

GLOBAL & REGIONAL DAILY

September 18, 2023

Global markets

Ahead of this week's two-day FOMC policy meeting which concludes on Wednesday, USTs remained under pressure earlier today, failing to gain long lasting support from the University of Michigan's consumer sentiment survey, released on Friday, which showed an unexpected drop in both short-term and long-term inflation expectations to 3.1% and a one-year low of 2.7%, respectively. Hawkish ECB comments also weighed on EGBs, with futures now pricing in a 32% probability of another ECB hike by the end of the year, taking yields back to pre-ECB meeting levels. Elsewhere, oil prices continued to rise amid persisting supply jitters, with Brent crude marking a new ten-month high close to \$95/bbl in early European trade today. Meanwhile, with investors widely expecting the FOMC to keep the target range for the federal funds rate unchanged at 5.25- 5.50%, the DXY USD index was slightly weaker earlier today, though still within distance from recent six-month highs, as reflected in the EUR/USD which continued to consolidate below 1.07.

Greece

Prime Minister Kyriakos Mitsotakis announced a series of measures during his state-of-the-economy speech at the Thessaloniki International Fair on Saturday. Amid the recent natural disasters, he announced the establishment of a water management entity for the Thessaly region and considered making property insurance mandatory for certain firms. He focused on aid for flood victims and infrastructure repair. He also announced a 10.5% pay increase for public sector employees starting in 2024. Other measures aiming to address the increased cost of living, without compromising fiscal stability, include a rise in the minimum wage, subsidies on basic products, and support for low-income individuals regarding their heating oil and electricity costs. Moody's, on Friday upgraded Greece's rating from Ba3 to Ba1, with a stable outlook, one notch below investment grade.

CESEE

The detailed August CPI prints in Croatia and Poland verified the earlier flash prints, with CPI in the first surging to 7.8%YoY from 7.3%YoY in July and in the latter slowing down to 10.1%YoY from 10.8%YoY. In Bulgaria, the deflation process remained on a quick footing with inflation decelerating to 7.7%YoY/0.4%MoM in August from 8.5%YoY/0.9%MoM in the previous month. Breaking down the annual reading, price growth moderated in all main segments besides the non-food goods, as fuel prices started to pick up. On the institutional reforms front, the EC announced that the mechanism for rule of law monitoring on Bulgaria and Romania implemented in 2006 ceased with the termination grounded on the achieved sufficient progress in all monitored areas. This week's calendar is rather lightweight with labor market data, such as unemployment and wages due on Wednesday for Poland and Croatia.

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