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Global markets

The Fed left the target range for the federal funds rate unchanged at 5.25-5.50% and removed its tightening bias, as expected. However, the statement said that the Committee needs to gain "greater confidence" on the disinflation process before it considers cutting rates, with Chair Jerome adding that this is unlikely to happen by the next meeting in March. In reaction, futures lowered the chance of a March cut, but USTs gained significantly as markets continue to assign substantial Fed easing by the end of the year. A deterioration in risk sentiment after poor US earnings reports raised concerns about regional banks and weak US data also favored USTs. Private payrolls rose by a lower-than-expected 107k in January and the ECI was up by 0.9%QoQ in Q4, the slowest growth since Q2 2021. Risk-off sentiment weighed on commodities with Brent crude dropping below $81/bbl, while the USD firmed on reduced expectations of an imminent Fed rate cut, pushing the EUR/USD below 1.08 ahead of today's Eurozone January inflation data.

Greece

The seasonally adjusted retail trade volume index, a statistic that is highly and positively correlated with private consumption, declined by 4.9%YoY in Oct-Nov-23, from a drop of 3.5%YoY in Q3 2023. Moreover, it decreased by 1.9% compared to the 3-month average in Q3 2023. Regarding the 8 specialized store categories that form the overall index, automotive fuel posted the highest decrease (-5.0% YoY), followed by furniture, electrical and household equipment (-2.8% YoY), books stationery, other goods (-2.5% YoY), super markets (-2.4% YoY), pharmaceutical products, cosmetics (-1.5% YoY) and clothing and footwear (-0.7% YoY). On the contrary, the retail sales in the categories of food-beverages-tobacco and department stores recorded an increase of 0.9% YoY and 1.1% YoY respectively. Finally, today S&P Global is expected to release the Jan-24 manufacturing PMI for Greece (above the 50 threshold in Dec-23 at 51.3 vs. 44.4 in the Euro Area).

CESEE

Taking the torch from Czechia on Tuesday, flash GDP Q4-2023 estimates were released yesterday in Poland and Serbia. In Poland, growth came in at 1%YoY, the fastest pace for 2023 after contractions of 0.3%YoY and 0.6%YoY in Q1 and Q2 respectively and a rebound of 0.5% in Q3. The turnaround of the economy in H2-2023 partially offset the contraction of the first half of 2023, bringing the full year growth rate to 0.2% from 5.3% in 2022, which stood substantially below the 0.5% market consensus. In Serbia, growth accelerated to 3.8%YoY in Q4-2023 from 3.6%YoY in the previous quarter. Assuming that the flash estimate is confirmed by the preliminary due in the end of February, the full-year GDP print will verify the preliminary estimate of the statistics office for a 2.5% expansion in 2023. The central bank of the country projected the same growth rate, pointing at net exports and fixed investments as the key growth drivers.

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