

GLOBAL & REGIONAL DAILY

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Global markets

The ECB kicked off a rate-hiking cycle at yesterday's policy meeting, delivering a higher than earlier signaled 50bps rate increase given the "undesirable" inflation outlook. The ECB also announced the details of a new anti-fragmentation tool, called Transmission Protection Instrument (TPI), to protect the transmission mechanism of monetary policy and counter fragmentation risks. In a knee-jerk reaction to the outcome of the ECB meeting, Bund yields rose, before reversing course shortly after, on a hawkish shift in ECB rate tightening expectations. Meanwhile, ahead of today's Eurozone flash PMIs for July, the EUR/USD pared back part of post-ECB gains and the 10-yr Italian spread over Bunds continued to widen, approaching the mid-June multi-year high of around 250bps, on the back of rising political uncertainty in Italy. PM Draghi delivered his resignation to President Mattarella, and the latter dissolved the parliament, paving the way for snap elections on 25 September.

Greece

According to the Bank of Greece, the current account (CA) deficit widened on an annual basis by €646.6mn in May (standing at -2,003.9mn) mainly due to a deterioration in the goods balance (-€1.424.6mn) and less so in the primary and secondary income accounts (-€116mn and -€361mn respectively), which was partly offset by an improvement in the services balance (+€1,254.8mn). January to May 2022, the CA deficit widened by €4,051.4mn (standing at -10,122.9mn), owing to a worsening of, primarily, the balance of goods (-€6,163.8mn) and, secondarily, the primary income account (-€464.5mn), which was offset to a degree by an improvement in the balance of services (+€2,069.2mn) and the secondary income account (+€507.7mn).

CESEE

As widely expected, the Monetary Policy Committee of the Central Bank of Turkey (CBRT) decided yesterday to keep the one-week repo policy rate unchanged at 14.0% for the seventh policy meeting in a row, despite inflation surging to near 80%, based on June's print. On the debt front, according to the Ministry of Finance, the central government debt increased by 2% MoM to TRY3,431bn at end-June, accounting for 43.5% of projected GDP. Domestic debt accumulation (+2.9% MoM) and exchange rate effects due to the lira weakening were responsible for the monthly debt increase. Finally, the central government budget recorded a surplus of TRY93.6bn in H1-2022 compared to a TRY32.5bn deficit in the same period of last year, on the back of strong revenues growth (+100.6% YoY).

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