



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, August 02, 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 technology stocks surged to 17-year highs on Wednesday following better-than-expected reported earnings from Apple. In FX markets, the DXY dollar index near yesterday's 15-month low of 92.777, while the EUR/USD extended its gains to reach a fresh 2.5-year high of 1.1868. In the rates market, government bond yields fell across all regions and maturities yesterday, with the German 2-yr Bund yield trading at a seven-week low of -0.70% following strong auction demand. US Treasury yields followed suit, partly driven by weak US auto sales reported by car makers yesterday. In commodities, Brent oil fell roughly 1.8% yesterday following 6 consecutive days of gains, partly due to a report by the American Petroleum Institute that showed rising US inventories, and a Reuters survey which revealed higher OPEC production in July amid rising supply from Libya.

GREECE: The Markit PMI manufacturing index in July 2017 came in at 50.5 index units (i.u.), unchanged from June 2017, yet above the 50.0 i.u. no-change threshold for the second month in a row.

SOUTH EASTERN EUROPE

BULGARIA: The consolidated government surplus fell sharply to BGN2bn in the first seven months of the year.

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Latest world economic & market developments

GLOBAL MARKETS

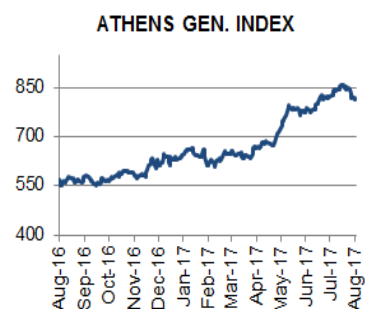
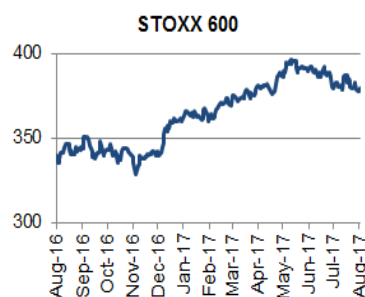
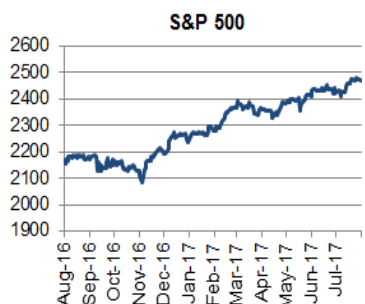
Major Asian technology stocks surged to 17-year highs on Wednesday following better-than-expected reported earnings from Apple, helping to offset losses in the energy sector. In FX markets, the DXY dollar index consolidated around 92.900 in early European trading, not far from yesterday's 15-month low of 92.777. Capitalizing on the USD weakness and expectations that the ECB will eventually taper its QE program towards year-end, the EUR/USD extended its gains to reach a fresh 2.5-year high of 1.1868 at the time of writing. In the rates market, government bond yields fell across all regions and maturities yesterday, with the German 2-yr Bund yield trading at a seven-week low of -0.70% following strong auction demand. The recent rally in the common currency has broadly boosted demand for euro-denominated assets, and particularly short-dated German debt. US Treasury yields followed suit, partly driven by weak US auto sales reported by car makers yesterday. Along these lines, the 10-yr Treasury yield traded at one-week low of 2.25% before bouncing back to ca. 2.27% during European trading on Wednesday. In commodities, Brent oil fell roughly 1.8% yesterday following 6 consecutive days of gains, partly due to a report by the American Petroleum Institute that showed rising US inventories, and a Reuters survey which revealed higher OPEC production in July amid rising supply from Libya. Against this backdrop, Brent oil consolidated around 51.80\$/barrel during European trading this morning. Today's data calendar appears to be fairly quiet, with the US ADP employment report for July due later in the day taking centre stage.

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GREECE

The Markit PMI manufacturing index in July 2017 came in at 50.5 index units (i.u.), unchanged from June 2017, yet above the 50.0 i.u. no-change threshold for the second month in a row. According to the relevant report operating conditions in the Greek manufacturing sector improved in July with growth largely driven by another rise in output supported by a third consecutive rise in staffing numbers. Nevertheless, the amount of new business remained unchanged in July having increased for the first time in ten months in June. Business confidence regarding output growth over the coming 12 months was the strongest since April 2014.

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Source: Reuters, Bloomberg, Eurobank Research

August 2, 2017

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 fell sharply by 40.2% YoY down to BGN2bn in Jan-July2017 compared to BGN3.3bn in the same period a year ago. As a percentage of projected GDP, the consolidated government surplus stood at 2% compared to a -1.4% deficit target in FY2017.

The budget execution in the first seven months of the year is heavily influenced by EU funds reimbursements of the 2007-2013 programming period in the past year. Total revenues declined by -0.7% YoY reaching 57.8% of the annual target. Tax and non-tax revenues expanded by 6.7% YoY in Jan-July on the back of improved tax compliance and robust private consumption dynamics. On the negative side, grants and EU funds related revenues were lower on an annual basis, reaching only 32.9% of the annual target. Total expenditures were up by 7.2% YoY reaching 50.3% of the annual plan driven almost entirely by higher spending on pensions (raised from July by 2.4%), social security and subsidies.

Fiscal policy is set to remain expansionary in the rest of the year. The incoming government coalition, which emerged from the snap elections in last March, has vowed to raise pensions and public wages further. As things stand, the minimum pension is expected to increase by a cumulative 25% in two installments, wages in the education sector by 15% on top of the increase in the minimum wage by 9.5% since the beginning of the year. At the same time, the underperformance of the EU funded projects has kept investment spending below expectations in the 1H-2017, a trend that is expected to change in the 2H2017 allowing for fiscal policy to become even more growth supportive at the expense of turning the budget surplus into a small deficit most probably outperforming the FY target.

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 balance or a surplus in current account since 2013. The current account surplus climbed to 4.2% of GDP in 2016. Although, net FDI inflows are standing very far from their pre-crisis levels, they still amounted to 2.8% of GDP in 2010-2016 (net FDI inflows stood at only 1.1% of GDP in 2016, the lowest value recorded). Accordingly, the net international investment position has improved to -51.3% of GDP in 2016 vs. -91.9% in 2010. From a fiscal point of view, Bulgaria appears sound: the public debt as a percentage of GDP stood at 29.9% (in ESA2010 terms) – well below the 60% threshold – the third lowest in EU-28. Finally, after the dramatic events of KTB failure in 2014, the banking sector metrics appears to be in a solid state both from a capital adequacy and liquidity point of view. The NPLs ratio (using the more conservative definition of BNB instead of EBA) stood at 18.5% and the provisions coverage was around 53% in Dec2016. In fact, credit growth to the private sector has turned positive since Q4-2016 (standing at +3.8% YoY in Q1-2017).

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

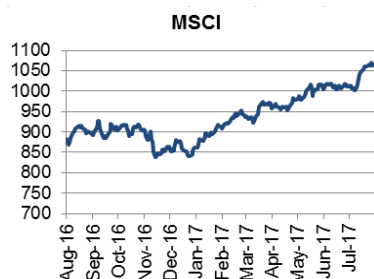
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

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August 2, 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	2476.35	0.2%	10.6%	EUR/USD	1.1848	0.4%	12.6%	UST - 10yr	2.27	2	-18	GOLD	1267	-0.1%	10.0%
Nikkei 225	20080.04	0.5%	5.1%	GBP/USD	1.324	0.3%	7.1%	Bund-10yr	0.49	0	28	BRENT CRUDE	52	-0.1%	-8.9%
STOXX 600	379.44	-0.2%	5.0%	USD/JPY	110.76	-0.4%	5.6%	JGB - 10yr	0.08	0	3	LMEX	2967	-0.4%	11.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	1	2
1-week	3.15	0	-2
1-month	3.32	0	-3
3-month	3.56	1	9
6-month	3.76	1	10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.84	0	-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	1.62	-1	-71
USD Nov-24	6.22	-2	-20

CDS

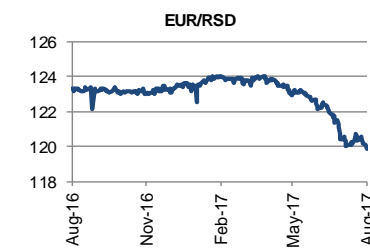
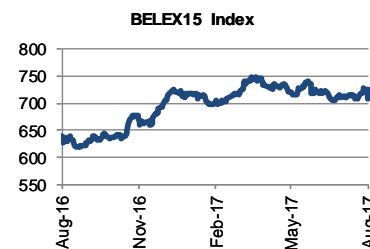
	Last	ΔDbps	ΔYTD bps
5-year	144	2	-63
10-year	192	2	-64

STOCKS

	Last	ΔD	ΔYTD
BELEX15	706.5	-2.45%	-1.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.83	0.02%	3.03%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.55	-1	-1
1-month	0.69	0	-7
3-month	0.87	0	-3
6-month	1.03	-1	-8
12-month	1.2	0	-5

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.26	0	-36
5Y RON	2.25	-1	-27
10Y RON	3.54	0	-11

RO Eurobonds

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

CDS

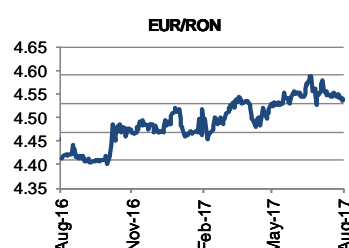
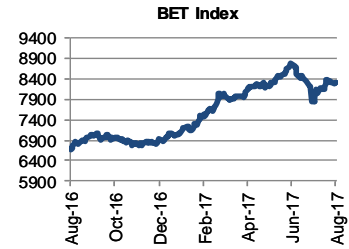
	Last	ΔDbps	ΔYTD bps
5-year	104	1	-6
10-year	147	2	-5

STOCKS

	Last	ΔD	ΔYTD
BET	8300.1	0.18%	17.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.558	-0.13%	-0.42%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.10	0	-25
5Y BGN	0.11	0	-39
10Y BGN	1.50	0	-41

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.42	-51	-45
EUR Sep-24	1.20	22	-48

CDS

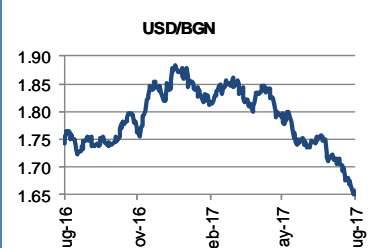
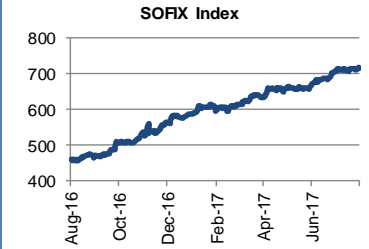
	Last	ΔDbps	ΔYTD bps
5-year	110	3	-42
10-year	161	12	-33

STOCKS

	Last	ΔD	ΔYTD
SOFIX	713.3	0.00%	21.64%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6506	0.41%	12.59%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:40 EEST

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