



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, August 01, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jul 31
 - Chicago PMI (Jul)
 - Pending home sales (Jun)
- Aug 1
 - Case-Shiller index (May)
 - CB consumer sentiment (Jul)
- Jul 26
 - Pers inc & spending (Jun)
 - Core PCE deflator (Jun)
 - ISM manufacturing (Jul)
 - Auto sales (Jul)
- Aug 2: ADP employment (Jul)
- Aug 3
 - Initial claims (Jul 29)
 - ISM non-manuf (Jul)
- Aug 4: Nonfarm payroll report (Jul)

EUROZONE

- Jul 31
 - HICP flash estimate (Jul)
 - Unemployment rate (Jun)
- Aug 1
 - PMI manufacturing (Jul, f)
 - Q2 GDP (1st estimate)
- Aug 3: PMI services (Jul, f)

GREECE

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

CYPRUS

- Aug3: CPI (Jul)

SEE

BULGARIA

- Jul 31: Budget execution (Cash basis, Jun)

ROMANIA

- Jul 31: Unemployment (ILO, Jun)
- Aug 1: International Reserves (Jul)
- Aug2: PPI (Jun)
- Aug3: Retail Sales (Jun)
- Aug4: MPC Meeting (Aug)

SERBIA

- July 31:
 - Industrial Production (Jun)
 - Trade Balance (Jun)
 - Retail Sales (Jun)
 - GDP NSA (2Q)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major Asian equity indices closed in the black on Tuesday, following positive Japanese corporate earnings and better-than-expected manufacturing and trade data in China and South Korea, respectively. Mirroring the positive momentum in Asia, major European bourses opened higher on Tuesday, capitalizing on Q2 euro area GDP data which confirmed market expectations for a solid growth rate of 0.6%QoQ from 0.5%QoQ in Q1. In FX markets, the USD/JPY fell to a six-week low of 110.01 in late Asian trade on Tuesday, as US political turmoil continues to weigh on the US dollar. Capitalizing on the USD weakness, the EUR/USD hit a 2.5 year high of 1.1846 in early Asian trade on Tuesday, having risen more than 12% YTD with most of the gains coming in the last three months.

GREECE: The Economic Sentiment Indicator (ESI) in July 2017 improved significantly reaching 98.2 index units (i.u.), the highest level since February 2015 and up from 94.0 i.u. in June 2017. All individual sectoral indicators have ameliorated. According to the Hellenic Statistical Authority, the seasonally adjusted overall index in retail trade in May 2017 fell -1.8%MoM while the overall index in retail trade recorded a marginal increase of +0.3%YoY.

SOUTH EASTERN EUROPE

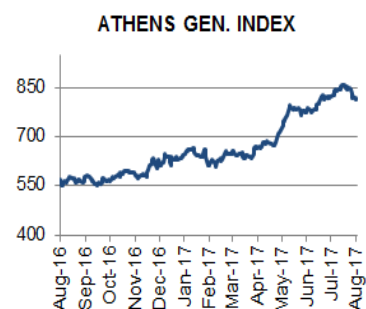
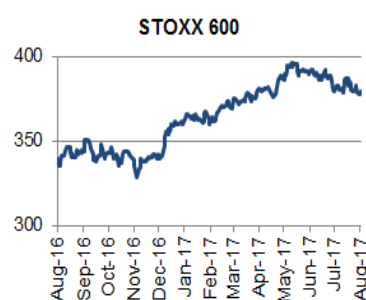
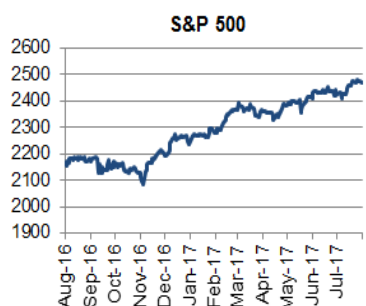
CYPRUS: Confidence on an upward trend in recent months, an inch from its pre-Lehman peak. The positive momentum in the tourism sector continued into H1-2017.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major Asian equity indices closed in the black on Tuesday, following positive Japanese corporate earnings and better-than-expected manufacturing and trade data in China and South Korea, respectively. In particular, Caixin China PMI manufacturing index accelerated to 51.1 in July from 50.4 in June, with output and new orders sub-indices rising at their fastest pace since February on solid export sales. Strong global demand continues to support South Korea's economy, with the country's export growth surging for a ninth consecutive month (19.5%YoY in July from 13.6%YoY in June) and recording the longest stretch of expansion over the past 5.5 years. Mirroring the positive momentum in Asia, major European bourses opened higher on Tuesday, capitalizing on Q2 euro area GDP data which confirmed market expectations for a solid growth rate of 0.6%QoQ from 0.5%QoQ in Q1. In FX markets, the USD/JPY fell to a six-week low of 110.01 in late Asian trade on Tuesday, as US political turmoil continues to weigh on the US dollar. US President Donald Trump ousted yesterday White House communications Chief Anthony Scaramucci, who was hired just a few days before. The departure of Mr. Scaramucci followed two difficult weeks for Donald Trump's government, with Republicans failing for the second time to pass in Congress a repeal for Obamacare health care bill. Adding to the above, the spokesman for US President Donald Trump's legal team has recently resigned, while White House Chief of Staff, Reince Priebus, has been replaced by General John Kelly. Along these lines, the DXY dollar index was hovering around levels of 92.870 in European trade at the time of writing, not far from yesterday's 14-month low of 92.784. The said index fell by 3.0% in July for a fifth consecutive month, marking the longest losing streak since the period December 2010 -April 2011. Capitalizing on the USD weakness, the EUR/USD hit a 2.5 year high of 1.1846 in early Asian trade on Tuesday, having risen more than 12% YTD with most of the gains coming in the last three months. The main focus today from an economic data point of view is US personal consumption expenditures for June and US ISM manufacturing index for July.

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GREECE

The Economic Sentiment Indicator (ESI) in July 2017 improved significantly reaching 98.2 index units (i.u.), the highest level since February 2015 and up from 94.0 i.u. in June 2017. All individual sectoral indicators have ameliorated recording the following readings: industrial confidence indicator -2.7 i.u. (from -7.3 i.u. in June), services confidence indicator 17.4 i.u. (from 9.0 i.u. in June), consumer confidence indicator -61.5 i.u. (from -68.8 i.u. in June), retail trade confidence indicator -1.3 i.u. (from -3.4 i.u. in June), and construction confidence indicator -39.7 i.u. (from -55.6 i.u. in June). Among the reasons for the improvement of the ESI cited by the Foundation for Economic and Financial Research (the institution that compiles the ESI on behalf of the European Commission) are the positive expectations regarding public works, the completion of the 2nd programme review and the subsequent disbursement of the first sub-tranche (€7.7 bn), the apparently strong foreign tourism season, the better performance of exporting sectors and the improved consumer confidence on the back of less adverse projections regarding unemployment for the period ahead. According to the Hellenic Statistical Authority, the seasonally adjusted overall index in retail trade in May 2017 fell -1.8%MoM. The retail store categories that recorded decreased sales on a monthly basis were super markets (-2%), automotive fuel (-4%), food, beverages, tobacco (-4%) and pharmaceutical products, cosmetics (-1%). Increased monthly sales were recorded at department stores (+2%) and clothing and footwear (+1%). Sales in furniture, electrical and household equipment and book and stationary stores remained broadly unchanged on a monthly basis. On an annual basis, the overall index in retail trade recorded a marginal increase of +0.3%.

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Latest economic & market developments in the CESEE region

CYPRUS

The ESI Index expanded by 1 point to 116.5 in July up from 115.5 in June and 115.8 in last March reaching a new multi-month high. The more pronounced improvement in expectations came from industry (by 3.9 points), and construction (by 3.0 points). On the other hand, consumer sentiment edged down by 0.4 points and services declined by 2.2 points. Including the latest reading, the ESI index stands an inch below its pre-Lehman peak at 117.3, which was recorded in August 2007 and has surpassed the previous multi month high at 114.8 recorded in August 2016.

All in all, the ESI Index stands above its long-term average, spurring optimism for the prospects of short-term economic activity. The improvement recorded in the past three years – a total of 48.3 points since April 2013 – is the highest in EU-28 over the same sample period. Sentiment improvement, mirroring the lasting progress within the Economic Adjustment Programme, is one of the key drivers of the consumption rebound, which feeds into output growth. Additionally, a flourishing tourism sector, improved labor market conditions, further property market stabilization, the impact from the envisaged fiscal relaxation, and the further normalization of banking sector conditions also provide further support to the consumption rebound.

Meanwhile, the tourist industry is poised for another year of records. Tourist arrivals increased by +16.6% YoY in H1-2017 (1,463,206 vs. 1,255,240). The highest increase was recorded in tourist arrivals from Israel (+81.1% YoY, 91,147), Germany (+53.2% YoY, 77,753) and Austria (+38.9% YoY, 15,880). Tourist arrivals from traditional and more sizeable markets such as Russia (+11.3% YoY, 332,982) and UK (+9.7% YoY, 511,344) fared relatively well. In a similar vein, tourism revenues expanded also robustly by +22.4% YoY in January-May 2017 to €649.2mn, up from €530.2mn compared to the same period last year.

After a three year recession in 2012-2014 and a cumulative drop of 10.5% of GDP, the economy expanded by +1.7% YoY in 2015, accelerated to +2.8% YoY in 2016 and is expected to further gain momentum to at least 3% in 2017. Even though Cyprus has made progress in a lot of areas, the risk of complacency following the exit from the Economic Adjustment Programme is material. On the domestic front, the reform momentum seems to have stalled ahead of the Presidential elections in 2018. A handful of unfinished structural reforms still need to progress in the areas of privatizations, public and health sectors, while addressing a still high bad loans stock (NPEs ratio at 47% in Dec2016, the second highest in EA) remains a challenge.

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BULGARIA: Indicators	2015	2016	2017f
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.9
Budget Balance/GDP*	-2.8	1.6	-1.4
Current Account/GDP	-0.1	4.2	2.0
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	2015	2016	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.2	1.2
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

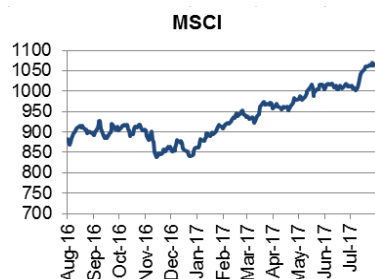
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2015	2016	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.4	1.1	3.3
Budget Balance/GDP	-3.7	-1.3	-0.5
Current Account/GDP	-4.7	-4.0	-4.0
EUR/RSD (eop)	121.38	123.40	122.0
	2016	current	2017
Policy Rate (eop)	4.00	4.00	4.00

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	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

August 1, 2017

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	2470.30	-0.1%	10.3%	EUR/USD	1.1813	-0.2%	12.3%	UST - 10yr	2.29	0	-15	GOLD	1268	-0.1%	10.0%
Nikkei 225	19985.79	0.3%	4.6%	GBP/USD	1.3227	0.1%	7.0%	Bund-10yr	0.53	-2	32	BRENT CRUDE	53	0.2%	-7.0%
STOXX 600	379.68	0.5%	5.1%	USD/JPY	110.36	-0.1%	6.0%	JGB - 10yr	0.08	-1	3	LMEX	2978	0.6%	12.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	0	2
1-week	3.15	0	-2
1-month	3.32	0	-3
3-month	3.56	0	9
6-month	3.77	0	11

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.84	1	-24
5Y RSD	5.22	0	-14
7Y RSD	5.60	#N/A N/A	-3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.65	-2	-68
USD Nov-24	6.23	-1	-18

CDS

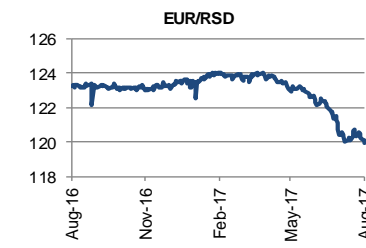
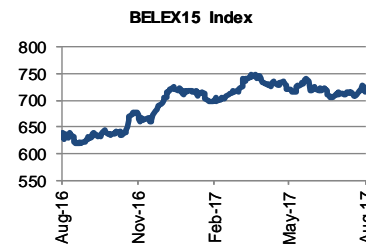
	Last	ΔDbps	ΔYTD bps
5-year	143	-1	-65
10-year	190	-1	-65

STOCKS

	Last	ΔD	ΔYTD
BELEX15	715.7	-0.99%	-0.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.92	0.18%	2.95%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.56	-4	0
1-month	0.69	0	-7
3-month	0.87	0	-3
6-month	1.04	0	-7
12-month	1.2	-1	-5

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.26	-1	-36
5Y RON	2.26	0	-26
10Y RON	3.54	0	-11

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.87	-7	-27
USD Jan-24	3.12	0	-73

CDS

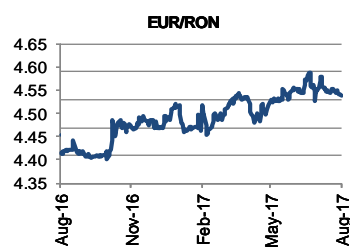
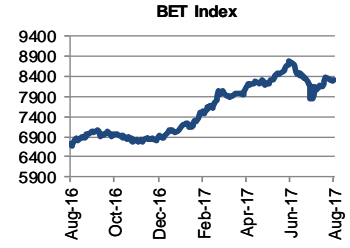
	Last	ΔDbps	ΔYTD bps
5-year	103	-1	-7
10-year	145	-1	-8

STOCKS

	Last	ΔD	ΔYTD
BET	8300.3	0.29%	17.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5578	0.06%	-0.41%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.16	1	1
3-month	-0.08	1	-1
6-month	0.05	0	-3
12-month	0.38	-3	-3

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.10	-2	-25
5Y BGN	0.12	-1	-38
10Y BGN	1.50	0	-40

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.30	-16	-57
EUR Sep-24	1.23	6	-45

CDS

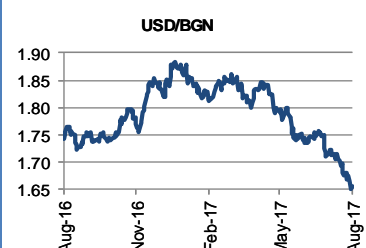
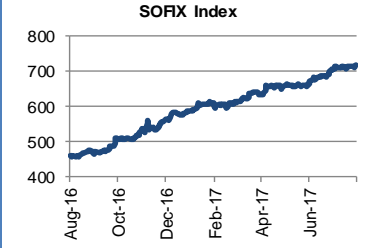
	Last	ΔDbps	ΔYTD bps
5-year	108	0	-44
10-year	149	-8	-44

STOCKS

	Last	ΔD	ΔYTD
SOFIX	714.3	-0.13%	21.80%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6556	-0.23%	12.25%



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

Data updated as of 12:30 EEST

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