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Global markets

The spotlight turns to the Federal Reserve today, with markets expecting the FOMC to conclude its meeting later today keeping the Fed Funds rate unchanged between the 5.25%-5.5% target range. With little uncertainty over today's policy decision, markets will look for guidance over the future course of rates. The recent run of strong US prints suggests today's pause a hawkish one. The market implied probability of a rate hike by January 2024 now stands at 37.1%. Data out of the Eurozone yesterday presented a contrast, with GDP contracting 0.1% QoQ in Q3, while the Q2 print was revised up from 0.1%QoQ to 0.2%QoQ, and headline inflation decelerated more than expected to 2.9%YoY in October from 4.3%YoY the month before. Core inflation slowed to 4.2%YoY from 4.5%YoY in September. The implied probability of an ECB rate cut by June 2024 is now almost fully priced-in. Markets have been subdued ahead of today's announcements – which also include the US Treasury's quarterly refunding statement and its bond issuance plans.

Greece

The annual inflation rate, as measured by the change in the Harmonized Index of Consumer Prices (HICP), accelerated to 3.9% in Oct-23 (+0.2%MoM) from 2.4% in Sep-23, according to a Eurostat flash estimate released yesterday, rebounding to its highest level since May-23. Nevertheless, the core inflation (HICP growth rate excl. energy, food, alcohol, and tobacco) dropped to an 18-month low of 3.6%YoY, from 4.2%YoY in Sep-23, suggesting that the strong disinflation trend observed since the annual inflation peaked at 12.1% in Sep-22 was largely driven by energy-cost base effects. On fiscal data, the overall tax-to-GDP ratio climbed to an all-time high of 43.1% in 2022 (+0.9ppt YoY), versus an EU27 median of 37.8%, standing the fourth highest in EU27, alongside Finland. This marks a 10.2ppts increase compared to its pre-debt crisis level (2009: 32.9%), yet another testament to the magnitude of the – largely revenue-based – fiscal adjustment achieved by Greece in the preceding decade.

CESEE

Growth flash estimates released yesterday in Czechia and Serbia point to a mixed trend in the regional economies in Q3. In Czechia, GDP contacted by 0.6%YoY when market expected a milder print of -0.3%YoY. Similarly went the sequential print as it came in at -0.3%QoQ with the consensus pointing to a standstill. Taking into account the mildly contracting annual growth prints of the previous two quarters and assuming that the detailed print in early December will verify yesterday's flash estimate, GDP growth for the first nine months of 2023 averaged -0.5%YoY, boding well with the government's growth forecast for FY2023 at -0.2%. On the flipside, Serbia's GDP expanded by 3.5%YoY from 1.7%YoY in Q2, bringing the 9M2023 growth average at 2.0%YoY which is in line with the lower end of the central bank's forecast ranging from 2.0% to 3.0%. Note that the government's forecast stands in the middle, i.e. at 2.5% with the IMF's projection rendered a bit more conservative at 2.0%.

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