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Global markets

US December PPI data, released on Friday, came in weaker than expected, raising market expectations of a 25bps Fed rate cut by March close to 80%, while investors are currently pricing in a cumulative 165bps of rate easing by year-end, around 30bps more than a week earlier. The headline dropped by 0.1%MoM against expectations for a 0.1%MoM increase, with the annual rate increasing less than expected to 1.0% from November's 0.8%, while core PPI was flat on a monthly basis and rose 1.8% in annual terms, down from 2.0% in the prior month. In reaction, USTs gained with the short-end outperforming, and US equities closed slightly stronger. In FX markets, range-bound trading prevails, with the EUR/USD remaining trapped within the recent 1.09-1.10 range ahead of Wednesday's US retail sales, while the GBP continued to hover around 1.2750 against the USD as it failed to capitalize on an upside surprise in UK November GDP. The World Economic Forum starts today in Davos and US markets are closed for Martin Luther King Day.

Greece

The annual inflation rate, as measured by the change in the Harmonized Index of Consumer Prices (HICP), decelerated to 4.2% in 2023, from 9.3% in 2022, according to ELSTAT. The categories posting the largest increase were Food and non-alcoholic beverages (+11.6%) and Clothing and footwear (+6.7%); Housing (-8.8%) had the largest negative contribution, driven primarily by de-escalating Electricity, gas and other fuels prices (-17.0%). The Overall Import Price Index (MPI) in industry decreased by 8.6%YoY in Nov-23, driven by declines in the subindices of Electricity, gas, steam and air conditioning supply (-36.0%YoY) and Manufacture of coke and refined petroleum products (-17.0%YoY), reflecting strong base effects. On a twelve-month rolling basis (Dec-22 to Nov-23) the MPI was down by 10.9%YoY. In other data, registrations of new passenger cars climbed to 134.5K in 2023 (+27.8%YoY), boosted by the clearing of the backlogs accumulated during the early post-pandemic period, remaining nevertheless at nearly half their pre-debt-crisis level (2008: 265.3K).

CESEE

In line with market expectations, the central bank of Romania (NBR) decided to leave the Key Policy Rate (KPR) unchanged at 7% on Friday. Despite the room provided for a possible easing move as inflation has been on a downtrend since February 2023 and stood below the KPR in December, coming in at 6.6%, the NBR reserved its right to proceed with a cut. The bank grounded its decision on its view that inflation will most probably pick up in January, "driven by the increase and introduction of some indirect taxes and charges aimed at furthering budget consolidation" in the same month but will possibly slow afterwards. Inflation continued to slide in December in Hungary and Serbia also, sealing the continuing disinflation pattern in the broader region. In Hungary, it come in at 5.5%YoY from 7.9%YoY in November and in Serbia at 7.6%YoY vs 8.0%YoY in the previous month. The economic calendar of the week is broadly filled with the final inflation prints of December in Poland and Slovakia today and Croatia tomorrow.

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