ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

November 20, 2023

Global markets

The spreading view that the Federal Reserve is at the end of its tightening cycle and will soon pivot towards easing monetary policy is continuing to weigh on the dollar, with the DXY index today falling 0.3% to 103.61 – its lowest level since August. The index has now fallen 3.2% since its 2023 high on October 3, while the EUR/USD has appreciated 4.4% during the same period. Weaker than expected data for US October housing starts on Friday hasn't shaken this easing narrative, which was partly driven by soft inflation data earlier last week. The market implied probability of any more Fed rate hikes this cycle now stands at just 2%, while probability of a cut by the FOMC's May 2024 meeting stands at 72%. The market has fully priced in a cut by the June 2024 meeting. Last week's rally in sovereign bonds – which saw the yield on 10yr USTs drop 22bps – will be tested today in an auction of 20yr USTs, providing a gauge of investor confidence that the rally has momentum. The yield on 10yr USTs rose 4bps to 4.47% in early trading today.

Greece

The government's forecast regarding the growth rate of fixed investments next year stands currently at 15.1%, revised upwards by 3ppts compared to the Draft Budget forecast made public in early October, stated Finance Minister Kostis Hatzidakis on an interview at the Athens–Macedonian News Agency published yesterday. He also said that the upcoming mild tax reform aims to increase revenue from income taxes on the self-employed to 1.1%–1.2% of GDP from 0.8% currently, bringing this figure closer to the EU27 average (2.1%). On the inflation front, the annual growth rate of the Harmonized Index of Consumer Prices (HICP) rebounded to 3.8% in Oct-23 from 2.4% in Sep-23 on the back of increasing food prices, exceeding the corresponding EA20 average for the first time in twelve months, according to the final data published by Eurostat. On the contrary, core inflation (change in HICP excluding energy, food, alcohol, and tobacco) declined to 3.6% from 4.2% in Sep-23, remaining below the EA20 average of 4.2%.

CESEE

Bulgaria's budget bill draft for 2024 envisages a 2.9% of GDP deficit under the key assumptions that GDP growth will increase to 3.2% from 1.8% projected in 2023 and average inflation will slow to 4.8%, from 9.1% this year, falling below 3% by year-end. The fiscal target set for 2024 is almost the same as the 3% of GDP targeted deficit in 2023. The budget execution up to October posted a BGN1.4bn deficit, which translates to a 0.8% of GDP deficit with room up to 3% until year-end. However, in absolute numbers it is a significant deterioration compared to the BGN4.8bn surplus in the same period of the previous year. Conditions in the labour market in the country continued to remain tight during Q32023 as the unemployment rate dropped to 4.0% from 4.6% in the previous quarter. Elsewhere in the region, Slovakia's A+ confirmation from the S&P with the outlook kept stable stands out. Following the spree of GDP flash estimates last week, this week's calendar is rather lightweight with Hungary's MPC meeting tomorrow being the highlight.

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