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Global markets

US non-farm payrolls rose by 372k in June, well above market expectations and only slightly below May's 384k, while payroll employment stood at 151.980mn persons, just 524k below its February 2020 pre-pandemic level, suggesting that the labor market remains strong, in contrast to a string of weak Q2 data in recent weeks which had increased fears that the economy has already slipped into a recession. On the household survey side of the report, the unemployment rate was unchanged at 3.6% for the fourth month in a row —close to its pre-pandemic low of 3.5%— as a drop in the labor force participation rate to 62.2% from 62.3% was offset by a 315k decline in the household measure of employment. In reaction to the stronger-than-expected June non-farm payrolls report that supports expectations for a 75bps rate hike at the next FOMC policy meeting, UST yields rose sharply and the USD strengthened, with the EUR/USD hovering in early European trade not far from Friday's 20-yr intraday session low of 1.0070 ahead of the US June CPI release on Wednesday and the University of Michigan survey for July on Friday.

Greece

According to ELSTAT, the inflation rate (based on the CPI) jumped to its highest level since Nov-1993, accelerating to 12.1% YoY in June up from 11.3% YoY in May and bringing the year-to-June average to 9.3%YoY. The highest annual increases were recorded in housing (+31.5% - the main component of which is energy), transport (+25%) and food and non-alcoholic beverages (+12.6%). In other news, on Friday, Fitch kept Greece's sovereign credit rating unchanged at 'BB', two notches below investment grade, and the outlook 'positive'. According to the agency, the positive outlook reflects a sustained expected decline in public sector indebtedness, in the context of still the low average borrowing costs, as well as the banks' substantial progress on asset quality improvement, sharply reducing the level of NPLs in the banking sector.

CESEE

The EUR/RSD closed Friday's session almost unchanged compared to the previous week at 117.37/42. In the fixed income market, the sovereign yield curve changed a little in comparison to the previous week, with 4-year, 6-year and 11-year bond yields trading at 6.20%, 6.60% and 7.00%, respectively. Separately, Bulgarian Eurobond yields posted mixed moves across the entire curve during the past week, with the mid end of the curve dropping between 4-5 bps, while the short end saw yields rising by 1-4 bps. The most active tenors stood on the long end of the curve, with the 2035 papers dropping by 10 bps over the week, while the 2050 titles rose by 14 bps. Local bonds showed increasing yield spikes with the most active one being the 10-year tenor – up by 30 bps.

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