

GLOBAL & REGIONAL DAILY

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Global markets

Asian equity markets ended generally higher overnight with many still closed due to public holidays, whereas European and US stock futures point to modest losses ahead of the US January CPI release later today. Meanwhile, sovereign bonds were little changed on both sides of the Atlantic, with the 10-yr UST yield currently standing close to yesterday's peak near 4.20%, the highest in almost a month, amid continued US resilience and Fed officials' remarks signaling caution about early interest rate cuts. Against this backdrop, the New York Fed's January 2024 Survey of Consumer Expectations, released yesterday, which showed median inflation expectations at the 3-yr ahead horizon fell by 0.2ppts to 2.4%, the lowest ever, failed to have a material impact on US government bonds. In FX markets, movements of major currency pairs were relatively muted, while the CHF broadly weakened ahead of today's Swiss January CPI data, an important indicator not only for assessing domestic price pressures, but also for SNB FX intervention.

Greece

According to the press, last Saturday's agreement between the European Council and the European Parliament (at representatives' level) on the new fiscal rules to be adopted by the EU member states in 2025 signals the return to fiscal discipline after 4-years with extraordinary demand and supply shocks such as the pandemic and the energy crisis. Based on the new rules, the upper bounds for the fiscal deficit and the structural fiscal deficit are set at 3.0% and 1.5% of GDP respectively (though in our view this will not change the medium term target of a 2% primary surplus for Greece), the net primary expenses are set to be the basic criterion of fiscal compliance, whereas the gross public debt-to-GDP ratio is set to decline by 1ppt of GDP for economies with debt-to-GDP ratio higher than 60%. Finally, Greece's request for an exemption of the military expenses in the calculation of the fiscal deficit was received positively, nevertheless this will hold only in cases of an excess in primary expenses driven by military expenses.

CESEE

Fitch Ratings affirmed Serbia's long-term foreign currency debt rating at BB+ and kept the outlook stable. The rating is equivalent to that of Standard & Poor's, while Moody's rating stands a notch lower, at Ba2, also with a stable outlook. Fitch based its rating on the country's credible macroeconomic policy framework, prudent fiscal policy, and somewhat stronger human development and GDP per capita compared with 'BB' rated medians. Set against these factors is Serbia's greater share of foreign-currency-denominated public debt than peer group medians. According to the agency, the recent parliamentary elections are not expected to lead to changes in economic policy and in view of the required works for the Expo 2027 in Belgrade, the current parliament may have greater longevity than the previous ones. In Turkey, the unemployment rate rose slightly in December, to 8.9% from 8.8% a month earlier. Nonetheless, the last print for 2023 brought, as expected, previous year's average rate to a 10-year low (9.4%).

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