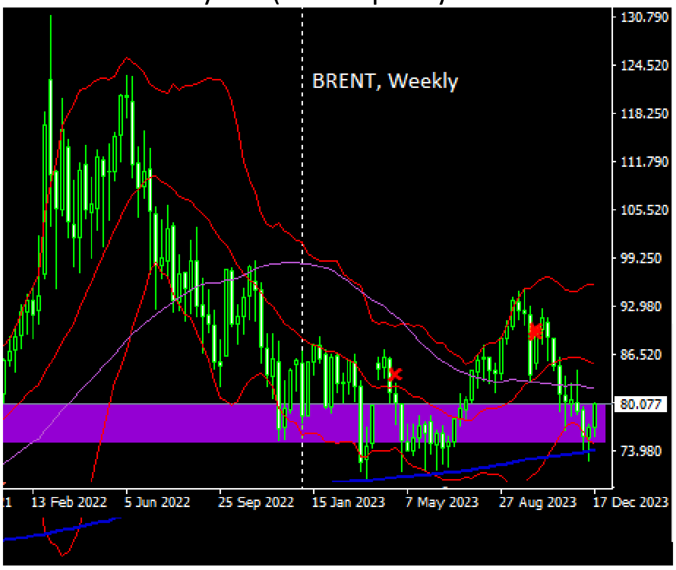
Our 2024 outlook

Our main scenario envisions a swift decline in interest rates, benefiting positions in Greek corporate bonds. Additionally, the continued upward trajectory of Greek stocks is anticipated, driven mainly by more favorable GDP growth prospects in 2024 compared to the rest of Europe.

Temporarily, the broader picture may be distorted:

-The two conflicts, the ongoing OPEC+'s decisions to reduce production, issues with the Panama Canal capacity, coupled with the shift in China's zero-Covid policy, were not enough to elevate energy costs. Oil is expected to hover in the purple zone ($75-$80 per barrel), avoiding the excessive prices seen in 2022. The irony lies in the fact that our outlook is produced during a week of significant upward movement attributed to the recent surge in piracy incidents at the coast of Yemen and the delay in regaining control of the region. Meanwhile, natural gas prices are declining, with European storage facilities notably full (88% capacity in mid-December is noteworthy).



Status on 19/12/2023 at 6AM CEST | 2023-12-18

	Name Selected date: Monday 18th December, 2023	Gas in storage TWh	Full %	Trend %
E	+ EU	1007.0036	88.35	-0.34 ▾
C	— Non-EU	104.8262	31.69	-0.19 ▾
N	+ Serbia			
C	+ Ukraine	97.2521	30.30	-0.25 ▾
C	+ United Kingdom (Post-Brexit)	7.5741	76.79	1.90 ▴

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-The inflation rate in the U.S. failed to remain at the 2.07% level it briefly reached in June. In November, the Consumer Price Index (CPI) stood at 3.1%, and it is likely to rise further as it ceases to be compared to the exaggerations of 2022. Similarly, showing a slight increase from November's 2.4%, inflation figures in Europe are likely to move higher.

Despite the above, the overarching perspective is that the mild winter remains a more significant factor for inflationary de-escalation. The current rates are sufficiently restrictive and inflation will eventually move lower. Bond markets are already pricing in a reduction of -175bps from the ECB and -150bps from the Fed in 2024. In the December press conferences, the Fed largely affirmed those expectations, presenting a dot plot indicating interest rates at the end of 2024 to be -100bps from current levels.

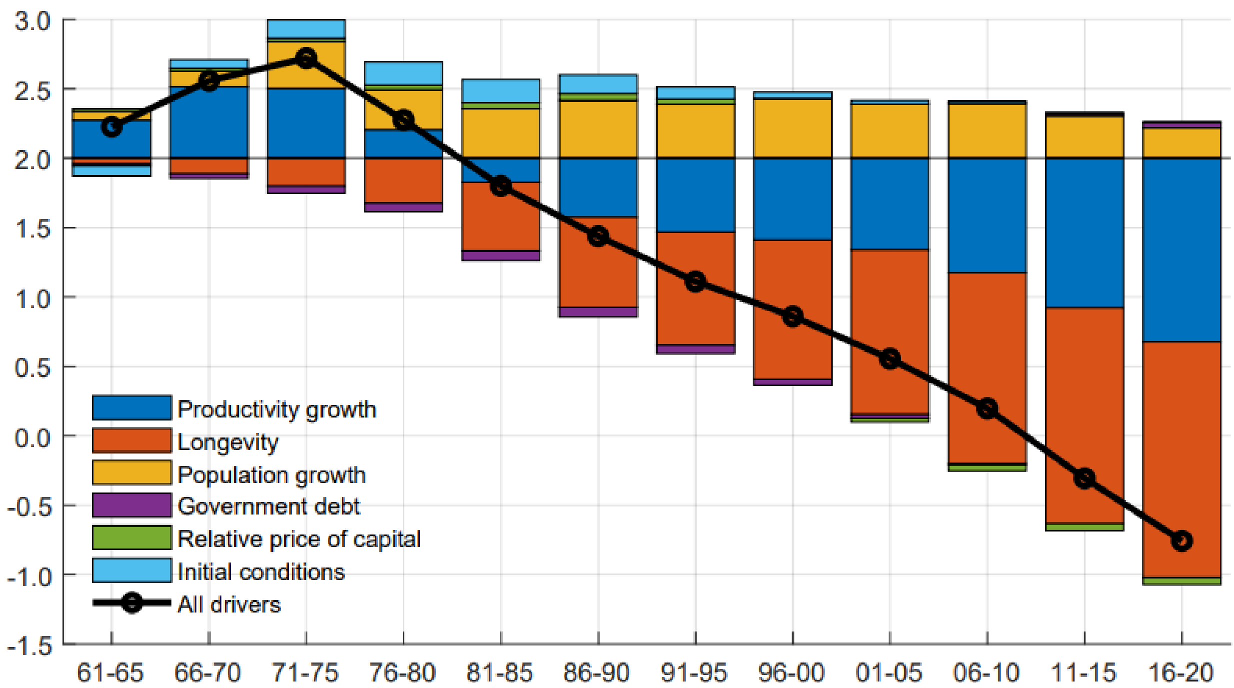
Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate

However, the ECB, which does not present its members' discussions in this format, maintained the narrative that the primary goal remains inflation reduction, and denied any discussion about interest rate cuts.

Moving from the "higher for longer" that prevailed during 2023, we now face a phase where the word "higher" is cosmetic. The crucial question is "for how much longer" the current interest rate levels will be kept. Assuming that the neutral interest rate (r*) is at most 2.5% for the U.S. (250bps away from current restrictive levels) and at most 1.7% for Europe (280bps below the current 4.5%), we anticipate that when monetary policy is decided to turn neutral, interest rate cuts will be sudden and stip. Until then, as long as we observe negative levels in Europe's M3 and the German economic engine fails to recover, the hawkish rhetoric that is likely to persist for the next two meetings will have little significance.

Decomposition of the drivers of Global R^*

https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2022/decomposing-the-drivers-of-global-r-star.pdf



R* is the neutral rate for a monetary policy that is neither restrictive, nor accomodative. It has alway been a possitive number. Yet in 2020 there was a debate on how far bellow 0% it could actually be. Bank of England produced the above chart claiming that the low moving productivity, population growth and population longevity are the bigger factors of R*. Given this research, it is safe to assume that R* currently stands bellow 2.5% (i.e the longer run rate of FOMC participants)

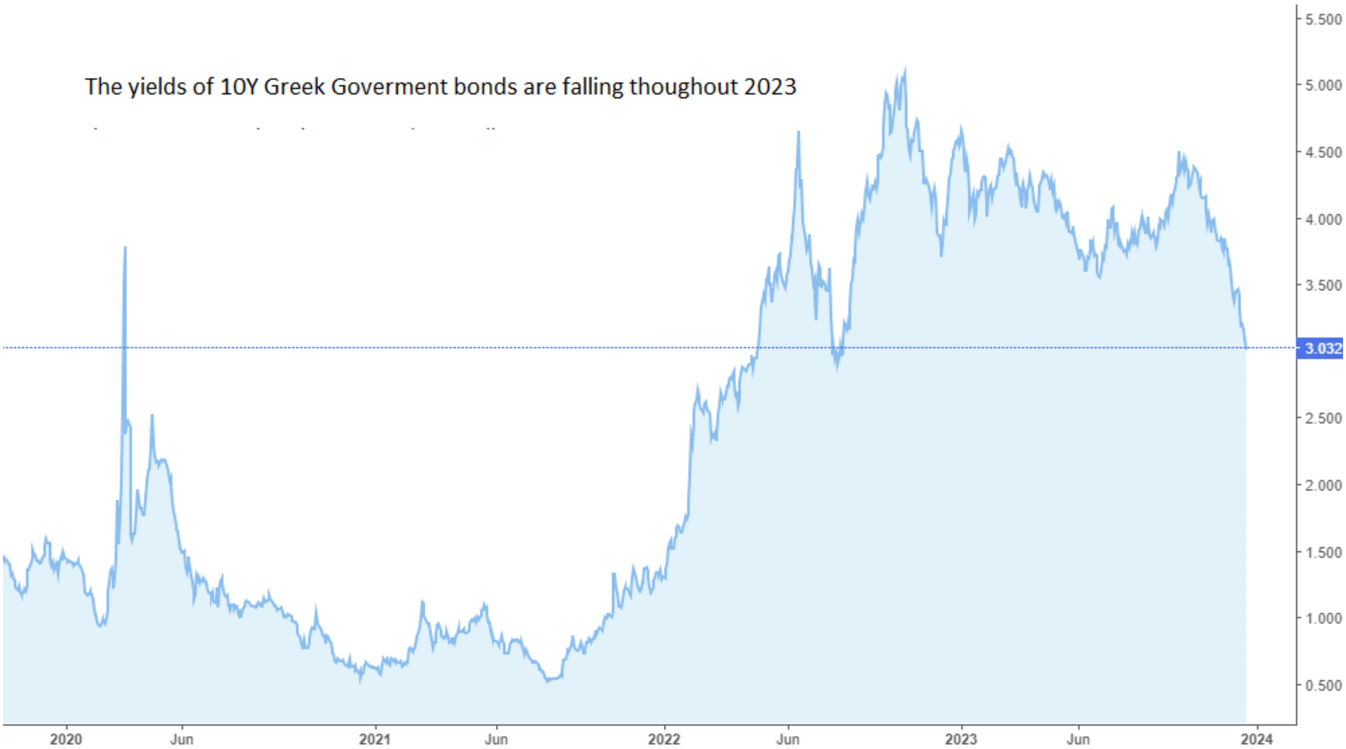
Turning to Greece, last December the market was concerned about the political risk associated with upcoming elections in Greece and Turkey. In Greece, the possibility of political instability, especially following a scandal on surveillance, was real. Additionally, there was the prospect of a conflict with Turkey, which could have favored Erdogan's political capital. The elections in both countries are now behind us, and we are enjoying a long period of zero breaches of the Greek airspace. Investment firms have upgraded our creditworthiness. The performance of Greek government bonds has been truly

Description	S&P	Moody's	Fitch	DBRS
Lower Medium Grade	BBB+	Baa1	BBB+	BBB(high)
	BBB	Baa2	BBB	BBB
	BBB- 25/10/23	Baa3	**BBB-** 1/12/23	**BBB(low)** 11/9/23
Speculative	BB+ 25/4/22	**Ba1** 18/9/23	BB+ 30/1/23	BB(high) 21/3/22
	BB 26/4/21	Ba2	BB 25/1/20	BB 20/9/21
	BB-	Ba3 7/11/20	BB-	BB(low)

impressive.

In 2024, the focus is how swiftly the Greek economy can absorb the approved European funds or whether issues like legal disputes, slow judicial proceedings, and delays in essential administrative decisions will squander this unique opportunity for development. The current predictions for the Greek GDP growth are 3.0% in the budget, 2.5% in the Bank of Greece report, 2.3% according to the EU Commission, 1.97% by the IMF, 1.9% according to the OECD, and 2.6% by The Economist. Last year's predictions were 5.6% in the budget, 1.0% by the EU Commission, 2.6% by the IMF, 1.6% by the OECD, and 0.6% by The Economist while the actual 2023 GPD growth figure is now expected at 2.1%. The significant aspect is that all forecasts indicate higher growth rates than the rest of Europe.

Following the Russian invasion, Europe is compelled to redefine its energy policy. The potential re-election of Trump in November could question NATO structure and additionally intensify the need for a new defensive policy. At the same time, Greece is an EU country with traditionally huge defense programs, that has recently transformed into an energy exporter, and emerges as a growth case at the beginning of an upward cycle in the fields of energy, infrastructure, information technology, and tourism.



21/12/2023

Top picks για το 2024

Apart from the Greek corporate bonds, which we believe will outperform by the end of 2024, we present in the table below the current values of the stocks we monitor in relation to the fair values we calculate.

The combination of criteria elevates Coca Cola HBC, OTE, OPAP, Titan, Autohellas, EpsilonNet, Profile, and Motodynamiki. The case of Aegean Airlines is also interesting despite the recent concerns raised by the technical problems of the engines.

	Close Price 20/12/23	Market Cap (Million€)	Divident Yield (%)	Target Price	Potential
Coca Cola HBC AG	26.45 €	9,720	2.95%	30.00 €	13.42%
OTE	12.67 €	5,401	6.16%	16.14 €	27.39%
OPAP	15.46 €	5,617	6.47%	18.50 €	19.66%
Titan Cement	21.85 €	1,711	2.75%	24.00 €	9.84%
Autohellas	12.70 €	618	4.88%	18.00 €	41.73%
EpsilonNet	9.88 €	535	0.71%	11.00 €	11.34%
Profile Systems	4.21 €	101	0.95%	6.00 €	42.52%
Motodynamiki	3.26 €	100	0.00%	4.80 €	47.24%

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