

GLOBAL & REGIONAL DAILY

November 13, 2023

Global markets

USTs opened lower today after Moody's shifted its Aaa credit rating outlook for the US from stable to negative late on Friday, citing increased downside fiscal risks. The yield curve undertook some bear-flattening, also affected by November UM consumer sentiment which fell to 60.4 from 63.8 in October, while 5yr inflation expectations rose by 2ppts to a more than a decade high of 3.2%. Bunds were also slightly weaker, catching up US Treasuries' modest sell-off and affected by ECB President Lagarde's comments on Friday that the ECB will not cut rates for the "next couple of quarters", with the 10yr BTP-Bund spread trading close to 183bps at the time of writing ahead of Moody's review of Italy's sovereign credit rating on Friday. Meanwhile, the EUR/USD continued to trade below 1.07 after a short-lived spike to 1.0756 early last week ahead of US CPI and retail sales data on Tuesday and Wednesday respectively, while the USD/JPY hit a one-year high of 151.88 earlier today in the absence of verbal intervention by Japanese officials.

Greece

The annual inflation rate based on the HICP accelerated to 3.8% in Oct-23 (2.9% in the Euro Area), from 2.4% in Sep-23 (4.3% in the Euro Area), whereas the 10-month average annual inflation rate (Jan-23 to Oct-23) stood at 4.4%, from 9.5% in the respective period of 2022. The fade-out of the base effect stemming from the all-time high HICP inflation rate of Sep-22 (12.1%) explains to some extent this result. Regarding the main groups of goods and services, the highest annual increase in prices was recorded in food and non-alcoholic beverages (10.4% from 9.7% in Sep-23), followed by health (5.7%), hotels-cafes-restaurants (4.5%), education (3.5%), clothing and footwear (3.3%), recreation and culture (3.3%), household equipment (2.8%), alcoholic beverages and tobacco (1.6%) and transport (0.1%). On the contrary, the prices in the categories of housing, water, electricity, gas and other fuels and in communication remained on a downward trajectory of -2.3% (-16.2% in Sep-23) and -3.3% respectively.

CESEE

Last week ended with a series of credit rating actions in the region; Moody's revised from stable to positive the outlook on Croatia's Baa2 rating while it affirmed the Baa2 sovereign rating. The improvement of the outlook reflected the broadly improved prospects on the fiscal front and the country's stronger growth potential. Fitch Ratings affirmed Poland's rating at A- with a stable outlook, underlying that the elections could produce a government led by Civic Platform (PO) leader Donald Tusk that would comply with EU rules, in the sense that it could resolve the rule-of-law clash with the EU. However, fiscal perils remain given the country's loose fiscal stance with the 2023 deficit expected at 5.3% of GDP and with mild consolidation routed for 2024, given the general government deficit targeted in 2024 at 4.5% of GDP. This week's economic calendar is rather hefty with inflation prints to be released intraweek starting from today in Romania and Serbia while tomorrow Q3 GDP flash estimates for Bulgaria, Romania, Hungary and Poland are due.

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