

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, August 01, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Aug. 1:
 - ISM manufacturing (Jul)
- Aug. 2:
 - Personal Income/Spending (Jul)
 - PCE deflator (Jun)
 - Auto sales (Jul)
- Aug. 3:
 - ADP employment report (Jul)
 - ISM non-manufacturing (Jul)
- Aug. 4:
 - Jobless claims (weekly)
- Industrial orders (Jun)
- Aug. 5:
 - Employment report (Jul)

EUROZONE

- Aug. 1: PMI manufacturing (Jul, f)
- Aug 3: PMI services (Jul, f)

GREECE

- August 1: PMI manufacturing (July)
- August 4: Unemployment rate (May)
- August 5: Commercial Transactions (June)

SEE

ROMANIA

- August 1: International Reserves (Jul)
- August 2: PPI (Jun)
- August 3: Retail Sales (Jun)
- August 4: MPC Meeting (Aug)

SERBIA

- August 1: GDP NSA (2Q)

CYPRUS

- August 4 : CPI (Jul)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Wall Street traded mixed on Friday, as higher oil prices were largely shrugged off by a weaker-than-expected Q2 GDP growth. Elsewhere, Asian shares hit a one-year high on Monday after disappointing US GDP growth report reduced expectations for an imminent Fed's rate hike, while, in Europe, major equity indices opened higher on rising banking stocks following a resilient outcome of the 2016 Europe-wide stress tests. In FX markets, the DXY dollar index was trading around levels of 95.600 at the time of writing, within distance from a 3 ½ week low of 95.384 hit on Friday after the soft Q2 GDP report. The data calendar this week includes PMI manufacturing indices (July) for the US and the Euro area on Monday, while US personal income, PCE deflator (June) and auto sales (July) are also due on Tuesday. Moreover, the release of PMI services indices (July) for the US and the Euro area will probably lure market attention on Wednesday. Last but not least, the US employment report for July will take centre stage on Friday.

GREECE: According to data released by the Hellenic Statistical Authority last week, the retail trade overall volume index in May 2016 dropped -6.4%YoY while the overall producer price index in industry in June 2016 contracted by -7.8%YoY.

SOUTH EASTERN EUROPE

ROMANIA: The EURRON remained bound within a 4.4440-4.4730 trading range in the past week.

SERBIA: The EURRSD remained bound within a 123.00 – 123.55 trading range in the past week.

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Latest world economic & market developments

GLOBAL MARKETS

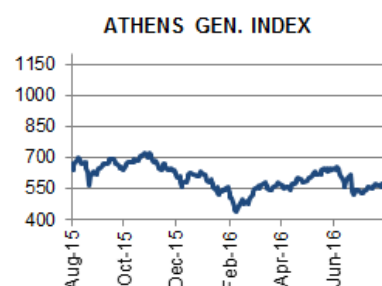
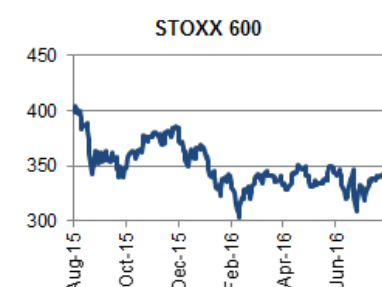
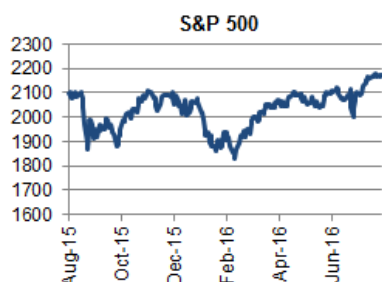
Wall Street traded mixed on Friday, as higher oil prices were largely shrugged off by a weaker-than-expected Q2 GDP growth. According to the BEA's first estimate, Q2 GDP growth came in at 1.2%QoQ saar from 0.8%QoQ saar in Q1, falling short of market expectations for a rise of 2.6%QoQ saar. Business fixed investment and inventories subtracted 0.5pps and 1.2pps, respectively, from real GDP growth, while private consumption remained the main pillar of growth, rebounding at 4.2%QoQ saar from 1.6%QoQ saar in the prior quarter. Elsewhere, Asian shares hit a one-year high on Monday after disappointing US GDP growth report reduced expectations for an imminent Fed's rate hike. Fed funds rate futures are currently pricing in a probability of around 18% for a rate hike in September and ca. 36% for a rate hike by December, compared to about 28% and 45%, respectively, early last week. As a result, the 10yr Treasury yield fell to a three-week low of 1.4480% on Friday, before rebounding marginally to ca. 1.4800% in early European trade on Monday. In Europe, major equity indices opened higher on rising banking stocks following a resilient outcome of the 2016 Europe-wide stress tests. In particular, the 51 European banks included, which cover 70% of total banking assets in the EU, had a CET1 ratio of 13.2% at the end of 2015, 200bps higher than in 2014 and 400bp higher than in 2011. In the adverse scenario, the said CET1 ratio declines by a total of 380bps to 9.4% at the end of 2018. In FX markets, the DXY dollar index was trading around levels of 95.600 at the time of writing, within distance from a 3 ½ week low of 95.384 hit on Friday after the soft Q2 GDP report. Against this background, the EUR/USD was hovering around 1.1166/67 in European trade on Monday, not far from a one-month high of 1.1197 reached on Friday. The data calendar this week includes PMI manufacturing indices (July) for the US and the Euro area on Monday, while US personal income, PCE deflator (June) and auto sales (July) are also due on Tuesday. Moreover, the release of PMI services indices (July) for the US and the Euro area will probably lure market attention on Wednesday. Last but not least, the US employment report for July will take centre stage on Friday.

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GREECE

According to data released by the Hellenic Statistical Authority last week, the retail trade overall volume index in May 2016 dropped 6.4%YoY. All individual store categories recorded a decrease, with the steepest decreases being in automotive fuel (-7.1%), food, beverages, tobacco (-6.8%), clothing and footwear (-6.8%) and super markets (-6.2%). On a monthly basis, the seasonally adjusted retail trade overall volume index in May 2016 fell by -1.8%. With regard to individual store categories the largest declines were recorded in clothing and footwear (-4.2%), super markets (-3.4%), food, beverages, tobacco (-2.0%) and department stores (-2.0%). Meanwhile, according to Hellenic Statistical Authority data, the overall producer price index in industry (PPI) in June 2016 contracted by -7.8%YoY. This decline is attributable to a decrease by -7.3% of the PPI of the domestic market and by -9.3% of the PPI of the non-domestic market. On a monthly basis, the PPI in June 2016 increased -0.9%, which is due to an increase in the PPI of the domestic market by 0.5% and an increase in the PPI of the non-domestic market by 2.3%.

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Source: Reuters, Bloomberg, Eurobank Research

August 1, 2016

BULGARIA: Indicators	2014	2015	2016f
Real GDP growth %	1.6	3.0	2.6
CPI (pa, yoy %)	-1.4	-0.1	-0.5
Budget Balance/GDP*	-3.7	-2.9	-2.0
Current Account/GDP	0.9	1.4	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015	2016f
Real GDP growth %	-2.5	1.6	2.5
HICP (pa, yoy %)	-0.3	-1.5	-0.7
Budget Balance/GDP*	-0.2	0.0	-0.4
Current Account/GDP	-4.6	-3.6	-4.2

* ESA 2010

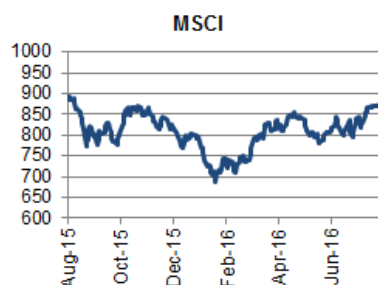
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015	2016f
Real GDP growth %	-1.8	0.8	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-4.1	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

ROMANIA

The EURRON was range-bound, consolidating between 4.4440-4.4730 after three weeks of appreciation. The pair closed the week at 4.4650, marginally higher than the previous Friday's close at 4.4575. Off-shore interest remained strong in the long-end of RON government bonds, with the yield curve bull flattening through the week. The main driver was news of the inclusion of the 2027 bond in the eligible benchmarks for the GBI EM index, with related buying pushing its yield to 3.45%, some 15 bps lower than the previous Friday. Yields up to 3Y remained unchanged over the week, while the 5Y moved around 5 bps lower to 2.33 and the 10Y moved some 12 bps lower to 3.10%.

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SERBIA

The Euro erased most of its weekly gains as client needs for FX conversions were mostly in dinar favor. Even though the move was sluggish, the cross managed to recover enough to offset NBS intervention on the last trading day of the week. The pair has kept posting new lows on weekly chart but eventually it was foiled by NBS intervention around 123.20. Looking forward, the cross will most probably not make a significant move in the midst of summer trading. Of course, volatility might come only from bulls side as NBS keeps defending 123.0 as support. In our view, the pair will most likely remain bound within 123.10 – 123.45 range next week. Finally, the NBS Governor Jorgovanka Tabakovic stated in the annual financial report conference that further KPR cuts are unlikely. Including its last rate cut on July 4th, the NBS has slashed the key reference rate by 775 basis points from its peak in February 2013.

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August 1, 2016

GLOBAL MARKETS

Stock markets				FOREX			Government Bonds				Commodities				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2173.60	0.2%	6.3%	EUR/USD	1.1169	-0.1%	2.9%	UST - 10yr	1.47	2	-80	GOLD	1349	-0.1%	27.1%
Nikkei 225	16635.77	0.4%	-12.6%	GBP/USD	1.3185	-0.3%	-10.5%	Bund-10yr	-0.11	1	-74	BRENT CRUDE	43	-1.4%	15.2%
STOXX 600	341.31	-0.2%	-6.7%	USD/JPY	102.18	-0.1%	17.5%	JGB - 10yr	-0.14	6	-40	LMEX	2428	1.0%	10.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	305	0	2
1-week	3.18	0	-1
1-month	3.31	0	-20
3-month	3.57	0	-26
6-month	3.78	0	-25

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.33	xs	-18
5Y RSD	4.99	0	-14
7Y RSD	5.48	-1	-222

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.50	-2	-67
USD Nov-24	6.28	-1	-13

CDS

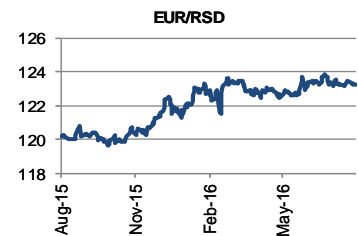
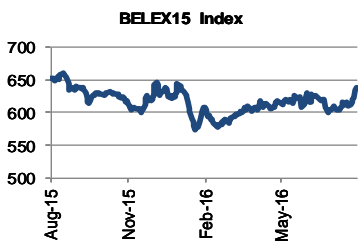
	Last	ΔDbps	ΔYTD bps
5-year	230	0	-44
10-year	280	0	-60

STOCKS

	Last	ΔD	ΔYTD
BELEX15	638.2	0.53%	-0.92%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.28	-0.10%	-1.37%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.55	-5	2
1-month	0.6	-2	-9
3-month	0.82	2	-20
6-month	1.06	2	-28
12-month	1.21	1	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.58	-1	-35
5Y RON	2.32	-1	-48
10Y RON	3.12	-2	-66

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.10	-1	-46
USD Jan-24	2.97	-6	-82

CDS

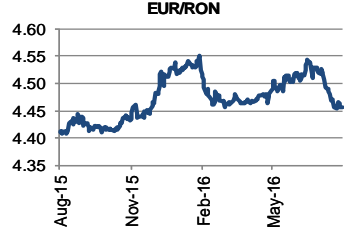
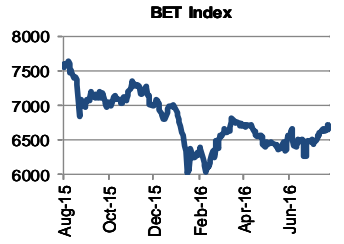
	Last	ΔDbps	ΔYTD bps
5-year	118	3	-16
10-year	165	17	-6

STOCKS

	Last	ΔD	ΔYTD
BET	6742.1	0.25%	-3.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4555	0.12%	1.31%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	0	-2
1-month	-0.15	0	-31
3-month	-0.03	1	-29
6-month	0.11	0	-42
12-month	0.45	0	-53

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.26	-1	-35
5Y BGN	0.82	-2	-46
10Y BGN	2.18	0	-48

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.09	0	2
EUR Sep-24	1.96	17	-46

CDS

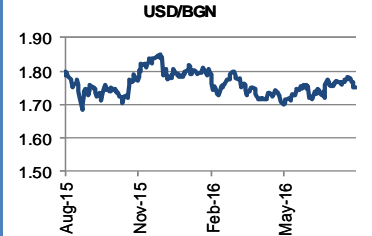
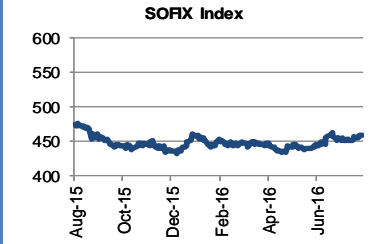
	Last	ΔDbps	ΔYTD bps
5-year	154	4	-18
10-year	202	6	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	458.1	-0.02%	-0.61%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7513	-0.06%	2.80%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 12:45 EEST

August 1, 2016

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