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Global markets

The ECB Governing Council is expected to hold interest rates unchanged at its policy meeting later today, with investors looking for clues as to whether there will be a rate cut in September. Futures markets are currently pricing in an 82% probability of a cut by September's meeting. European government bonds have been subdued ahead of the meeting, while short-end USTs weakened slightly yesterday on firm economic data and some Fed speakers slightly dialling back expectations of Fed easing. US industrial production increased 0.6%MoM in June, down from 0.9%MoM the previous month, but better than the 0.3%MoM consensus forecast. The yield on 2yr USTs increased 2bps yesterday to 4.44%, flattening the curve as the 10yr remained relatively unchanged thanks to a solid 20yr auction. Yields on both benchmarks are around 1bp higher today. In FX, the USD remained under pressure, as reflected in the DXY index which continued to hover close to yesterday's 103.65 four-month low in early European trade.

Greece

According to a study conducted by the Bank of Greece (expected to be published today), Greece remains one of the most expensive countries in the Eurozone in branded supermarket products. The study compares prices in 2011 and in 2023 and concludes that compared to the Eurozone average, Greece is 10% more expensive in 41 categories of products, although there is an improvement compared to 2011 (19% more expensive). The reasons behind this finding include the high concentration rate in the retail market, the competition in the producer market, and the consumer habits. Greece is more expensive in products such as sparkling Water (+129%), paper napkins (+100%), margarine (+60%), long-life milk (+56%), whereas in olive oil, shampoo, fresh milk and in baby nappies, prices are lower by 24%, 13%, 8% and 4%, respectively. If the structure of the market and the behavior of consumers were similar to those in the Eurozone, prices would be lower by 28%-33% in more expensive products and by 17% to products with high market shares.

CESEE

The increase in tourist arrivals in Cyprus strengthened in June, to 5.5%YoY from 0.3%YoY in May, sustaining the overall upward trend in H1 2024 not only compared to the same period in 2023 (+2.4%YoY), but also relative to the all-time high performance in 2019 (+1.3%YoY). The annual rise is mainly due to tourists from Poland (+21.3%, +25.8k), United Kingdom (+3.3%, +18.2k), Germany (+12.8%, +11,5k) and France (+28.5%, +8.8k), which outweighed the mild decrease from Israel (-6.6%, though continues ranking first in arrivals) and the strong drop from Russia (-28.6%). Also in Cyprus, HICP headline inflation was unchanged in June relative to May, at 3.0%YoY, while the monthly print decelerated to 0.4% from 1.2% the month before. Among the HICP components, the annual inflation speed-up in food & non-alcoholic beverages and housing – utilities was mainly offset by its weakening in transport. The June print brought H1 2024 average headline inflation to 2.3%YoY, down from 5.0%YoY in the same period of 2023.

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