

GLOBAL & REGIONAL DAILY

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Global markets

According to yesterday's Eurozone data releases, flash GDP rose by a tad higher than expected 0.3%QoQ in Q2 after flat growth in the prior quarter, and HICP eased further in July to 5.3%YoY from June's 5.5%YoY, but core inflation held steady at 5.5%YoY against expectations for a modest decline, as services inflation rose for the second month in a row. In a knee-jerk reaction, European government bond yields moved higher before sliding soon after, with forwards currently pricing in a 30% probability of a rate hike at the September ECB policy meeting. Meanwhile, the market-implied probability for a 25bps Fed rate increase in September remains below 20% in the aftermath of the Fed's July Senior Loan Officer Opinion Survey which showed continued tightening of lending standards and weaker demand across the major loan categories. Elsewhere, the JPY remained under pressure following the BoJ's announcement of unscheduled JGB purchase operations to cap the surge in JGB yields after its recent decision to tweak its YCC policy.

Greece

Yesterday, the Japanese credit rating agency Rating and Investment Information (R&I) upgraded Greece to investment grade BBB-, from BB+ with a stable outlook. Its decision was based on the economy's performance and prospects in terms of growth, structural reforms, debt-to-GDP ratio, fiscal and financial stability. Although R&I is not among the 4 External Credit Assessment Institutions (ECAIs) accepted by the Eurosystem (Fitch, DBRS, Moody's and S&P), its move may be considered as a precursor for an upgrade of Greece to investment grade by the 4 ECAIs. On the data front, according to Eurostat's flash estimate, the annual inflation rate based on the HICP accelerated to 3.4% in Jul-23, from 2.8% in Jun-23, remaining, though, lower compared to the Euro Area. Finally, the retail trade volume index posted a zero annual growth rate in May-23, whereas the respective turnover index increased by 7.5% YoY, reflecting the rise of the price level.

CESEE

Mixed signs from the first flash GDP estimates for Q2-2023 in the region released yesterday. In Czechia, seasonally GDP fell by 0.6%YoY, a pace unchanged compared to that in Q1-2023 (-0.5%YoY) and in line with market expectations. The footing was the same with Q1-2023 also on a quarterly basis, marking a marginal rise of 0.1%. According to a statement by the national accounts department of the Czech Statistical Office, both the QoQ and YoY GDP trends were positively affected from rising external demand. On the contrary, final household consumption expenditure decreased further and the annual pace of gross capital formation turned negative after a two-year period of expansion. In Serbia, GDP growth accelerated from 0.7%YoY in Q1-2023 to 1.7%YoY in Q2-2023, a print considerably above market forecasts for a 0.4%YoY rate. However, this is a very preliminary result, and it may be considerably revised lower when detailed GDP data are released, due at end August.

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