

# GLOBAL & REGIONAL DAILY

August 23, 2023

## Global markets

Ahead of the Fed's Economic Policy Symposium in Jackson Hole which starts tomorrow, yesterday's weaker than expected US data led to a pause in the recent sell off of longer dated USTs, with the 2/10-yr yield spread narrowing by more than 3bps to -74bps earlier today. Existing home sales remained on a downward trend, declining by a hefty 2.2%MoM in July amid persistently high mortgage rates, while the Philly Fed non-manufacturing activity index dropped by 14.5pts to -13.1 in August. Concerns about renewed stresses in regional US banks also favored the long end after S&P jointed Moody's in downgrading several banks' credit ratings. Meanwhile, front-end US rates remained close to recent highs amid expectations that the Fed will keep rates high for longer, with markets continuing to price-in fully the first 25bp rate cut no earlier than in June 2024. 10-yr Bunds also gained ground, despite a fresh rise in natural gas prices to €44.75/MWh yesterday, and the EUR was weaker ahead of today's preliminary Eurozone August PMI survey.

## Greece

According to Bank of Greece data, the current account balance recorded a deficit of €7.9bn in H1 2023, narrower by €3.7bn (-32.0%) compared to H1 2022. This improvement was driven both by a containment of the trade deficit to €15.5bn (-16.2%YoY), and by an expansion of the services surplus to €6.6bn (+9.4%YoY). The former can be only partially attributed to easing petroleum and gas prices, with the trade deficit excl. fuel decreasing by 10.3%YoY, while the latter was primarily due to increased revenue from incoming tourists. Moreover, the negative impact from the primary income account balance turning negative (-€0.7bn, from €0.9bn in H1 2022) was more than offset by the secondary income account balance (€1.6bn, from -€0.2bn last year). On the inflation front, the annual growth rate of the Harmonized Index of Consumer Prices rebounded to 3.5% in Jul-23 from 2.8% in Jun-23. This was the 5th lowest figure in the euro area (average: 5.3%), according to Eurostat.

## CESEE

Following the pronounced deceleration of the Polish economy in Q2 as evident in the respective GDP flash estimate, the economy appears to have entered Q3 on a soft tone. Real retail sales declined by 4.0%YoY in July, improving compared to the 4.7%YoY fall in June, but lower than the 3.6%YoY market consensus. On a monthly basis, retail sales increased by 1.9%YoY, faring better compared to June (+0.9%YoY). In a similar tone, industrial production shrunk by 2.7%YoY in July, marking the sixth straight monthly decrease and coming in worse than the anticipated 0.9%YoY decline. Positive signs come from the monetary front as inflation kept falling to 10.3%YoY in July, the lowest level since March 2022, from 11.0%YoY in June. Elsewhere in the region, in Bulgaria, assets managed by investment funds operating in the country increased by 7.3%YoY to 8.88bn levs or 4.54bn euro, equaling to 4.8% of the projected GDP for 2023, based on fresh data released by the country's central bank.

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