

GLOBAL & REGIONAL DAILY

July 28, 2022

Global markets

In line with market expectations, the Fed raised interest rates by 75bps yesterday, taking the target range for the federal funds rate to 2.25%-2.50%. The accompanying statement did not deliver major surprises. The Fed stressed that it remains “highly attentive to inflation risks” and acknowledged signs of growth slowing, reiterating though the view that a soft landing remains possible. There was no change to the forward guidance as the Committee anticipates that further rate hikes remain appropriate. Speaking in the press conference, Chairman Jerome Powell left the door open for another 75bps rate increase at the next policy meeting in September, but with the funds rate now at the Committee’s estimate of neutral, he acknowledged that, at some point, it will become appropriate to slow the pace of rate hiking. In reaction to the above, risk sentiment improved, the USD weakened and the 2/10-yr UST yield curve steepened slightly, though still remaining inverted.

Greece

According to the Bank of Greece, deposits placed by the private sector stood at €182.3bn in June, increasing for a third month in a row by €2.7bn compared to May. On an annual basis, the said growth rate accelerated to 6.9% from to 6.3% in May, due to stronger corporate (+17.6% YoY) and, albeit to a lesser extent, household (+4.1% YoY) deposit growth. On the debt front, the Public Debt Management Agency (PDMA) raised €812.5mn from 26-week T-bills, through a competitive auction yesterday. The amount raised included non-competitive bids of €187.5mn and the yield was 0.80%, increased from 0.45% in the corresponding previous sale in June. Yesterday’s bids amounted to €1,034mn, oversubscribing the initial offering 1.65 times.

CESEE

On the data front, credit growth in the Bulgarian banking system accelerated by 12.6% YoY in June, up from 11.2% YoY in May, due to stronger corporate (+10.6% YoY) and, albeit to a lesser extent, household (+14.7% YoY) lending growth. In Serbia, bank lending decelerated to 12.8% YoY in June from 13.4% YoY in May. The slowdown came on the back of a slower annual growth in both corporate and household lending to 15.7% and 9.6% respectively. However, note that real credit growth is sizably lower than the nominal readings as annual inflation prints in both economies keep coming in double digits. Meanwhile, real net wage increased by 3.4% in May from 2.6% YoY in April, on the back on higher nominal net wage growth of 14.2% YoY.

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