Japan's Nikkei 225 leading gains in the region, while the USD lost ground across the board, especially against the CHF, briefly testing levels below 0.90, following comments from SNB President Jordan stressing that further rate hikes are necessary to bring down inflation. Favored by the USD's broad weakness, the EUR/USD rebounded above 1.0750, in spite of a downward revision in Eurozone Q1 2023 GDP to -0.1%QoQ from +0.1%QoQ previously, a contraction identical to that in Q4 2022.

Greece

According to the Apr-23 commercial transactions data released by ELSTAT, exports of goods were lower by €179mn (-4.3%), and imports of goods were lower by €819mn (-11.8%) compared to Apr-22. As a result, Greece's trade deficit in the first four months of 2023 shrunk by €2,423mn (-20.7%) on an annual basis; excluding petroleum products, the annual drop in the deficit was milder, at €888bn (-10.7%). On the debt front, the Greek government raised €1.3bn (€1bn through a 52-week T-bill auction and an additional €0.3bn through non-competitive bidding) on Wednesday, with the yield settling at 3.84%, 9bps higher compared to a similar (albeit smaller) issuance in Mar-23. Later today, Fitch Ratings is scheduled to release its latest report on Greece. Although it is widely expected that the agency will affirm its current BB+ rating (one notch below investment grade), an upgrade of the rating's outlook to "positive" is considered very likely.

CESEE

Despite the impasse hit recently during the efforts for a coalition government to be formed in Bulgaria, fruits were born, and a new regular government has been finally formed by the two winning collation parties in the latest elections, WCC-DB and GERB. Fitch Ratings stepped into commenting positively the development yesterday, underlining the improvement it provides for the prospects for Bulgaria's eurozone entry and the implementation of reforms under the national recovery plan. The two flagship reports released earlier this week, by the World Bank and the OECD left the country's GDP growth forecast unchanged for 2023 at 1.5% and 1.9% respectively. Elsewhere in the region, the National Bank of Serbia (NBS) caught markets off guard yesterday with its decision to hike the Key Policy Rate by 25bps to 6.25% after holding fire in May's MPC. The NBS grounded its decision on the need for streamlining of inflation expectations so as inflation, in turn, moves on a downward path and returns within the bank's target band.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr. Theodoros Rapanos
Research Economist
trapanos@eurobank.gr

Maria Kasola
Research Economist
mkasola@eurobank.gr

Research Team

Dr. Tasos Anastasatos | Group Chief Economist
tanastasatos@eurobank.gr | + 30 214 40 59 706

Dr. Dimitris Exadaktylos
Economic Analyst
v-dexadaktylos@eurobank.gr
+ 30 214 40 63 449

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr
+ 30 214 40 63 456

Maria Kasola
Research Economist
mkasola@eurobank.gr
+ 30 214 40 63 453

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr
+ 30 214 40 63 455

Dr. Theodoros Rapanos
Research Economist
trapanos@eurobank.gr
+ 30 214 40 59 711

Dr. Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr
+ 30 214 40 59 708

Michail Vassileiadis
Research Economist
mvassileiadis@eurobank.gr
+ 30 214 40 59 709

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