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HIGHLIGHTS

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Global Markets

The US non-farm payrolls report for November came in much softer than expected on Friday, showing a gain of just 210k. However, the household survey presented a different picture, revealing a 1.1mn increase in employment, the largest monthly gain since October 2020 that resulted in a 0.2pp rise in the participation rate to 61.8% and a 0.4pp decline in the unemployment rate to 4.2%. Supporting optimism for a continuing improvement in labor market conditions, the ISM services index hit a fresh record high of 69.1 in November from October's 66.7, entirely supported by a hefty increase in business activity and employment. Turning to markets, the UST yield curve undertook some bearish steepening led by higher 10-yr yields, a move that helped the DXY dollar index to gain some ground ahead of Friday's US inflation report for November.

Greece

According to the BoG Financial Stability Review (Dec-21), the biggest challenge of the banking sector is the high stock of NPLs (NPLs ratio in Jun-21 at 20.3%), which may be augmented by new defaults now that the pandemic-related support measures have been withdrawn. Liquidity conditions have improved, largely due to high private sector deposits (currently at 16% of GDP from 6% in 2019). Greek banks' capital adequacy has suffered from low operating profitability and high loan-loss provisions. Supply of bank credit to be enhanced by the RRF, depending, however, on the existence of viable investment projects. In other news, Q3 GDP data are expected later today and Eurogroup to discuss 12th Enhanced Surveillance Report and the disbursement of policy-contingent debt relief measures of €767mn.

CESEE

The Euro remained stable against the Serbian dinar at 117.57 throughout the previous week, with lukewarm movements on both sides. In the local fixed income space, the sovereign yield curve changed little on a weekly basis, with the 4-year, 6-year and 11-year RSD denominated bonds currently trading at 3.40%, 3.70% and 4.20%, respectively. Amid these market conditions, the Serbian Public Debt Administration plans to schedule buyback auctions of various RSD benchmark bonds within December in order primarily to reduce the public debt and also foster the reshuffling of investors' portfolios. That said, the first auction is scheduled for today referring to government bonds maturing on August 20th, 2032 that carry a coupon rate of 4.50%.

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