ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL DAILY

October 31, 2022

Global markets

Ahead of this week's FOMC policy meeting that concludes on Wednesday, Asian stock markets ended mostly higher amid hopes for a pivot by major central banks following last week's lower-than-expected 50bps rate hike by the BoC and less hawkish than anticipated ECB rhetoric. However, Friday's US data provided little evidence that inflation is decelerating enough for the Fed to shift to a less aggressive pace of tightening. The core PCE price index was up in September to 5.1%YoY from 4.9%YoY, 5-10yr inflation expectations rose by 0.2ppts to 2.9% in October according to the UM survey, and the ECI moderated to 5.0%YoY in Q3, but still high by historical standards. In reaction, USTs gave back most of recent gains and European government bonds were also weaker following Germany's unexpected positive Q3 GDP growth print and higher than expected October inflation data from several major euro area economies. Month-end position adjustments helped the DXY index reapproach 111, pushing the EUR/USD further below parity.

Greece

According to the latest data published by the Bank of Greece, private sector deposits increased by 6.2% YoY (1.6% MoM) in September 2022. Corporate deposits rose by 14.5% YoY and household deposits grew by 4.6% YoY. On the other side, credit to the private sector – adjusted for reclassifications and transfers of loans, write-offs, and exchange rate variations – increased by 6.1% YoY (0.7% MoM) with credit to non-financial corporates registering an increase of 12.3% YoY and credit to households dropping by -2.2% YoY. According to ELSTAT, the overall industrial producer price index (PPI), a measure of price changes of the industrial goods produced in the domestic market, decreased in September 2022 by 2.4% MoM but increased by 29.4% YoY; the sharp rise on an annual basis was mainly driven by its most significant components, namely energy (+47.3% YoY) and intermediate goods (+14.9% YoY).

CESEE

During the previous week, Bulgarian local sovereign papers continued to post significant movements. On the short-term, the 4-year tenor rose by 71bps, on the mid-term, the 7-year tenor by 124bps and on the long-term end, the 15-year tenor by 125bps. As drivers of the spike across the curve are considered the political instability in the country, the lingering turmoil between Russia and Ukraine and the high inflation, which, based on September's latest print at 18.7% YoY, remains unabated. Along these lines, Central Bank Governor, Dimitar Radev, stating late last week in the parliament that there are serious delays towards the adoption of the euro by January 1, 2024, did not help. Turning to Serbia, the EUR/RSD managed to hold its ground intraweek, closing Friday's session at 117.28/33 with the local Central Bank continuing with direct EUR100mn purchases in the FX market, aiming at easing the appreciating dynamics of the dinar.

.

Contributing Authors:

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr

Dr.Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr

Maria Kasola
Research Economist
mkasola@eurobank.gr

We would like to thank Borislav Yonov from Eurobank Postbank in Bulgaria and Djordje Lucic from Eurobank Direktna in Serbia for their valuable contribution in today's issue

Research Team

Dr. Tasos Anastasatos | Group Chief Economist
tanastasatos@eurobank.gr | + 30 214 40 59 706

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr
+ 30 214 40 63 456

Maria Kasola
Research Economist
mkasola@eurobank.gr
+ 30 214 40 63 453

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr
+ 30 214 40 63 455

Dr. Theodoros Rapanos
Economic Analyst
trapanos@eurobank.gr
+ 30 214 40 59 711

Dr. Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr
+ 30 214 40 59 708

Michail Vassileiadis
Research Economist
mvassileiadis@eurobank.gr
+ 30 214 40 59 709

More available research at: https://www.eurobank.gr/en/group/economic-research
Subscribe electronically at: https://www.eurobank.gr/el/omilos/oikonomikes-analuseis/forma-ekdilosis-endiaferontos
Follow us on twitter: https://twitter.com/Eurobank_Group
Follow us on LinkedIn: https://www.linkedin.com/company/eurobank