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Global markets

All eyes today are on the FOMC policy announcement (20:00 CET), with futures pricing-in almost fully a third consecutive 75bps rate hike and assigning a 18% probability of an even higher move of 100bps. The updated Summary of Economic Projections (SEP) is expected to show a higher projected terminal fed funds rate close to or slightly above 4.0% by March 2023 amidst higher inflation, lower growth, and higher unemployment, while Chair Jerome Powell is anticipated to retain a hawkish tone at the post-meeting press conference (20:30 CET), emphasizing that the Central Bank will do whatever it takes to bring inflation back to the 2% target. Amid expectations of further Fed rate tightening, risk-off sentiment prevailed, while a higher-than-expected 100bps rate hike by Sweden's Riksbank yesterday and today's public announcement from Russian President Vladimir Putin of a partial military mobilization in Russia, had also had an impact. Fixed income assets in both sides of the Atlantic remained under pressure and the USD was firmer.

Greece

Greece's current account (CA) balance, shifted into posting a surplus of €1.1 bn in Jul-22 from a deficit of €0.7 bn in Jun-22 due to tourism's high seasonality and its large share in economic activity. Compared to Jul-21, the CA balance improved by €0.5 bn (source: BoG). The surplus in the balance of services, backed by the strong rebound of the surplus in the balance of travel services (63.0% YoY), increased by €1.5 bn, more than offsetting the widening of the deficit in the balance of goods by €0.9 bn. However, for the whole period of Jan-Jul 22, the deficit of the CA balance increased by €2.9 bn (€9.7 bn vs €6.8 bn in Jan-Jul 21), mostly reflecting structural characteristics of the Greek economy, i.e., high dependence on imports in order for the households to consume or the firms to produce goods, at a period time of increasing imports prices (terms of trade shock) combined with relatively high government support against the energy crisis.

CESEE

In Bulgaria, the Ministry of Finance placed BGN200mn of 10.5-year domestic government securities at an auction facilitated by the Bulgarian National Bank (BNB) on Monday. The interest rate was set at 2.25% per year, sizably higher compared to the annual interest rate of 1.50% set at the last 10.5-year auction held in April which, however, was cancelled amid lukewarm investors' interest. In the current auction, received bids amounted to BGN301.1mn bringing the bid-to-cover ratio at 1.51%. The average weighted yield on the issue was 3.01%, which is almost sixfold the 0.52% yield achieved in the last identical auction held in October 2021. The BNB stated yesterday that it will also facilitate an additional auction on behalf of the Ministry of Finance on September 26. This time 5½ year treasury bonds amounting to BGN200mnworth will be offered at an annual coupon of 3.2%.

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