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Global markets

Government bonds fell and the GBP rose this morning as UK inflation data showed price rises slowed less than expected in April, raising doubts over whether the BoE would cut interest rates in June. The yield on 10yr Gilts rose 10bps to 4.22% following the CPI print, which showed the headline inflation rate slowed to 2.3%YoY, 0.2ppts above the consensus estimate, from 3.2%YoY in March. German Bunds reversed gains from yesterday – when ECB President Christine Lagarde said an interest rate cut is likely next month with inflation "under control" – rising 4bps today to 2.54%. The yield on 10yr USTs today rose 3bps to 4.44% after falling by a similar amount on Tuesday. Following the UK inflation print, the market implied odds of a June rate cut by the BoE collapsed to 13% from 52% yesterday. Meanwhile, the GBP/USD increased 0.2% today. Lagarde's comments had underpinned a positive sentiment for government bonds yesterday, even as more Fed policy makers stressed the need for several positive CPI reports before easing US monetary policy.

Greece

According to the BoG balance of payments data, the current account balance registered a deficit of €4.2bn in Q1 2024, from €3.9bn in Q1 2023. The said deterioration reflects the widening of the deficit in the goods balance by €1,053.2mn and the decrease of the primary incomes balance by €659.4mn. On the contrary, the surplus in the balance of services improved by €135.6mn and the balance of secondary incomes increased by €1,321.7mn. Based on the EC's Spring Economic Forecasts, the deficit of the current account balance is expected at 5.7% and 5.3% of GDP in 2024 and 2025 respectively, from 6.3% of GDP in 2023. In other data releases, the turnover of the enterprises and the activities of the economy as a whole amounted to €100.8bn in current prices in Q1 2024, from €99.3bn in Q1 2023, posting an annual increase of 1.5%. The biggest increases were recorded in administrative and support service activities (20.0%), in construction (17.9%) and in public administration and defences; compulsory social security (14.1%).

CESEE

Broadly in line with market expectations, the Hungarian central bank decided to cut the base rate by 50bps bringing it to 7.25% at its rate-setting meeting held yesterday with the monetary policy guidance remaining almost unchanged compared to the previous few sessions of the Monetary Policy Committee (MPC). The MPC underlined the need for a cautious and data dependent approach to monetary policy due to risks regarding the disinflation trend and the fragility of investors' confidence. On the markets front, the Romanian finance ministry is about to tap international markets with two new EUR-denominated bonds, according to Bloomberg. One holds an 8-year maturity with an indicative rate of 285bps above mid-swap and the other has a 13-year tenor priced indicatively at 320bps above the mid-swap rate with the current placement marking the third FX bond issue in 2024.

Contributing Authors:

Marcus Bensasson
Research Economist
mbensasson@eurobank.gr

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr

Maria Kasola
Research Economist
mkasola@eurobank.gr

Eurobank Research

Research Team

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

Marcus Bensasson
Research Economist
mbensasson@eurobank.gr
+ 30 214 40 65 113

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

Dr. Konstantinos Peppas
Research Economist
kpeppas@eurobank.gr
+ 30 214 40 63 520

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

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