

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 02 July 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jul 2: ISM manuf (Jun)
- Jul 3
 - Factory orders (May)
 - Auto sales (Jun)
- Jul 4: Public Holiday
- Jul 5
 - Initial jobless claims (June 30)
 - ISM non-manuf (Jun)
 - ADP employment report (Jun)
 - Minutes of June FOMC meeting
- Jul 6
 - Trade balance (May)
 - Non-farm payrolls (Jun)

EUROZONE

- Jul 2
 - Unemployment rate (May)
 - PMI manuf, final (Jun)
- Jul 4: PMI services, final (May)
- Jul 5: German industrial orders (May)

GREECE

- Jul 2: PMI manufacturing (Jun)

SEE

ROMANIA

- July 2
 - Unemployment (May)
 - International Reserves (€bn, Jun)
- July 3
 - PPI (May)
 - Retail Sales (May)
- July 4: NBR policy meeting
- July 6: GDP (Q1-2018, second estimate)

CYPRUS

- July 4
 - Registered Unemployment (Jun)
 - Building permits (Apr)
- July 5: CPI (Jun)

SERBIA

- July 6: PPI Index (Jun)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Escalating a dispute over migration with German Chancellor Angela Merkel that threatens to break the country's CDU/CSU coalition, CSU Chairman and Interior Minister Horst Seehofer offered his resignation to party colleagues late on Sunday. According to press reports, Mr. Seehofer will meet Chancellor Merkel today to explore a compromise before making his final decision. In reaction to increased political uncertainty, German government bonds firmed and the EUR/USD weakened.

GREECE: The IMF staff concluding statement of the 2018 Article IV mission foresees real GDP growth of 2% in 2018 and 2.4% in 2019 and a drop of unemployment from around 20% in 2018 to 14% in 2023. Downside risks include slower trading partner growth, tighter global financial conditions, regional instability, domestic political calendar and reform fatigue. Based on the updated list of government pending actions related to privatisations, the financial closing of the transaction for the concession of Hellinikon must take place until the end of the current year. The IHS Markit Manufacturing PMI registered at 53.5 in June, slightly lower than 54.2 in the previous month but still signaling a monthly improvement in business conditions.

SOUTH EASTERN EUROPE

BULGARIA: The main Bulgarian equity SOFIX index advanced by 0.55% on a weekly basis on Friday. Elsewhere, external and local-currency government bonds ended little changed.

SERBIA: The EUR/RSD traded within a range of 117.85 to 118.10 last week. The hefty demand for Dinar caused another strong intervention from the National Bank of Serbia.

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Latest world economic & market developments

GLOBAL MARKETS

Escalating a dispute over migration with German Chancellor Angela Merkel that threatens to break the country's CDU/CSU coalition, CSU Chairman and Interior Minister Horst Seehofer offered his resignation to party colleagues late on Sunday. According to press reports, Mr. Seehofer argues that the decisions on migration sealed at last week's EU Summit are not "equivalent" to his demand of preventing refugees who have already applied for asylum in another EU member state from entering Germany. As per the same sources, Mr. Seehofer will meet Chancellor Merkel today to explore a compromise before making his final decision. In reaction to increased political uncertainty in Germany, German government bonds firmed with the 10-yr Bund yield dropping by near 2bps on the day at a one-month low of 0.29% earlier today. In FX markets, the EUR/USD weakened to an intraday low of 1.1627, 0.5% lower compared to Friday's close. Euro area data released on Friday showed an increase in headline inflation to 2.0%YoY in June, the highest since last February, from 1.9%YoY in the prior month mainly on the back of higher energy and food prices. Core inflation, however, fell back to 1.0%YoY from 1.1%YoY suggesting pressure for the ECB to keep interest rates at their present low levels for longer. On the flipside, US core PCE, the Fed's preferred gauge of inflation, accelerated from 1.8%YoY in April to 2.0%YoY in May, reaching the Fed's target for the first time in the last six years and supporting the view that the Fed will continue its policy of gradual rate increases. In the absence of major euro area data releases this week, developments on the trade side and political developments in Germany will take centre stage. Turning to the US, this week's highlights include June's ISM manufacturing (Monday), the minutes from the Fed's June meeting (Thursday) and June's non-farm payrolls (Friday). US markets are closed on Wednesday for the 4th July holiday.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

The IMF staff concluding statement of the 2018 Article IV mission foresees real GDP growth of 2% in 2018 and 2.4% in 2019 and a drop of unemployment from around 20% in 2018 to 14% in 2023. Downside risks include slower trading partner growth, tighter global financial conditions, regional instability, domestic political calendar and reform fatigue. The recently agreed debt-relief measures in conjunction with the cash buffer are expected to secure a steady reduction in debt and gross financing needs as a percent of GDP over the medium term. However, IMF staff express concerns about the long run as the assumptions about GDP growth and Greece's ability to maintain such high primary surpluses are considered overly optimistic. The report also stresses the importance of continuing key fiscal and market reforms and addressing weaknesses such as weak bank and other private sector balance sheets, capital controls, government arrears and large at-risk population that can undermine growth prospects. Caution is advised against the adoption of permanent expansionary measures that could jeopardise fiscal targets. On the privatisations front, the updated list of government pending actions records 36 items that must be carried out in the months ahead. Regarding Hellinikon in particular, the tender for the casino license must be launched by 31 August 2018, the physical relocation of any organisation that is still on the site must be completed by November 2018 and the financial closing of the transaction should take place until the end of the current year. The IHS Markit Manufacturing PMI registered at 53.5 in June, slightly lower than 54.2 in the previous month but still signaling a monthly improvement in business conditions.

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BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.5
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-5.7	-4.7
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.00	3.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings

L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	Ba3	BB+

Latest economic & market developments in the CESEE region

BULGARIA*

The main Bulgarian equity SOFIX index reached 634.26 points gaining 0.55% over the last 5 days on a modest €1.4mn volume. External government bonds continued their sluggish behavior and had very little to show for, with yields moving between 1-2 bps across the board. Local government securities also followed the trend, with shorter tenor yields moving between 2-4 bps, while the 8 year tenor was the only one to see a yield drop, though only by 1.5 bps.

SERBIA*

The EUR/RSD traded within a range of 117.85 to 118.10 last week. The hefty demand for Dinar caused another strong intervention from the National Bank of Serbia. Just on Friday, NBS scooped €75mn from commercial banks to avert appreciation pressures so that the total amount of intervention reached €145mn in the past week. With the Central Bank continuing its effort to ease-off the current pressure, the global environment is not conducive for a bullish momentum for the dinar provided that ECB continues with its tapering and delivers its first hike in the summer of 2019. In other news, the trade deficit widened by 44% YoY in the first five months of the year reaching €2.2bn. That was the combined result of exports rising by 22% YoY, while imports expanded by 26% YoY.

* We would like to thank Ruslan Raychev from Eurobank Bulgaria and Zoran Korac from Eurobank AD Beograd for their invaluable contribution in today's issue.

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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	2718.37	0.1%	1.7%	EUR/USD	1.1646	-0.3%	-3.0%	UST - 10yr	2.83	-3	42	GOLD	1249	-0.3%	-4.2%
Nikkei 225	21811.93	-2.2%	-4.2%	GBP/USD	1.3169	-0.3%	-2.6%	Bund-10yr	0.31	0	-12	BRENT CRUDE	78	-1.1%	17.2%
STOXX 600	376.67	-0.9%	-3.2%	USD/JPY	110.79	0.0%	1.7%	JGB - 10yr	0.03	-1	-2	LMEX	3204	-0.2%	-6.3%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.27	-2	-25
1-week	2.40	-1	-21
1-month	2.59	-1	-26
3-month	2.88	-2	-24
6-month	3.05	-1	-19

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.45	0	-82
5Y RSD	3.99	0	-25
7Y RSD	4.36	0	-81

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.76	0	77
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

	Last	ΔDbps	ΔYTD bps
5-year	121	-6	3
10-year	164	-7	2

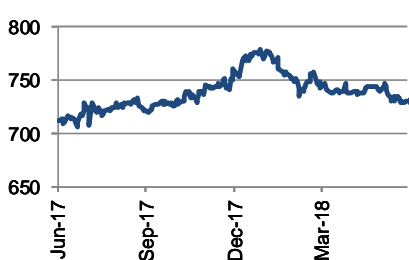
STOCKS

	Last	ΔD	ΔYTD
BELEX15	734.0	0.09%	-3.39%

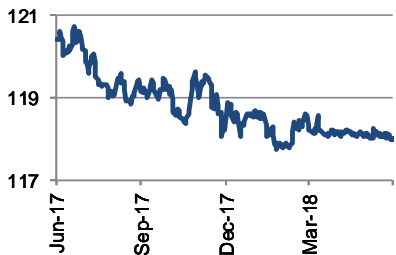
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.91	1.04%	0.85%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.43	-3	234
1-month	3.23	5	136
3-month	3.24	9	119
6-month	3.29	5	102
12-month	3.34	3	102

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.36	0	98
5Y RON	4.96	0	118
10Y RON	5.21	0	90

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	#N/A N/A	7
USD Jan-24	4.25	0	125

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	-4	5
10-year	138	-4	5

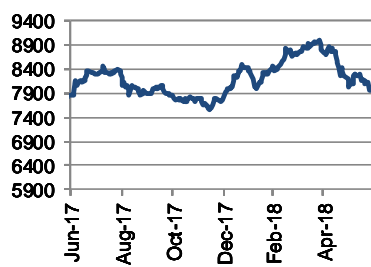
STOCKS

	Last	ΔD	ΔYTD
BET	8055.0	-0.40%	3.89%

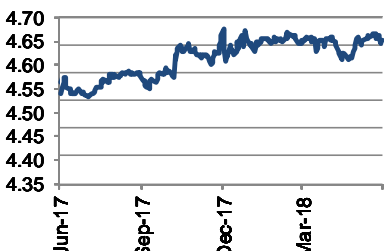
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6642	-0.01%	0.01%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.30	0	-5
3-month	-0.23	0	-5
6-month	-0.12	0	-7
12-month	0.22	1	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.09	-2	-3
5Y BGN	0.12	-3	-2
10Y BGN	1.00	0	3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	-12	12
EUR Sep-24	0.63	-20	6

CDS

	Last	ΔDbps	ΔYTD bps
5-year	74	0	-22
10-year	111	0	-30

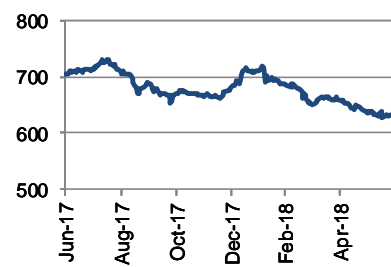
STOCKS

	Last	ΔD	ΔYTD
SOFIX	635.1	0.13%	-6.25%

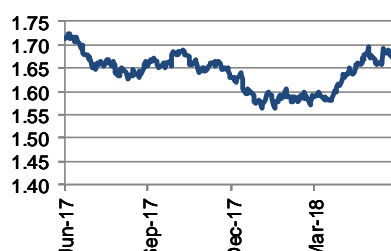
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6795	-0.32%	-2.98%

SOFIX Index



USD/BGN



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