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Global markets

Asian bourses were generally firmer today following a strong late rally in US major equities overnight and European stock futures point to a positive open as the Fed starts its two-day policy meeting. With the Fed widely expected to deliver a further 75bps rate hike and signal that additional rate tightening is still to come taking the policy rate to or slightly above 4.0% by early next year, UST yields took another leg higher. The 2-yr yield was hovering around yesterday's fresh 15-year intraday peak at 3.97% at the time of writing and the 10-yr yield was standing at 3.49%, not far from yesterday's 3.52% post-2011 high, leaving the yield curve at -47bps, close to its most inverted level reached in early August (-49bps). In FX markets, the USD was a tad weaker on positioning adjustment ahead of the Fed's verdict, with the dollar index (DXY) retreating further from last Friday's 110.260 multi-session high, allowing the EUR/USD to move slightly above parity ahead of today's US housing starts and building permits for August.

Greece

Greece's CPI based real effective exchange rate (REER) against its EA trading partners, a measure of the country's price competitiveness, increased by 1.9% YoY in Q2 2022 – the highest rate since Q2 2011 – from 0.1% YoY in Q1 2022, reflecting the current positive inflation differential between Greece and the EA (HICP at 10.4% YoY in Greece vs 8.0% YoY in the EA in Q2 2022). Given the Jul-Aug 2022 HICP observations (HICP at 11.3% YoY in Greece vs 9.0% YoY in the EA), the REER is expected to have increase further in Q3 2022. Nevertheless, in terms of a 4Q moving average, Greece's REER in Q2 2022 stood at a level similar to that in 2001. Finally, the ULC based REER against the EA, recorded its lowest value since Q4 1996. These results highlight the need for the implementation of reforms that improve the structural competitiveness of Greece.

CESEE

Based on yesterday's data by the National Bank of Bulgaria, the current account (CA) surplus narrowed by 64.7% YoY to EUR 95.8mn in July but between January and July it posted a EUR 803.7mn surplus, almost doubling (+188.4%) on a yearly basis. On a twelve-month rolling basis, the CA surplus amounted to EUR 174.0mn or 0.2% of the projected GDP for 2022. Referring to July's figure, the shrinkage of the CA surplus compared to the same month one year ago, came on the back of the widening of the merchandise trade deficit, broadly attributed to the deteriorated terms of trade during the last twelve months. That said, the trade deficit soared to EUR652.5mn in July, with imports recording a 55.1% annual increase, outpacing that of exports (+40.5% YoY).

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