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Global markets

Global equity markets bounced and sovereign bond yields fell sharply after the UK Chancellor announced yesterday a reversal of the government's decision to abolish the highest 45% rate of income tax. The rally was also encouraged by poor US data which suggested that the Fed might have less space than earlier expected to keep raising rates. In detail, the ISM manufacturing index fell by a higher than expected 1.9pts to a 2 ½ year low of 50.9 in September driven by declines in new orders and employment which both dropped deeper into contractionary territory. In addition, the RBA delivered a lower-than-expected 25bps rate hike and European natural gas prices fell sharply (futures below €170 per MWh for the first time since late July), fueling market speculation that major central banks might pivot to a less hawkish stance in the near future. Today, focus is on the August US JOLTS data, ahead of Friday's non-farm payrolls report which may have an impact on whether the rally in bonds and equities can last for longer.

Greece

According to the 2023 Draft Budget submitted to parliament y-day, the real GDP growth for Greece in 2022 and 2023 is expected at 5.3% and 2.1%, respectively. Inflation is projected at 8.8% and 3.0% for 2022 and 2023, respectively, and unemployment at 12.9% and 12.6% for 2022 and 2023, respectively. On the fiscal side, the primary fiscal balance is expected at -1.7% and 0.7% in ESA2010 terms for 2022 and 2023 respectively compared to targets of -2.0% and 1.1% in 2022 and 2023 envisioned in the Stability and Growth Plan (April 2022). The 2022 fiscal measures to address the COVID-19 pandemic and the energy crisis were estimated at €4.3 bn and €4.7 bn respectively, while the measures for 2023 amount to €4.8 bn in total, including a buffer of €1.0 bn aiming to address the increase in energy bills in 2023. The general government debt is expected at significantly lower levels, mainly as a result of high nominal growth due to the increase in inflation, at 169.1% and 161.6% of GDP in 2022 and 2023.

CESEE

The CPI inflation in Turkey accelerated to 83.5% YoY in September from 80.2% YoY in August, with the print being in line with market forecasts, as expressed in both Bloomberg and Reuters polls. The monthly pace of increase also rose sharply, from 1.5% in August to 3.1% in September. Price developments in housing-water-electricity-gas (+84.7% YoY), led by hikes in utility tariffs by around 20% for households in early-September, were the leading factors behind the inflation spike on an annual basis. The acceleration in consumer prices also came on the back of soaring prices in transportation (+117.7% YoY) and food - non-alcoholic beverages (+93.0% YoY). Looking ahead high inflation will likely be sustained by the switch from BOTAS, the state-run gas company, to market pricing for 40% of the gas used by large industrial users, as well as by the rise of the gas price by 25% for tourism facilities.

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