ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

January 12, 2024

Global markets

The US inflation report for December showed a higher-than-expected increase in the headline CPI to 3.4%YoY from November's 3.1%YoY, partially due to a rebound in energy prices, while core CPI declined by 0.1ppts to 3.9%YoY. Overall, US CPI data does not alter the view that disinflation is expected to continue this year, but makes clear that the road to the Fed's 2% target will be bumpy. Nevertheless, investors remain confident that the Fed will cut rates soon, with futures continuing to assign a probability of around 70% of a 25bps cut by March, also brushing aside better-than-expected US weekly jobless claims data. Against this background, USTs were firmer earlier today, fully recovering modest losses recorded initially after the CPI report, while the USD was little changed, with the EUR/USD continuing to trade within the recent 10.9-1.10 range. Meanwhile, geopolitical concerns are in the fore again, with Brent crude up more than 3% since Wednesday's close following US-UK military strikes against Yemen's Houthi rebels.

Greece

According to ELSTAT's data, the Overall Industrial Production Index (IPI), a measure that tracks the production output of industrial sectors within an economy, increased by 3.1% in Nov-23 compared to Nov-22, contrasting with a 0.9% decrease between Nov-22 and Nov-21. The average IPI from Jan-23 to Nov-23 saw a 2.0% increase over the respective 11-month period in 2022. There was a 4.1% decrease in Nov-23 compared to Oct-23 and the sector-specific trends showed the greatest percentage decrease in the 'other manufacturing division' and the highest increase in the 'computers, electronic and optical products division.' The 'motor vehicles, trailers, and semi-trailers division' saw the largest year-over-year increase, while the 'other transport equipment division' experienced the most significant decline. In other data, according to Eurostat, between 2010 and Q3-23, while EU house prices and rents generally increased, Greece still lags behind in both house prices (-14%) and rents (-20%); a result of the sovereign debt crisis.

CESEE

On the same footing with the Polish central bank on Tuesday, the central bank of Serbia left the Key Policy Rate (KPR) unchanged at 6.50% for the sixth month in a row. The decision was fully aligned with market expectations and was based on easing global inflationary pressure and decelerating inflation in Serbia which is expected to return within the target band by mid-2024. The deposit facility interest rate was left at 5.25% (KPR minus 1.25pps), while the lending facility interest rate at 7.75% (KPR plus 1.25pps). Positive signs from the ongoing deflation came from Romania and Hungary. In Romania, inflation moderated to 6.6%YoY in December vs 6.7%YoY in November. On a more pronounced tone in Hungary, headline inflation slowed down to 5.5%Yoy in December, compared to 7.9%YoY in November with the core print also moderating visibly to 7.6%YoY from 9.1%YoY in the previous month. December's headline print was lower that the forecast of the Hungarian central bank as the latter expected inflation to come around 6% in the year end.

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