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Global markets

In his annual policy speech at the Jackson Hole conference, Fed Chair Jerome Powell made clear that the central bank will utilize all its tools “forcefully” to tackle inflation, warning, though, that the cost of bringing down inflation will cause “some pain” for businesses and households. He added that restoring price stability will likely require “maintaining a restrictive policy stance for some time” and that “the historical record cautions strongly against prematurely loosening policy”. He did not provide explicit signals about the pace of policy tightening at the upcoming meeting in September, noting that the decision will depend on "the totality of the incoming data and the evolving outlook”. In reaction to the Fed Chair’s hawkish comments which pushed back against market expectations of Fed policy easing next year and left a further 75bps rate hike as an option for the September meeting, Asian bourses moved lower today tracking Wall Street’s hefty losses on Friday, short-dated UST yields surged and the USD gained sharply ahead of Friday’s closely-watched US non-farm payrolls.

Greece

According to the Bank of Greece, deposits placed by the private sector stood at €182.9 bn in July, increasing for a fourth month in a row by €0.5bn compared to June. On an annual basis, deposits’ growth rate decelerated to 6.1% in July from 6.9% in June, due to an easing in corporate deposit growth rate (+14.4%, from +17.6% in June), while household deposit growth rate remained unchanged at 4.1%. On the debt front, the Public Debt Management Agency (PDMA) raised €812.5mn from 26-week T-bills last week, through a competitive auction. The amount raised included non-competitive bids of €187.5mn and the yield was 1.05%, higher compared to 0.80% in the corresponding previous sale in July. Last week’s bids amounted to €1,098mn, oversubscribing the initial offering 1.76 times.

CESEE

The EUR/RSD remained under downwards pressure during the last week, following the National Bank’s (NBS) decision to further tighten monetary conditions by hiking the KPR by another 25bps earlier this month, with the pair closing Friday’s session at 117.32/37, 3 paras lower compared to the previous week closing. On the other hand, the NBS continued to buy euros directly in the FX market in order to halt the domestic currency’s appreciation. In Bulgaria, local bond yields on the short-end of the curve were little changed during the previous week, with the 3-year and 4-year tenors decreasing by 2bps and 7bps respectively, whereas the 5-year tenor rose by 4bps. Meanwhile, yields on the long-end of the curve were broadly stable.

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