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Global markets

US Q1 GDP growth was revised up by 0.1ppts to an annualized rate of 1.4%, but market focus shifted to a bigger-than-expected downward revision in consumer spending to 1.5% from 2.0%. Separately, continuing jobless claims rose in the week ending June 15 to 1.839mn, the highest level since November 2021. Core durable goods orders unexpectedly dropped 0.1%MoM in May and pending home sales declined to a new all-time low. In reaction to the weaker-than-expected US data, USTs firmed before giving back part of their gains in early European trade ahead of today's May US core PCE deflator. Semi-core and peripheral EGBs continued to underperform core paper, with the 10-year OAT-Bund yield spread widening further earlier today to 82bps after closing above 80bps yesterday for the first time since 2012, ahead of the first round of the French legislative election on Sunday. In FX markets, the USD/JPY briefly hit another multi-year peak of 161.27 as investors test the Japanese authorities' resolve to halt the JPY's pace of depreciation.

Greece

Bank of Greece data released yesterday shows that non-financial private sector deposits were little changed in May-24 compared to Apr-24 (+0.1%/+€0.2bn), with their annual growth rate slowing down to +2.4% (+4.4bn), the lowest in 6.5 years. Following ECB's pivot and the prospect of further rate cuts, but with inflation remaining above target, excess liquidity was channeled to mutual funds (net inflows of €429mn in May-24, up by 362%YoY according to the Hellenic Fund and Asset Management Association) and –to a lesser extent– to Greek government T-bills. On the left-hand side of the bank ledger, net credit remained flat on a monthly basis and increased by 4.2% (€4.4bn) on an annual basis, despite a near 8%YoY increase in loan repayments. On other news, the Centre for Economic Planning and Research (KEPE) revised its 2024 GDP growth forecast downwards to 1.89% from 2.16% amid heightened global uncertainty, weak external demand, and the prospect of inflation and interest rates de-escalating slower than initially anticipated.

CESEE

In Czechia, the National Bank Board proceeded yesterday to the fourth 50bps key policy rate cut so far this year, which brought it down to 4.75%. The cut exceeded market expectations for a 25bps reduction, following the moderate inflation ease in May to 2.6%YoY, after a spike to 2.9%YoY in April from 2.0%YoY in February - March. The size of the cut is related to the board's decision to slow the pace of moderation of monetary policy restriction in the months ahead or even keep the rate unchanged for some time. In Turkey, the MPC decided to keep the policy rate at 50% for the third consecutive month, despite the latest inflation spike in May to 75.2%YoY as it awaits to assess the lagged effects of monetary tightening up to March. The economic sentiment improved in May in two of the three key economies in the region, namely in Hungary (+2.5pts, to 101.7) and in Czechia (+1.9pts, to 96.5), in contrast to the decline in the EU by 0.2pts (96.4). The index was almost unchanged in Poland (-0.1pts, to 101.5).

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