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Global markets

Risk-on sentiment prevailed on hopes that the Fed will likely slow the pace of rate tightening in the coming months as US inflation has likely passed its peak. Focus today is on the US inflation report for August which is expected to reveal a modest decline in the headline CPI number, following July's 8.5%YoY and a 40-year peak at 9.1%Yoy in June. Though a 75bps rate hike at the 20-21 September FOMC meeting looks a near certainty (markets are currently pricing-in 72bps of rate tightening for next week's meeting), the outcome of today's inflation report is likely to have an impact on the policy decisions at the November and December meetings. Meanwhile, UST yields were lower on the day, albeit still close to yesterday's fresh multi-year highs, and the USD remained under pressure with the EUR/USD hovering just below 1.015 in early European trade, while European natural gas futures closed below €200/MWH yesterday for the first time in a month, as debates on special measures to respond to the EU energy crisis continue.

Greece

Given the better-than-expected aggregate economic performance in H1 2022, mainly supported by private consumption and exports of services, with real GDP growth at 7.8% YoY from 10.0% YoY in H2 2021, the Greek Finance Minister, Mr. Christos Staikouras, during the presentation for the specialization of the economic measures announced by the Greek PM at the Thessaloniki International Fair (extra support measures of €5.5 bn), said that the government's forecast for the FY-2022 real GDP growth now stands at 5.3% YoY from 3.1% YoY previously. Nevertheless, given the higher cyclical recovery and the cloudy economic prospects for the upcoming winter, there was a downward revision for the FY-2023 real GDP growth to 2.1% YoY from 4.8% YoY previously. As a result, the government's forecast for the 2022-2023 cumulative real GDP growth, now stands at 7.5% from 8.0% previously.

CESEE

In Serbia, inflation accelerated to 13.2% YoY in August from 12.8% YoY in July and 11.9% in June with the core print also picking up to 7.9% YoY from 7.5% YoY in July, suggesting that price pressures continued to strengthen and broaden. The key driver of the August increase remains energy and food related. Inflation remains on an ascending path on a monthly basis as well, with CPI coming in at 1.2% from 1.0% in the previous month. Along these lines, the fundamentals behind last week's decision by the National Bank of Serbia over a higher than expected interest rate increase become clearer, with the latter stating that inflation is expected to peak in the running quarter before starting to decelerate thereafter.

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