

GLOBAL & REGIONAL DAILY

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Global markets

November's rally in bonds took another leg higher thanks to comments by Fed policy makers that markets interpreted as signalling more support for a dovish pivot by the US central bank. Most notably, Governor Waller – seen as one of the most hawkish Fed officials – yesterday said he is “increasingly confident that policy is currently well positioned to slow the economy and get inflation back to 2%”. Markets now price a 75% chance of a Fed cut by May and 109bps of cumulative cuts by the end of 2024. Treasury yields fell across the curve, despite a weak 7yr auction, with the drop more pronounced on the short end. The yield on 2yr USTs fell 15bps yesterday and another 4bps today to 4.69%, the lowest level since mid-August. The yield on 10yr USTs has fallen 10bps since Monday's close to its current two-month low of 4.29%. Government bonds rose on both sides of the Atlantic – the yield on 10yr German bunds fell 9bps since Monday's close to 4.46%. USD weakness accelerated as the DXY index fell below 103 for the first time since late August.

Greece

The European Commission yesterday agreed on a positive preliminary assessment regarding Greece's third payment request of €3.64bn (€1.69bn in grants and €1.95bn in loans), under the Recovery and Resilience Facility (RRF). This amount is expected to be added to the €11.1bn already disbursed by the RRF. Moreover, the revised RRF budget for Greece now stands at €35.95bn, out of which €18.22bn are grants and €17.73bn loans. On the data front, the volume index in wholesale trade decreased on an annual basis for a second month in a row in Sep-23 (-5.1% from -4.8% in Aug-23), whereas the respective index in motor vehicles increased strongly on an annual basis by 24.1% in Sep-23 from 6.4% in Aug-23. Finally, total building activity measured by the number of issued building permits, decreased on an annual basis by 4.0% in Aug-23, while in the 12-month period from Sep-22 to Aug-23 increased on an annual basis by 9.8%.

CESEE

GDP annual growth picked up moderately in Q3 2023 in Croatia, to 2.8% against a slightly revised downwards pace of 2.6% from 2.7% initially estimated for Q2. On a quarterly basis, GDP expanded by 0.3% in Q3 after a marginal rise by 0.1% a quarter earlier. The Q3 GDP growth print came slightly below market expectations of a 2.9%YoY increase. In Romania, the general government deficit for the January-October period stood at 3.97% of the projected GDP, 0.63ppts of GDP higher than a year ago. The deficit widened by 0.42ppts of GDP in October alone, a dynamic that renders the 4.4% of GDP deficit target for FY2023 unlikely to be met, given the fact that in the previous three years, the deficit widened in December alone by 1.6 to 2.0ppts of GDP. In Hungary, the economy is expected to contract by 0.5% in 2023 according to the latest forecast of S&P Global Ratings, a 0.2ppts deterioration compared to the June forecasts of the rating agency. S&P cut the GDP growth outlook by 0.2ppts also for 2024, to 2.6%.

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