

GLOBAL & REGIONAL DAILY

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Global markets

Reversing last Friday's gains, USTs faced renewed pressure this week after a media report suggested a possible exit from a persistently low neutral rate. Against this backdrop, investors are currently assigning a 45% probability of a 25bps rate increase by the November FOMC policy meeting, with market pricing of the terminal rate rising to 5.45%. That said, long-dated bonds underperformed, with 10-yr UST yields briefly rising above 4.36% earlier today for the first time since 2007. Bunds followed suit with 10-yr yields rising to 2.70%, as markets are pricing-in the risk of a more hawkish FOMC message at the Jackson Hole conference. Inflation concerns also had an impact, as European natural gas prices closed above €40/MWh yesterday for the first time since mid-June on renewed concerns about a likely strike action at an Australian LNG plant. Elsewhere, in spite of ongoing growth concerns over China, risk sentiment improved, while the USD weakened modestly against all its G10 currency peers, except for the JPY which tumbled broadly.

Greece

According to ELSTAT, the overall turnover index in industry, which measures the development of turnover (sales) in current prices, decreased by 17.2% YoY in Jun-23, from an increase of 43.1% YoY in Jun-22, mainly as the aftermath of the variation in energy prices; the turnover index in the category of coke and refined petroleum products – the category with the highest share in manufacturing (index weight of 28.7%) – posted a decrease of 48.9% YoY, from an increase of 99.8% YoY a year ago. According to ELSTAT's industrial sector breakdown, the turnover in energy and intermediate goods decreased by 48.8% YoY and 7.4% YoY respectively, whereas in capital goods, consumer durables and consumer non-durables (e.g., food) it increased by 3.9% YoY, 6.1% YoY and 8.8% YoY respectively. On a monthly basis, the overall turnover index in industry increased by 1.6% in Jun-23.

CESEE

Recent Q2 GDP flash estimates and CPI readings for July in CEE3 tabulate the economic cost upon which the disinflation process evolves during the last couple of months. In Czechia, GDP continued to shrink for a 2nd quarter in a row in annual terms (-0.6%YoY in Q2 vs -0.5%YoY in Q1) while the technical recession was halted on a quarterly basis (0.0%QoQ in Q2 from modestly negative growth rates in the two previous quarters). At the same time, inflation in July remained on a falling path (8.8%YoY in July vs 9.7%YoY in June). The picture gets gloomier in Hungary as GDP contraction deepened (-2.4%YoY in Q2 vs -0.9%YoY in Q1) and the quarterly readings kept coming in on negative grounds for the 3rd consecutive quarter while inflation, even though declining, remained the highest in the region and way above single digit levels (17.6%YoY in July from 20.1%YoY in June). Deceleration also got more prominent in Poland as GDP contracted by 3.7%QoQ after expanding by 3.8%QoQ in Q1 while the annual print signalled a technical recession for the economy as it came in at -0.50% from -0.35% in Q1.

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