

GLOBAL & REGIONAL DAILY

HIGHLIGHTS

August 21, 2020

Global Markets

Asian stock markets rebounded on Friday's trade on the back of a strong session overall for US markets last night. The Asia-Pacific MSCI index rose by 1.1%, as equity indices in Japan (+0.5%), South Korea (+1.3%), Thailand (+0.6%) and Hong Kong (+1.4%) repaired broadly yesterday's losses. The NASDAQ closed at a new high of 11,265, with the S&P500 index closing up by +0.3% at 3,386, boosted by gains in giant technology companies. Initial jobless claims data came in at a higher-than-expected 1.106m for the week through August 15 (well above the consensus forecast of 920k), marking the largest weekly increase since late March. The Philadelphia Federal Reserve's business index also missed expectations in August, falling for the second consecutive month to 17.2 (vs 20.8 estimated). The August flash PMI releases later today across Europe, UK and the US are expected to provide the first indications of global economic performance for the month.

Greece

According to the Balance of Payments data released yesterday, exports of goods (excluding oil and ships) and services decreased massively by -37.8% YoY or -€6.0 bn YoY in 2020Q2 from 0.2% YoY in 2020Q1. Tourist receipts had the highest contribution to this result (-98.2% YoY or -€4.6 bn YoY) followed by transportation revenues (-€734.8 mn YoY) and exports of goods excluding oil and ships (-€700.9 mn YoY). On the debit side of the ledger, imports of goods (excluding oil and ships) and services declined by -19.1% YoY or -€2.9 bn YoY in 2020Q2 from -0.6% YoY in 2020Q1. Given the results above, net exports of goods (excluding oil and ships) and services dropped by -€3.1 bn YoY in 2020Q2. Hence, Greece's external sector is expected to have a negative contribution – in accounting terms – to 2020Q2 real GDP growth.

CESEE

Turkey: Having paused in the previous session in late June, the Central Bank of Turkey (CBRT) left its key policy rate (KPR) unchanged at 8.25% again yesterday. Recall that the CBRT had already taken measures to increase the effective funding rate towards 9.75% in the last two weeks in an attempt to support the lira, thus reducing the need to use the formal rate. The decision was in line with the relevant surveys' consensus of Reuters and Bloomberg. We have long argued that so far the policy mix has been overly focused on providing additional support to growth. On the other hand, the aggressive monetary policy stance has pushed real interest rates into deep negative territory, stoking concerns for the lira and for a resurgence in inflation at a later stage. The lira traded at 7.29/\$ yesterday, close to a historical all time high of 7.39/\$.

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