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Global markets

The Eurozone Composite PMI dropped further into contraction territory in August to 49.2 from 49.9 in July, the lowest level since early 2021, although slightly higher than anticipated. Turning to the US, the Composite PMI came in at a 27-month low of 45.0 from 47.7, new home sales fell by a further 12.6%MoM in July amid tightening financial conditions, and Richmond Fed manufacturing dropped by a higher-than-expected 8ppts in August. In reaction to yesterday's weak US data, UST yields dropped but retraced shortly after, standing not far from Tuesday's intraday highs at the time of writing amid expectations for a hawkish tone from the Fed Chair at this week's Jackson Hole symposium. Meanwhile, risk-off sentiment prevailed earlier today amid growth concerns, while the EUR remained below parity versus the USD on growing energy fears, notwithstanding the less-negative-than-expected Eurozone PMI survey. Separately, oil prices were higher, with Brent back above $100/bbl amid concerns that OPEC could cut production "at any time".

Greece

According to the European Commission, Greece exited from the enhanced surveillance (ES) framework on 20 August after a 4-year structural reform implementation process that aimed to improve economic growth, institutions, and public finances. The final disbursement of the ES's debt relief measures is expected by the end of 2022 conditional on the implementation of a short list of reforms. At the same time, the implementation of the Recovery and Resilience plan reforms is under way. Greece's monitoring will continue in the context of the post-programme surveillance (common for all the countries that received financial assistance from 2010 onwards) and the European Semester.

CESEE

Against market expectations, and despite inflation hovering close to 80%YoY in July, the Monetary Policy Committee (MPC) of the Central Bank of Turkey (CBRT) decided last week to cut its one-week repo policy rate by 100bps down to 13.0%. The committee reiterated its view that inflation is cost-driven and hence it should be addressed through tools other than interest rate hikes, that would hurt growth and discourage investment. On that account, two days later, the CBRT announced additional macroprudential measures to encourage the transmission of its interest rate cuts to the commercial loan market. Regarding fiscal developments, the Ministry of Finance announced that the debt of the central government (about two thirds of which is denominated in foreign currency) stood at TRY 3,621bn, up by 5.5%MoM or 78.2%YoY, largely a repercussion of the depreciation of the lira in the past year.

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