



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, August 05, 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

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## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GREECE:** According to press reports, the Greek PM Alexis Tsipras is pursuing the organisation of a Summit among the European countries of the Mediterranean on September 9<sup>th</sup> with the aim to promote the common interest of these countries in the areas of economic policy and immigration. Preliminary data on tourism arrivals and increased last minute reservations point towards a good overall tourist season in 2016.

### SOUTH EASTERN EUROPE

**ROMANIA:** At its monetary policy meeting yesterday, NBR maintained interest rates unchanged at 1.75% in line with our and the unanimous consensus view.

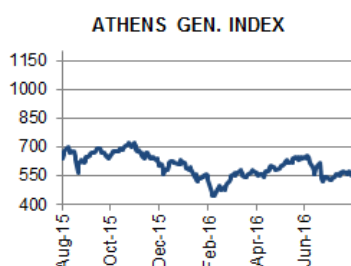
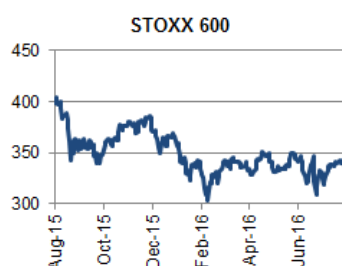
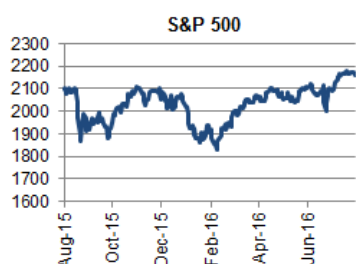
**SERBIA:** The Ministry of Finance confirmed extremely good budget execution for the Jan-July period.

## Latest world economic & market developments

### GREECE

According to press reports, the Greek PM Alexis Tsipras is pursuing the organisation of a Summit among the European countries of the Mediterranean, i.e. Greece, Italy, France, Cyprus, Malta, Spain and Portugal, with the aim to promote the common interest of these countries in the areas of economic policy and immigration. The potential date for the Summit will reportedly be September 9<sup>th</sup>, ahead of the informal meeting of the EU 27 heads of state in Bratislava on September 16<sup>th</sup>. In other news, according to press reports, the President of the Greek Tourism Confederation (SETE), Andreas Andreadis, claimed that preliminary data on international tourism arrivals at Greece's main airports show a double digit increase for July 2016 while there is a surge in last minute reservations. Preliminary data on road arrivals for July 2016 are also reportedly on the rise, pointing towards a good overall tourist season in 2016.

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Source: Reuters, Bloomberg, Eurobank Research

August 5, 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

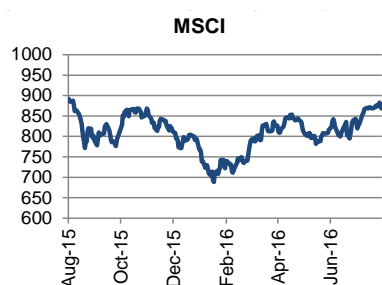
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

| 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

On August 4<sup>th</sup>, NBR maintained interest rates unchanged at 1.75% and MRRs for FX and RON denominated liabilities at 12% and 8% respectively. The decision was in line with our expectations and the unanimous view of analysts in Bloomberg's poll (17 out of 17). At the same MPC meeting, the updated inflation report, which is about to be officially presented on August 8<sup>th</sup>, was approved. According to the comments of the NBR governor Mugur Isarescu in the Q&A session held after the meeting, the new inflation forecast envisages a significantly lower than previously projected consumer prices path. Mugur Isarescu reiterated that the short-term inflation trajectory will remain in negative territory for a few more months until the end of the year mainly due to the low imported price dynamics, and specified that inflation will most probably end below the mid-point of the 2.5% target at the end of 2017. Moreover, inflation is now seen at the upper bound of the inflation target interval (2.5-3.5%) by the end of Q2-2018. As far as policy guidance is concerned, the NBR governor clarified that the future approach from the NBR will be "more pragmatic", making the appropriate decisions based on developments. In the period preceding the UK referendum, NBR was widely anticipated to be ready to act on the right time to initiate its monetary policy normalization. We recall that the first step would be to intervene through narrowing the interest rates' corridor by 25bps from currently  $\pm 150$ bps. Following the UK referendum outcome and given the new inflation forecast, we anticipate the timing of the beginning of policy normalization not to begin before Q1-2016.

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### SERBIA

The Ministry of Finance confirmed that the budget execution was way better than projected in the 7M period; on aggregate the surplus achieved totaled ca. €170mn, as opposed to the forecasted budgeted deficit of ca. €600m, thanks mostly to the much better than anticipated tax collected. A member of the Fiscal Council, an independent watchdog, praised the performance stating that the result came as a result of far better tax collection and a clampdown on grey economy. With the dynamics at hand, it looks like the Public Debt/GDP ratio will peak at the end of this year, much sooner than the initial projections of mid-2017 to 2018. Certain news reports now claim that the new government has already suggested amendments to the IMF 3Y precautionary agreement and put off indefinitely the lay-offs of an estimated 25 thousand people from the public sector.

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August 5, 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       | 2164.25  | 0.0% | 5.9%   | EUR/USD | 1.1149 | 0.2% | 2.7%             | UST - 10yr | 1.50  | -1    | -77         | GOLD        | 1363 | 0.1%  | 28.4% |
| Nikkei 225    | 16254.45 | 0.0% | -14.6% | GBP/USD | 1.314  | 0.3% | -10.8%           | Bund-10yr  | -0.09 | 1     | -72         | BRENT CRUDE | 44   | -0.7% | 17.9% |
| STOXX 600     | 338.95   | 0.3% | -7.3%  | USD/JPY | 100.91 | 0.3% | 19.0%            | JGB - 10yr | -0.09 | -2    | -36         | LMEX        | 2396 | -0.9% | 8.7%  |

**CESEE MARKETS**

| SERBIA                |        |        |          | ROMANIA               |        |        |          | BULGARIA              |        |        |          |
|-----------------------|--------|--------|----------|-----------------------|--------|--------|----------|-----------------------|--------|--------|----------|
| Money Market          |        |        |          | Money Market          |        |        |          | Money Market          |        |        |          |
| <b>BELIBOR</b>        | Last   | ΔDbps  | ΔYTD bps | <b>ROBOR</b>          | Last   | ΔDbps  | ΔYTD bps | <b>SOFIBOR</b>        | Last   | ΔDbps  | ΔYTD bps |
| T/N                   | 304    | 0      | 1        | O/N                   | 0.51   | 0      | -2       | LEONIA                | -0.01  | 0      | -2       |
| 1-week                | 3.17   | -2     | -2       | 1-month               | 0.59   | 0      | -10      | 1-month               | -0.15  | 0      | -31      |
| 1-month               | 3.30   | -3     | -21      | 3-month               | 0.82   | 0      | -20      | 3-month               | -0.03  | 1      | -29      |
| 3-month               | 3.57   | -2     | -26      | 6-month               | 1.06   | 0      | -28      | 6-month               | 0.11   | 0      | -41      |
| 6-month               | 3.78   | -5     | -25      | 12-month              | 1.21   | 0      | -31      | 12-month              | 0.45   | 0      | -52      |
| <b>RS Local Bonds</b> |        |        |          | <b>RO Local Bonds</b> |        |        |          | <b>BG Local Bonds</b> |        |        |          |
|                       | Last   | ΔDbps  | ΔYTD bps |                       | Last   | ΔDbps  | ΔYTD bps | (yields)              | Last   | ΔDbps  | ΔYTD bps |
| 3Y RSD                | 2.93   | xs     | -66      | 3Y RON                | 1.57   | 0      | -36      | 3Y BGN                | 0.27   | -3     | -30      |
| 5Y RSD                | 4.61   | 0      | -52      | 5Y RON                | 2.27   | 0      | -53      | 5Y BGN                | 0.61   | 0      | -59      |
| 7Y RSD                | 5.55   | -1     | -215     | 10Y RON               | 3.03   | 0      | -75      | 10Y BGN               | 2.22   | 0      | -46      |
| <b>RS Eurobonds</b>   |        |        |          | <b>RO Eurobonds</b>   |        |        |          | <b>BG Eurobonds</b>   |        |        |          |
|                       | Last   | ΔDbps  | ΔYTD bps |                       | Last   | ΔDbps  | ΔYTD bps |                       | Last   | ΔDbps  | ΔYTD bps |
| USD Nov-17            | 2.46   | -2     | -71      | EUR Oct-25            | 2.03   | -7     | -54      | EUR Jul-17            | -0.06  | 3      | -13      |
| USD Nov-24            | 6.30   | 0      | -12      | USD Jan-24            | 2.95   | -4     | -84      | EUR Sep-24            | 1.88   | 41     | -54      |
| <b>CDS</b>            |        |        |          | <b>CDS</b>            |        |        |          | <b>CDS</b>            |        |        |          |
|                       | Last   | ΔDbps  | ΔYTD bps |                       | Last   | ΔDbps  | ΔYTD bps |                       | Last   | ΔDbps  | ΔYTD bps |
| 5-year                | 230    | 0      | -44      | 5-year                | 119    | 0      | -14      | 5-year                | 150    | -2     | -21      |
| 10-year               | 280    | 0      | -60      | 10-year               | 163    | -3     | -9       | 10-year               | 199    | -1     | -17      |
| <b>STOCKS</b>         |        |        |          | <b>STOCKS</b>         |        |        |          | <b>STOCKS</b>         |        |        |          |
|                       | Last   | ΔD     | ΔYTD     |                       | Last   | ΔD     | ΔYTD     |                       | Last   | ΔD     | ΔYTD     |
| BELEX15               | 629.6  | 0.00%  | -2.25%   | BET                   | 6720.2 | 0.19%  | -4.06%   | SOFIX                 | 457.5  | -0.15% | -0.75%   |
| <b>FOREX</b>          |        |        |          | <b>FOREX</b>          |        |        |          | <b>FOREX</b>          |        |        |          |
|                       | Last   | ΔD     | ΔYTD     |                       | Last   | ΔD     | ΔYTD     |                       | Last   | ΔD     | ΔYTD     |
| EUR/RSD               | 123.31 | -0.04% | -1.40%   | EUR/RON               | 4.4629 | -0.11% | 1.15%    | USD/BGN               | 1.7542 | 0.18%  | 2.63%    |

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:50 EEST

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