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Global markets

US headline PCE inflation rose by a slightly higher than expected 0.4%MoM in September and core PCE accelerated to 0.3%MoM from August's 0.1%MoM, while the UM survey showed an unexpected increase in the median 1-yr inflation expectations from 3.2% to a five-month high of 4.2% in the final October release. Against this backdrop, 2-yr UST yields were higher in early European trade today, though slightly, with investors continuing to assign a chance of near 20% of another rate hike by year-end ahead of this week's Fed policy meeting which concludes on Wednesday. Meanwhile, EGBs retained a positive tone with peripheral duration outperforming, as reflected in the 10-yr BTP-Bund yield spread which narrowed further to 196bps earlier today. Elsewhere, oil prices eased slightly despite Israel's attack on Gaza, while major currency pairs continued to lack clear direction, with the EUR/USD remaining mostly within the 1.05-1.06 area ahead of the Eurozone's preliminary October CPI and the Q3 GDP report, both due on Tuesday.

Greece

From Jan-23 to Sep-23, the final State Budget Execution data revealed an overall fiscal deficit of €0.40bn, an 85.3% improvement compared to the 9-month target for 2023. The primary fiscal balance registered a surplus of €5.99bn, exceeding the target by €3.55bn or 145.8%. Although revenue from both the Egnatia motorway concession (€1.5bn) and the regular RRF disbursement (€1.72bn) remain uncollected (likely to be received in 2024), State budget revenue stood at €48.30bn, which is 75.6% of the annual target. Tax revenue overperformed and reached €44.92bn, a rise of €3.09bn or 7.4% above the target, with income tax (33.2% of TR) and VAT on other goods and services (33.5% of TR) revenue increasing by 12.1% and 6.3% compared to their respective targets. State budget expenditures were €48.69bn, at 67.8% of the annual estimate, marking a decrease of €2.28bn or 4.5% from the expected figure.

CESEE

On Friday evening, Fitch Ratings affirmed Bulgaria's sovereign rating at BBB and kept the outlook positive. The rating decision was grounded on strong, external and domestic, public finance with unfavourable demographic trends and weak investments as a percentage of GDP, posing downside risks to growth. The positive outlook reflected the prospects of the eurozone accession in 2025 which entails a series of commitments and, given the broad political commitment, are being broadly fulfilled, with the inflation criterion, however, jeopardised. GDP growth forecast for 2023 was revised to 1.9% from 1.3% projected in May on the back of expectations for a more solid private consumption contribution. Looking at the calendar of the week, key events sum up to the Q3 GDP flash estimates in Czechia and Serbia due tomorrow while attention later in the week will turn to the Monetary Policy Committee of the Central Bank of Czechia that convenes on Thursday.

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