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Global markets

Most of Asian equity markets ended moderately lower today and futures point to a negative opening for major European indices as US data downplay expectations of a near-term Fed policy pivot. Coming on the heels of firmer than expected September's CPI inflation data, both the median one-year and five-year-ahead inflation expectation measures in the preliminary October UM survey that was released on Friday moved higher, while retail sales rose by a higher than expected 0.4%MoM in September. Meanwhile, speaking at the opening ceremony of the ruling Communist Party of China's 20th National Congress yesterday, Chinese President Xi Jinping defended the zero-Covid policy and signaled that there will be no loosening in restrictions any time soon. In FX, the USD was slightly weaker on the day, with the GBP/USD trying to regain some ground back close to 1.13, on hopes of a more prudent fiscal approach under new UK Chancellor Jeremy Hunt and following the government's further partial reversal of her tax plans.

Greece

Since the beginning of the energy crisis, Greece is bearing the cost of high import prices, leading to a widening of the deficit in the trade balance. According to ELSTAT, the Import Price Index in Industry (MPI) remained on a steep upward trajectory in August 2022, recording an annual change of 32.0% from 28.1% in July 2022. For the 12-month period of September 2021 – August 2022, the respective average annual rise was 31.1%. The categories of the imported industrial products with the highest increases in their price levels were as follows: electricity, gas, steam and air conditioning supply (388.9% YoY), manufacture of coke and refines petroleum products (76.2% YoY) and extraction of crude petroleum and natural gas (51.8% YoY). The rising cost of production in industry is already reflected in the PMI manufacturing index with values below the 50 threshold for 3 months in a row. In a positive tone, Greece managed to cover its electricity demands for 5 hours with renewables sources exclusively last Friday.

CESEE

During the previous week, Bulgarian local sovereign papers posted worth noticing movements. On the short and mid-term, yields decreased by 8-12bps while on the long-term end, the 15-year tenor spiked by 12bps. The reopening of a 2016 auction of domestic titles with original maturity of 10.5 years and expiration in July of 2026 went better in terms of coverage compared to the identical tender held on October 4 but resulted in a higher average weighted yield of 4.47% vs 4.01% previously. In Serbia, the EUR/RSD remained above the 117.30 support level intraweek due to the intervention of the National Bank of Serbia (NBS); the latter stepped into ca EUR100mn direct purchases in the FX market in order to halt the dinar's appreciating dynamics. In the fixed income space, yields of local government bonds moved slightly upwards, increasing by an average of 10bps on a weekly basis.

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