

GLOBAL & REGIONAL DAILY

October 24, 2023

Global markets

USTs extended yesterday's gains in early European trading today, reversing some of recent hefty losses. 10yr yields stood at 4.81% and 30yr yields was at 4.95%, both after reaching fresh intra-day multi-year highs yesterday at 5.02% and 5.18% respectively. The 2yr yield also declined to 5.06% earlier today, slightly down from 5.08% on Friday, thus the 2yr/10yr spread stood at -25bps, 9bps up from last week's close. European bond yields were far less volatile but mapped the same course, with the 10yr Bund yield standing at 2.82% earlier today, -6bps from last week's close, while the 2yr Bund yield closed at 3.17%, marginally down by -1bps. The 10yr BTP yield fell to 4.78% earlier today from 4.92% last week, as S&P affirmed Italy ratings on Friday. In the FX market, the USD weakened against major currencies, with the DXY index standing at 105.5 earlier today, down from last week's close at 106.2.

Greece

According to the Bank of Greece (BoG), travel receipts in Jan-23 to Aug-23 stood at €14.7bn in current prices, posting an annual increase of 15.3% (+€1.9bn) and surpassing the respective pre-pandemic level by 10.9% (+€1.4bn). The said increase came exclusively from the annual rise of inbound traveller flows by 18.4% (+3.5mn travellers). On the contrary, the average non-resident expenditure per trip dropped to €629.6 in Jan-23 to Aug-23, from €651.5 in the respective period of 2022 (-3.4%). In other data releases, according to ELSTAT's 2nd notification for the fiscal data of the years 2019-2022, the deficit of the general government balance decreased to 2.4% of GDP in 2022, from 7.0% of GDP in 2021 (2.3% and 7.1% of GDP according to the 1st notification in Apr-23), while the respective primary balance, from a deficit of 4.5% of GDP in 2021 registered a surplus of 0.1% of GDP in 2022 (4.7% and 0.1% of GDP based on the 1st notification). Finally, the general government debt decreased to 172.6% of GDP in 2022, from 195.0% of GDP in 2021.

CESEE

This week the economic calendar in the region is rather lightweight with today's MPC by the Hungarian central bank considered the major event intraweek. Market consensus is for an interest rate cut by 50bps that would bring, if delivered, the key policy rate at 12.5%. The downward path of inflation since March 2023 which ended up to 12.2% in September could support some loosening, taking also into account the pale data from the real economy which mirror the toll paid so far from the steep monetary policy tightening. Hungary extended the technical recession it had entered in Q3-2022, contracting by -0.3% in Q2-2023 compared to Q1-2023, while the annual growth rate also remained negative at -2.3% from -1.2% in the previous quarter. More recent data point to continuing loss of steam with industrial output contracting by 5.3%YoY in August, compared to the 2.6%YoY contraction in July while retail sales continued to shrink by 7.1%YoY in August, despite the modest deceleration compared to the 7.6%YoY contraction in July.

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