

GLOBAL & REGIONAL DAILY

June 27, 2024

Global markets

Investors are turning their attention to tomorrow's key May US PCE inflation print as the next major driver of market direction, on the view that this will likely have a big impact on how long the Fed's current hawkish stance continues for. Government bonds remained under pressure on both sides of the Atlantic, with the yield on 10yr USTs rising by a further 1bp earlier today after rising 8bps to a fresh two-week-high close of 4.33% on Wednesday. The yield on 10yr Bunds rose 4bps on Wednesday and has increased a further 2bps today to 2.48%, with the 10yr OAT-Bund spread widening by 3bps to around 77bps ahead of the first round of French parliamentary elections this weekend. The dollar strengthened on Wednesday, as measured by the DXY index that rose 0.4% to just above the 106 level, though it has dropped 0.1% so far today to 105.92. The USD/JPY rate dropped 0.2% today after reaching a 38-year intraday high of 160.81 yesterday but remains above the 160 level that triggered intervention in April. Japan's finance minister again warned that the country's authorities will act if needed to stabilise its currency.

Greece

The Governor of Bank of Greece (BoG), Yannis Stournaras, in the Monetary Policy Report 2023-2024 published yesterday, stressed the need for wage increases consistent with the medium-term target for the inflation rate, intensified market checks monitoring competition and removal of all kinds of obstacles to promote competition. Moreover, he listed the central challenges faced by the Greek economy as the structural problems in the labour market, the low level of savings, the high investment gap and the low level of structural competitiveness. Finally, according to the BoG, the real GDP growth rate is expected at 2.2%, 2.5% and 2.3% whereas the inflation rate is expected to moderate to 3.0%, 2.3% and 2.2% in 2024, 2025 and 2026 respectively.

CESEE

The ECB released yesterday its Convergence Report, which assesses progress towards euro adoption in six EU countries, of which five from the CESEE region. According to the report, Bulgaria meets the four convergence criteria but the price stability criterion, as in May 2024 the 12-month average inflation rate in the country was 5.1%, well above the reference value of 3.3%. The ECB expects inflation to moderate in the next months due to easing of supply bottlenecks but warned that core inflation is likely to remain persistently high on the back of wage pressures and a tight labour market. Furthermore, the ECB is concerned about the sustainability of inflation convergence over the longer term. These remarks rule out that Bulgaria could join the Eurozone from Jan 1, 2025. Czechia met a single convergence criterion, namely the interest rate one, as its average long-term interest rates level over the past 12 months was 4.2%, below the benchmark level of 5.5%. Poland, Hungary, and Romania failed to meet any convergence criterion.

Contributing Authors:

Marcus Bensasson
Research Economist
mbensasson@eurobank.gr

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr

Mihail Vassileiadis
Research Economist
mvasileiadis@eurobank.gr

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 Stamatou
 Senior Economist
tstamatou@eurobank.gr
 + 30 214 40 59 708



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

More available research at: <https://www.eurobank.gr/en/group/economic-research>
Subscribe electronically at: <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis/forma-ekdilosis-entiaferontos>
Follow us on twitter: https://twitter.com/Eurobank_Group
Follow us on LinkedIn: <https://www.linkedin.com/company/eurobank>

DISCLAIMER

This report has been issued by Eurobank S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

