

GLOBAL & REGIONAL DAILY

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Global markets

USTs were weaker earlier today, though still not far from Friday's fresh highs, amid growing market confidence over a dovish pivot by the Fed in the not-too-distant future, following comments by Fed Chair Powell that the policy rate is "well into" restrictive territory and the full effects of tightening have likely not yet been felt. Markets continued to reprice the Fed's implied policy path lower, with Fed funds futures currently pricing in 127bps of cuts by end-2024, even though Powell noted that it would be "premature...to speculate on when policy might ease." Meanwhile, Bunds remained well supported, with the 10-yr UST-Bund yield spread widening by c. 2bps to 188bps, after ECB Governing Council Member Villeroy's comments that disinflation in the EA may be "faster than expected". The modest widening of rate differentials in favor of the USD, pushed the EUR/USD below 1.09 ahead of Friday's US non-farm payrolls report, while oil prices moved further lower as investors continue to doubt whether OPEC+ members will implement voluntary cuts.

Greece

Last Friday, Fitch Ratings upgraded Greece to BBB- with a stable outlook from BB+ with a stable outlook, becoming the fourth out of the five external credit assessment institutions (ECAIs) accepted by the Eurosystem with an investment grade rating to Greece. According to the rating action commentary, the key rating drivers with high relative weights are the favorable debt dynamics and the commitment to fiscal consolidation, whereas the respective drivers with medium relative weights are the resilient growth (foreseen on average at 2.4% in 2023-2025), the policy continuity and the improving banking sector. On the data front, the PMI manufacturing index increased marginally to 50.9 in Nov-23 (44.2 in the Euro Area), remaining above the 50 boom-bust threshold for the 10th month in a row, reflecting an increase in production. The retail trade volume increased on a quarterly basis by 1.1% in Q3 2023, from a decrease of 1.7% in Q2 2023, while on an annual basis it remained on a downward trajectory (-3.4% from -3.9% in Q2 2023).

CESEE

Seasonally adjusted GDP growth decelerated in Q3 2023 in Turkey, to 4.5%YoY from a downwardly revised 4.8%YoY in Q2 (against 5.1%YoY provisional estimate in August). Growth weakening was more pronounced on a quarterly basis, to 0.3% against 3.3% a quarter earlier, but given the low base in Q1 because of the February earthquakes, a strong slowdown in Q3 was much anticipated. Resurgence of inflation in Q3 weighed on household consumption growth, which slowed to 10.8%YoY from 17.3%YoY in Q2. The external balance benefited from the lira devaluation after the monetary policy shift to a tightening stance, as exports expanded for the first time in a year (+0.7%YoY vs. -8.0%YoY in Q2) and the increase in imports moderated to 14.0%YoY from 18.9%YoY. GDP was also boosted from gross fixed capital formation escalation to 14.3%YoY from 7.3%YoY in Q2. This week's regional calendar is quite eventful, including two policy meetings (Poland, Serbia), whereas Slovakia and Romania will publish the Q3 GDP structure.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr

Michail 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



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



Symeoni – Eleni Soursou
 Junior Economic Analyst
ssoursou@eurobank.gr
 + 30 214 40 65 120



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



Michail Vassileiadis
 Research Economist
mvasseleiadis@eurobank.gr
 + 30 214 40 59 709

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