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Global Markets

Euro zone government bond yields fell on Friday amid mixed signals from the ECB and increased demand for safe-haven assets amid geopolitical worries over Ukraine, while equity markets fell on persisting concerns over the Fed's monetary policy normalization process. After moving briefly into positive territory last week for the first time since May-19, 10yr German Bund yields slipped and are currently in the area of -0.09%. Focus this week turns to the FOMC's meeting on 25-26 January, which is expected to set the stage for the kick off the Fed's hiking cycle in Mar-22 with the market pricing in fully four hikes this year, without excluding an even more hawkish hiking path, and an earlier than expected balance sheet rundown. Attention also turns to the Italian presidential elections that begin today and could stir political uncertainty.

Greece

According to ELSTAT, the overall turnover in industry (both domestic and non-domestic market) in Nov-21, increased by 39.4%, while in Nov-20 it had decreased by 2.2%YoY. In the 12-month period Dec-20 to Nov-21, the average overall turnover in industry increased by 22.9%YoY against a 10.8%YoY decrease that had been recorded in the period Dec-19 to Nov-20. In other news, the Alternate Finance Minister Theodoros Skylakakis stated in an interview that the government considers likely that Greece will be asked to produce primary budget surpluses of 2% of gross domestic product - or about €5bn - as of 2023, referring to the period after the pandemic, with the introduction of the new Stability Pact rules. A level of 2% of GDP is close to the target that Greece had already committed to for the period after the enhanced surveillance.

CESEE

Fitch Ratings affirmed on Friday Bulgaria's sovereign rating at BBB and maintained the outlook to positive. The outlook was kept positive in view of the pursuit of the euro adoption in 2024 and the recent formation of a four-party coalition government, which has pledged to undertake a comprehensive anti-corruption fight, improve the rule of law and make public spending more effective. Nevertheless, the high energy prices that have led to public support measures could exert pressure on the budget that could delay some of the government's plans, Fitch pointed out. The agency projected a 3.7% GDP growth rate in 2022, which could pick up further to 4.5% in 2023. Average inflation is expected to rise to 5.2% in 2022, hitting its highest level since 2008, on the back of high commodity prices and domestic demand-side pressures.

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