

GLOBAL & REGIONAL DAILY

January 8, 2024

Global markets

Mixed economic data from the US on Friday drove a volatile session at the end of a week in which markets retreated slightly following the huge rally in the closing weeks of 2023. While last month's rally was driven by the belief that the Fed had conducted its dovish pivot, strong headline jobs data initially undermined that narrative on Friday. The US economy added a 216k nonfarm payrolls in December – 41k more than expected – and the unemployment rate was a lower-than-expected 3.7%. However, previous months' payroll numbers were revised down and the participation rate unexpectedly decreased in December. Then the ISM services PMI came in weaker than expected, causing yields to initially drop before creeping up again before the close. The yield on 10yr USTs increased 5bps to 4.05%, bringing the total increase since the start of 2024 to 17bps. Futures markets are fully pricing in a first Fed rate cut by May, having priced one in by March at the end of 2023. The implied probability of cut by March is now 67%.

Greece

The annual inflation rate, as measured by the change in the Harmonized Index of Consumer Prices (HICP), rebounded to 3.7% in Dec-23 (+0.1%MoM) from 2.9% in Nov-23, according to a Eurostat flash estimate released on Friday. Core inflation (HICP growth rate excl. energy, food, alcohol, and tobacco) also picked up to 3.3%YoY, from 2.8%YoY in Nov-23. The implied annual inflation rate in 2023 declined therefore to 4.2%, from 9.3% in 2022 despite core inflation accelerating to 5.3% from 4.6% in 2022, which suggests that the strong disinflation trend observed in 2023 was primarily driven by energy-cost base effects. On demographic data, ELSTAT estimates that the population of Greece at the beginning of 2023 was 10.41mn individuals, down by 0.5% compared to the respective figure at the beginning of 2022 (10.46mn) as the net natural population decline (-64.0K) exceeded the positive contribution from the net migration flows (16.4K).

CESEE

Data released since the start of the year highlight the vulnerabilities of core regional economies. Still, Polish inflation data spurred some optimism as it came in at 6.1%YoY from 6.6%YoY in November and substantially below the 6.5% market consensus, pointing to a strong disinflationary process in December. The final Q3 GDP estimate in Czechia was revised by 0.1pps downwards to 0.8%YoY and 0.6%QoQ in Q3 2023, with the revision attributed to a slightly worse estimate for household consumption and a sharper decline in inventories and exports. Returning to Poland, the manufacturing PMI in December failed to hold the positive momentum of November as it decreased again by 1.3pts to 47.4, remaining below 50 level since May 2022. The economic calendar of the week is rather hefty with central bank meetings in Poland tomorrow, in Serbia on Thursday and Romania on Friday taking center stage but with no KPR changes at sight.

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