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Global markets

Sovereign bonds remained under pressure on both sides of the Atlantic, amid expectations that major central banks will keep rates “higher-for-longer”. Earlier today, the 10yr UST yield marked a multi-year high at 4.57% also driven by worries about mounting budget deficits, and the 10yr Bund yield peaked at 2.82%, the highest level since July 2011. The latter was also driven by ECB President Lagarde’s comments during her speech at the European Parliament yesterday, that rates “will be set at sufficiently restrictive levels for as long as necessary”. In FX markets, the DXY USD index stood at 106.2 earlier today, the highest level since November 2022. The USD/JPY marked a fresh year-to-date high above 149, with the dovish post-BoJ meeting comments by Governor Kazuo Ueda still having an impact. On economic data releases, the German ifo Business Climate Index decreased less than expected in September, to 85.7 from 85.8 in August.

Greece

According to the press, the Ministry of Finance, given the uncertainty regarding the cost of the floods in Thessaly, rules out any extra social benefits in order not to put at risk the target for a primary surplus of 0.7% of GDP in 2023. In this context, the 2024 Draft Budget is being drawn up in the General Accounting Office and is expected to be submitted to the parliament on early Oct-23. On the data front, the overall material costs index in the construction (CSTM) of new residential buildings recorded an increase of 6.9% YoY in Aug-23, from 7.1% YoY in Jul-23, with the material categories of bricks, safety glass, central heating radiators and plastic pipes posting the highest increases of 14.3% YoY, 12.1% YoY, 11.9% YoY and 11.9% YoY respectively.

CESEE

In line with market expectations, the Monetary Policy Committee (MPC) in Turkey proceeded to the fourth consecutive rise of the policy rate, by another 50bps, to 30%, the highest rate since at least 2010. According to the post-meeting press release, the July and August inflation readings exceeded market expectations, mainly due to cost pressures from increased wages and falling exchange rates, which have been broadly passed through to prices. The MPC sees upside risks to inflation from the strong course of domestic demand, the persistent stickiness of services inflation and the ongoing increase in oil prices. These factors imply for the MPC a year-end inflation close to the upper bound instead of the mid-point of the forecast in the latest central bank’s inflation report, in July (62%YoY instead of 58%YoY). The MPC reaffirmed that, if needed, monetary tightening will be further strengthened. The new policy rate cut has not still improved market confidence, as the lira declined further against the USD, by another 0.8%, to 0.0367.

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