



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday 03 August 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- July 31:
 - PCE (Jun)
 - Employment Cost Index (Q2)
- Aug 1:
 - ISM Manufacturing (Jul)
 - ADP Employment (Jul)
 - FOMC Rate Decision
- Aug 3:
 - Nonfarm Payrolls (Jul)
 - Unemployment Rate (Jul)
 - Average Hourly Earnings (Jul)

EUROZONE

- July 30: Economic Sentiment Indicator (Jul)
- July 31:
 - HICP (Jul)
 - Unemployment Rate (Jun)
 - Q2 GDP, flash estimate
- Aug 1:
 - PMI Manufacturing (Jul, f)
- Aug 3:
 - PMI Services (Jul, f)
 - PMI Composite (Jul, f)

GREECE

- Jul 30: PPI (Jun)
- Jul 31: Retail Sales (May)
- Aug 1: PMI manufacturing (Jul)

SEE

BULGARIA

- July 30: PPI Index (Jun)
- July 31:
 - Budget Balance (Jun)
 - Base Interest Rate (Aug)

CYPRUS

- Aug 2: CPI (Jul)

ROMANIA

- July 31: Unemployment (Jun)
- August 1: FX Reserves (Jul)
- August 2: PPI Index (Jun)
- August 3: Retail Sales (Jun)

SERBIA

- July 31:
 - Industrial Output (Jun)
 - GDP (Q2-2018, flash estimate)
 - Trade Balance (Jun)
 - Retail Sales (Jun)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Shrugging off gains in Wall Street overnight on a technology-led rise, Asian equity indices traded mixed on Friday amid mounting trade war concerns. In response, the US dollar extended its overnight gains against a basket of major currency peers on Friday, with the DXY dollar index rising to a two-week high of 95.248 in European trade. Elsewhere, the GBP/USD plunged to a two-week low of 1.2976 in the aftermath of the BoE's monetary policy unanimous decision (9-0) on Thursday to raise the Official Bank Rate to 0.75%, its highest level since 2009. In the government bond market, Italian government bonds sold off for the second consecutive day, as top ministers of the anti-establishment Italian government are expected to meet later in the day to discuss Italy's 2019 budget. Against this background, the spread between the 10-yr Italian government bonds and German Bunds surged to a two-month high of ca. 260bps.

GREECE: According to the ESM, after the completion of the national procedures y-day, the final installment of €15.0bn from the financial envelope of the Third Economic Adjustment Programme, will be disbursed in the coming days.

SOUTH EASTERN EUROPE

BULGARIA: According to the preliminary budget execution data of the Ministry of Finance the consolidated government surplus increased by 2.6% YoY to BGN2bn in Jan-July2018.

CESEE markets: The Turkish lira came under renewed depreciation pressure on Thursday's trade tumbling to a new record low on the announcement of the new US sanctions move.

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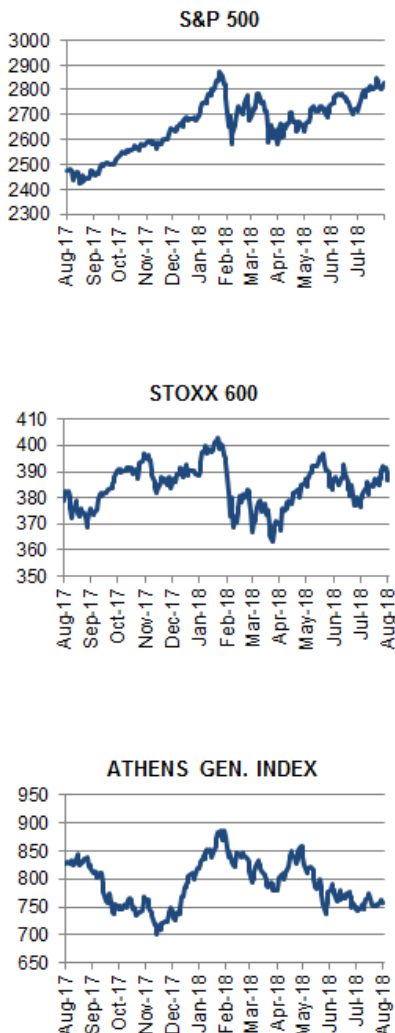
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Latest world economic & market developments

GLOBAL MARKETS

Shrugging off gains in Wall Street overnight on a technology-led rise, Asian equity indices traded mixed on Friday amid mounting trade war concerns. China's Ministry of Commerce noted yesterday that China is prepared to retaliate if the Trump administration goes through with a proposal to more than double the 10% tariff (to 25%) on around \$200bn of Chinese imported goods. In FX markets, the US dollar extended its overnight gains against a basket of major currency peers on Friday, with the DXY dollar index rising to a two-week high of 95.248 in European trade amid escalating trade frictions. Against this background, the EUR/USD traded near a one month-low of 1.1562 at the time of writing, while the USD/CNH hit a 15-month high of 6.9127. Elsewhere, the GBP/USD plunged to a two-week low of 1.2976 in the aftermath of the BoE's monetary policy unanimous decision (9-0) on Thursday to raise the Official Bank Rate to 0.75%, its highest level since 2009. Although the minutes of the meeting and the latest Inflation Report seemed skewed more on the hawkish side, BoE's Governor Mark Carney said there is no need to accelerate the path of rate hikes, while expressing fears about the risks of a cliff-edged Brexit. In the government bond market, Italian government bonds sold off for the second consecutive day, as top ministers of the anti-establishment Italian government are expected to meet later in the day to discuss Italy's 2019 budget. In response, the spread between the 10-yr Italian government bonds and German Bunds surged to a two-month high of ca. 260bps. On the macro data front, investors focus today is on the July US employment report, where market consensus is for a 193k payrolls increase, down from 213k in June, while the unemployment rate is expected to edge down to 3.9% from 4.0%, previously. In addition, average hourly earnings growth is anticipated to accelerate to 0.3%MoM from 0.2%MoM in June, maintaining the annual rate at 2.7% for a second month in a row. In the US, other economic data releases include the final July services and composite PMI prints, as well as the July ISM non-manufacturing composite, while, in the euro area, the final July services and composite PMIs are due along with June retail sales.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to the ESM, after the completion of the national procedures y-day (approval by the German parliament), the final installment of €15.0bn from the financial envelope of the Third Economic Adjustment Programme, will be disbursed in the coming days.

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Friday 03 August 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

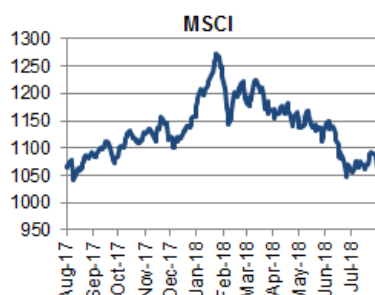
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

| 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

Credit Ratings

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

Latest economic & market developments in the CESEE region

BULGARIA

According to the preliminary budget execution data of the Ministry of Finance the consolidated government surplus increased by 2.6% YoY to BGN2bn in Jan-July2018, improving for the first time since the beginning of the year, compared to BGN1.95bn in the same period a year ago. As a percentage of projected GDP, the consolidated government surplus stood at 1.9% compared to a -1.0% deficit target in FY2018. Thus, fiscal policy is set to remain expansionary in the rest of the year.

Total revenues expanded by 10.1% YoY reaching 59% of the annual target driven by tax and non-tax revenues while grants were flat on an annual basis. Total expenditures were lagging behind, rising by 9.4% YoY boosted by higher public wages following the teaching personnel hikes and the pension increases awarded last year. From a macro fundamentals point of view, the economy is in the best position in the post Lehman period. The country's fiscal and external position has been on an improving trend. Bulgaria has been running either a balanced or a surplus in current account since 2013. More importantly, from a fiscal point of view, Bulgaria appears sound and fulfills the relevant Maastricht criteria for Euro area entry. The country was running a fiscal surplus for a second consecutive year in 2017. The general government surplus (in ESA2010 terms) stood at 0.9% of GDP in 2017 vs. 0.2% in 2016. The public debt as a percentage of GDP stood at 25.4% (in ESA2010 terms)- well below the 60% threshold-and was the third lowest in EU-28.

CESEE markets

From a regional point of view, Turkish assets came under renewed depreciation pressure on the announcement of the new US sanctions move yesterday. The U.S. Treasury Department announced sanctions against Justice Minister Mr. Gul and Interior Minister Mr. Soyly, two of President Tayyip Erdogan's ministers over the trial of a U.S. pastor accused of backing terrorism. The US administration said that both ministers played leading roles in organizations responsible for the arrest and detention of Andrew Brunson, an evangelical Christian pastor who has lived in Turkey for more than two decades. The Turkish lira traded at 5.07/\$ on Friday's morning trade at the time of the writing –above the 5.00/\$ threshold-having weakened as low as 5.09/\$ during Thursday's late trade confirming that the lira stands among the worst performing EM currencies this year (-34% YTD) . At the same time, the 5Y-CDS was trading at 339bps on Friday morning having jumped to 341bps yesterday, which is the highest level since late September 2015. On Friday morning, the main stock market BIST-100 was recouping some of its previous day losses trading higher by 0.6% to 95,130.49 on the day, having lost 2.7% of its value on Thursday's close.

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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 | 2827.22 | 0.5% | 5.7% | EUR/USD | 1.1575 | -0.1% | -3.6% | UST - 10yr | 2.97 | -1 | 57 | GOLD | 1208 | 0.0% | -7.3% |
| Nikkei 225 | 22525.18 | 0.1% | -1.1% | GBP/USD | 1.2992 | -0.2% | -3.9% | Bund-10yr | 0.42 | -4 | -1 | BRENT CRUDE | 73 | -0.4% | 9.4% |
| STOXX 600 | 387.81 | 0.3% | -0.4% | USD/JPY | 111.73 | -0.1% | 0.9% | JGB - 10yr | 0.11 | -2 | 6 | LME X | 2963 | -0.7% | -13.3% |

SERBIA

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

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 3.43 | -1 | -84 |
| 5Y RSD | 3.86 | -3 | -38 |
| 7Y RSD | 4.35 | 0 | -83 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|----------|----------|----------|
| USD Feb-20 | 3.61 | 0 | 62 |
| USD Nov-24 | #N/A N/A | #N/A N/A | - |

CDS

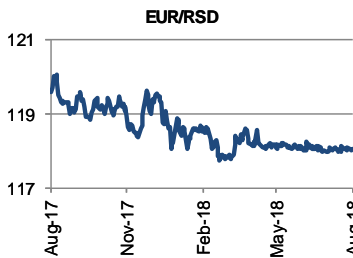
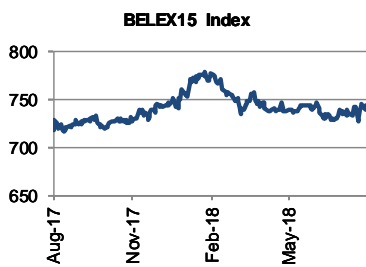
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 111 | 1 | -7 |
| 10-year | 153 | -2 | -9 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|-------|--------|
| BELEX15 | 743.6 | 0.22% | -2.13% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RSD | 118.05 | -0.68% | 0.73% |



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 3.58 | -1 | 249 |
| 1-month | 3.5 | 0 | 163 |
| 3-month | 3.47 | 0 | 142 |
| 6-month | 3.53 | 0 | 126 |
| 12-month | 3.63 | 1 | 131 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 4.24 | 0 | 86 |
| 5Y RON | 4.75 | 0 | 97 |
| 10Y RON | 4.94 | 0 | 62 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.58 | 0 | 3 |
| USD Jan-24 | 4.04 | 0 | 104 |

CDS

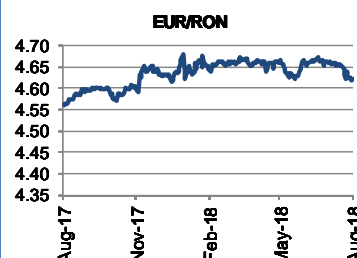
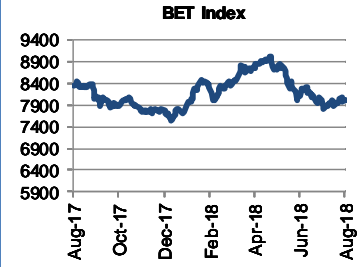
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 95 | -2 | 5 |
| 10-year | 138 | -3 | 5 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|-------|
| BET | 7999.2 | 0.06% | 3.17% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RON | 4.6206 | 0.00% | 0.96% |



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 | -0.15 | -3 | -9 |
| 5Y BGN | 0.10 | 0 | -5 |
| 10Y BGN | 0.87 | 0 | -9 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Mar-22 | 0.01 | 0 | 6 |
| EUR Sep-24 | 0.47 | 2 | -11 |

CDS

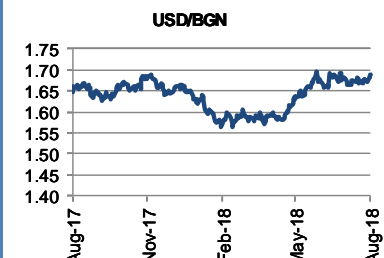
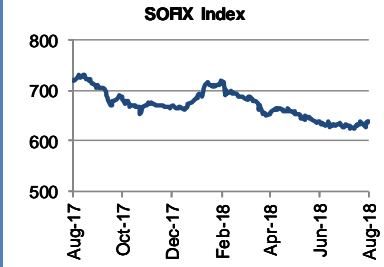
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 76 | 0 | -20 |
| 10-year | 121 | 0 | -20 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|--------|
| SOFIX | 638.6 | -0.12% | -5.74% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| USD/BGN | 1.6898 | -0.09% | -3.57% |



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

Data updated as of 11:37 EEST

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