

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- July 16
 - Trump-Putin Summit
 - NY Fed Empire State Manufacturing Survey (Jul)
 - Retail sales (Jun)
 - Business inventories (May)
- July 17
 - Industrial production (Jun)
 - NAHB Housing Market Index (Jul)
 - Fed's Powell to testify before Senate Panel
- July 18
 - Housing starts & building permits (Jun)
 - Fed's Beige Book
 - Fed's Powell to testify before House Panel
- July 19
 - Philly Fed Business Outlook Survey (Jul)
 - CB leading indicators (Jun)

EUROZONE

- July 16: 20th EU-China Summit
- July 20: Current Account (May)

UK

- July 17: Average earnings, unemployment rate (May)
- July 18: CPI (Jun)

GREECE

- Jul 17: Merchant Fleet (May)
- July 20: Turnover Index in Industry (May)

SEE

BULGARIA

- July 16
 - CPI (Jun)
 - Unemployment rate (Jun)
- July 19: Current Account (May)

ROMANIA

- July 16: Current Account (May)

CYPRUS

- July 17: Tourist Arrivals (Jun)
- July 18: HICP (Jun)
- July 20: Industrial Turnover (Apr)

SERBIA

- July 20: Current Account (May)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: UK retail sales (in volume terms) surprised negatively in June falling 0.5%MoM after a 1.4%MoM increase in May, as temporary weather-related factors eased. In reaction to the above, the GBP came under renewed pressure hovering around 1.3000 against the USD earlier today, within distance from a fresh multi-month low of 1.2955 hit on Thursday. Rising UK political concerns also continued to weigh on the GBP. Meanwhile, the USD retained a firm tone across the board mainly supported by the continuing CNY decline amid ongoing trade tensions.

GREECE: In its Article IV Consultation for Euro Area Policies published yesterday, the IMF urged Greece to preserve and further expand labor market flexibility, to foster competition in the domestic service and product markets and to further improve the business environment.

SOUTH EASTERN EUROPE

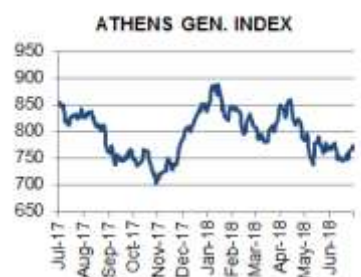
SERBIA: The Minister of Finance Mr. Sinisa Malic said in a local media interview that next year's budget will be drafted by mid-September before the arrival of a new IMF mission.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

UK retail sales (in volume terms) surprised negatively in June falling 0.5%MoM after a 1.4%MoM increase in May, as temporary weather-related factors eased. However, market participants continue to imply a probability of around 75-80% for a 25bps rate hike from the BoE at the next policy meeting on 2 August, encouraged by the April and May monthly GDP figures as well as survey data, particularly the June PMIs, which point to a rebound in UK GDP growth in Q2 to 0.4%QoQ, in line with the BoE's estimate, from 0.2%QoQ in Q1. In reaction to the weaker than expected UK retail sales, the GBP came under renewed pressure hovering around 1.3000 against the USD earlier today, within distance from a fresh multi-month low of 1.2955 hit on Thursday. Rising UK political concerns also continued to weigh on the GBP, as a series of ministerial resignations from the UK cabinet in response to the Brexit Chequers plan, which appears to suggest a shift towards a softer form of Brexit, have raised concerns about the prospect of a challenge to Mrs May's leadership as Conservative leader from anti-EU Conservative MPs. At the same time, the risk of the final Brexit deal (the Chequers plan or any alternative deal) being rejected by the UK Parliament has also risen as the UK Premier faces the difficult task of balancing the opposing demands of pro- and anti-Brexit Conservative MPs. Elsewhere, the USD retained a firm tone across the board mainly supported by the continuing CNY decline amid ongoing trade tensions. Fed Chair Jerome Powell's positive comments on the US growth outlook in his semi-annual congressional testimony earlier this week and a string of firmer than expected US data in recent weeks, which have supported expectations for a rebound in US Q2 GDP to an annualized rate of around 4% from 2% in the prior quarter, also continued to exert a positive impact. The DXY index was hovering around 95.158 in European trade at the time of writing, not far from a fresh 2018 peak of 95.652 hit in the prior session and poised for weekly gains to the tune of 0.4%, shrugging off comments by US President Donald Trump that higher interest rates and a stronger US dollar are sources of concern as regards their potential impact on the US economy and corporate competitiveness. Meanwhile, worries over a full-blown trade war prevail as officials from the EU Trade Commission are said to prepare a list of tit-for-tat measures in response to proposed US tariffs on EU cars.

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GREECE

In its Article IV Consultation for Euro Area Policies published yesterday, the IMF urged Greece to preserve and further expand labor market flexibility by, among others, not canceling recently implemented labor market reforms including the return of collective bargaining to the status quo ante. Regarding competition in the domestic product and services market, the IMF suggested that the focus of the Greek authorities should be on the acceleration of the opening up of regulated professions and to the implementation of the OECD recommendations regarding the barriers to competition. Finally, with respect to the business environment, focus according to the IMF should be on the full implementation of the investment licensing reform. Note that the aforementioned IMF recommendations are in agreement with the ESM's June 21 2018 recommendations for the continuation of the reform process in the post program period.

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Friday 20 July 2018

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

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

SERBIA

At a local media interview yesterday, the Minister of Finance Mr. Sinisa Malic said that next year's budget will be drafted by mid-September before the arrival of a new IMF mission. He added that the government will come up with a package of stimulus measures by the end of September, as agreed with the IMF, to boost GDP growth.

On July 18th, the Executive Board of the International Monetary Fund (IMF) approved a new, 30-month non-financial advisory programme in the form of Coordination Instrument (PCI) for Serbia. According to the IMF statement, the programme aims at maintaining macroeconomic and financial stability and advancing an ambitious structural and institutional reform agenda to foster rapid and inclusive growth, job creation and improved living standards. Program reviews will take place on a semi-annual fixed schedule. Following the successful completion of the previous 36-month €1.2bn IMF precautionary Stand-By Arrangement (SBA) in February this year such a deal was broadly anticipated, as had been indicated recently by several government officials. A loan free agreement echoes plausible as the government has already demonstrated throughout these three years under the SBA its own-financing capability, having treated the current programme as precautionary. Meanwhile, such a deal suggests continuation of reforms and provides a valuable policy anchor going forward.

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Friday 20 July 2018

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	2804.49	-0.4%	4.9%	EUR/USD	1.1645	0.0%	-3.0%	UST - 10yr	2.85	1	44	GOLD	1224	0.1%	-6.0%
Nikkei 225	22697.88	-0.3%	-0.3%	GBP/USD	1.3012	0.0%	-3.8%	Bund-10yr	0.33	0	-10	BRENT CRUDE	73	0.9%	9.6%
STOXX 600	385.91	-0.1%	-0.8%	USD/JPY	112.45	0.0%	0.2%	JGB - 10yr	0.04	-1	-1	LME X	2934	-1.5%	-14.2%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-1	-24
1-week	2.44	2	-17
1-month	2.63	2	-22
3-month	2.90	2	-22
6-month	3.07	0	-17

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.45	0	-82
5Y RSD	3.92	#N/A N/A	-32
7Y RSD	4.21	0	-97

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.60	0	61
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

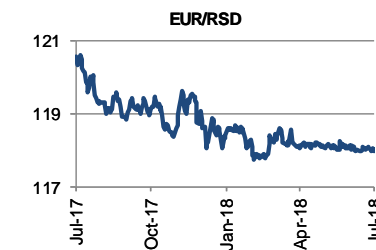
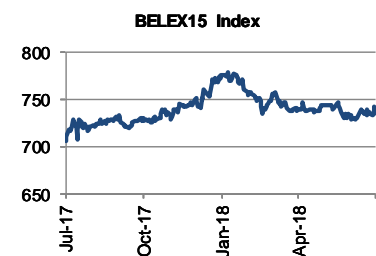
	Last	ΔDbps	ΔYTD bps
5-year	117	1	-1
10-year	167	1	5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.8	-0.30%	-3.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.00	0.06%	0.77%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.63	3	154
1-month	3.37	2	150
3-month	3.39	3	134
6-month	3.5	1	123
12-month	3.61	3	129

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.23	0	84
5Y RON	4.75	0	97
10Y RON	4.96	0	64

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.65	#N/A N/A	5
USD Jan-24	4.02	0	102

CDS

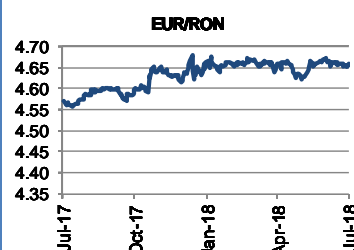
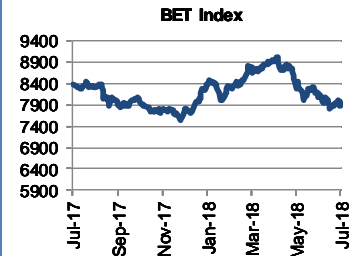
	Last	ΔDbps	ΔYTD bps
5-year	98	0	8
10-year	142	0	8

STOCKS

	Last	ΔD	ΔYTD
BET	7896.6	0.42%	1.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6575	-0.09%	0.16%



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	-0.10	0	-4
5Y BGN	0.08	0	-6
10Y BGN	0.90	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.01	-1	9
EUR Sep-24	0.42	27	-16

CDS

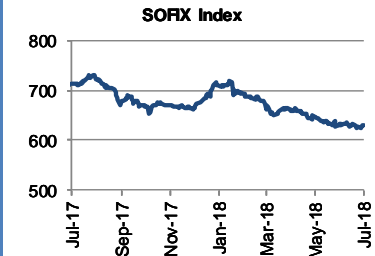
	Last	ΔDbps	ΔYTD bps
5-year	75	0	-21
10-year	122	0	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	630.6	0.01%	-6.92%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6796	0.02%	-2.99%



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

Data updated as of 11:10 EEST

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