



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, August 03, 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 (1<sup>st</sup> 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:** Wall Street's Dow Jones Industrial Average broke overnight the 22,000 mark, reaching a new high in its 121-year history. Nevertheless, major Asian equity indices traded in the red on Thursday, with South Korean technology stocks being the worst-performing, and European bourses followed suit with energy and banking stocks dragging down broader indices. In FX markets, the EUR/USD extended its gains yesterday to reach a fresh 2.5-year high of 1.1910, before retreating to 1.1840 during European trading on Thursday. Capitalizing on the USD weakness, the GBP/USD hit yesterday an 11-month high of 1.3250 ahead of today's BoE's monetary policy decision that could shed some light on the interest rates outlook. We expect the BoE to keep policy interest rates unchanged, with investors attention likely to focus on how the members voted and on updated forecasts for growth and inflation that may reflect recent disappointing data.

**GREECE:** The new out-of-court workout framework is officially launching today with the activation of the electronic platform for the submission of applications. The relevant bill was voted on April 28 2017 as a prior action in the context of the 2<sup>nd</sup> programme review and it constitutes an organised out-of-court procedure for the overall and long-term settlement of the debts of eligible entities. According to the General Government data published yesterday, total General Government arrears (including tax arrears of €1.25 bn) at the end of June 2017 stood at €5.13 bn from €5.05 bn in the previous month.

### SOUTH EASTERN EUROPE

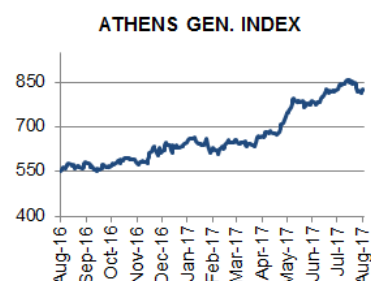
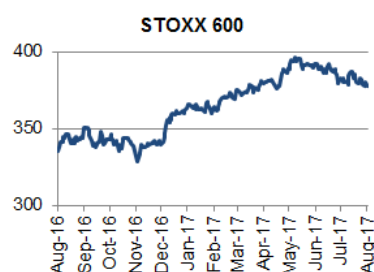
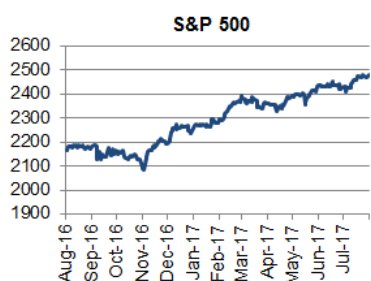
**ROMANIA:** Retail sales edged lower by -0.4% MoM/+6.5% YoY in June down from +1.1% MoM/+8.7% YoY in May. NBR will most likely leave interest rates unchanged in tomorrow's meeting.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street's Dow Jones Industrial Average broke overnight the 22,000 mark and reached a new high in its 121-year history supported by steady growth in corporate earnings. Nevertheless, major Asian equity indices traded in the red on Thursday, with South Korean technology stocks being the worst-performing that dropped the most since November 2016, after President Moon Jae-in announced his intention to increase taxes for large enterprises. The majority of European bourses followed suit with energy and banking stocks dragging down broader indices, while the retail sector advanced on better-than-expected earnings from Britain. In FX markets, the EUR/USD extended its gains yesterday to reach a fresh 2.5-year high of 1.1910, before retreating to 1.1840 during European trading on Thursday. USD weakness generally persists, with the DXY dollar index hitting a 15-month low of 92.548 yesterday, before increasing slightly to 92.940 at the time of writing. Capitalizing on the USD weakness, the GBP/USD hit yesterday an 11-month high of 1.3250 ahead of today's BoE's monetary policy decision that could shed some light on the interest rates outlook. We expect the BoE to keep policy interest rates unchanged, with investors attention likely to focus on how the members voted and on updated forecasts for growth and inflation that may reflect recent disappointing data. In commodities, oil prices gained around 1.0% yesterday following the latest EIA report that revealed lower US crude inventories, but retreated on Thursday with Brent oil hovering around levels of 52.00\$/barrel at the time of writing, still not far from Wednesday's 10-week high of 52.93\$/barrel. Today's data calendar includes July PMI services index for the Eurozone (final reading), while for the US, initial jobless claims (July 29) and July ISM non-manufacturing index are due later in the day.

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### GREECE

The new out-of-court workout framework is officially launching today with the activation of the electronic platform for the submission of applications. The relevant bill was voted on April 28 2017 as a prior action in the context of the 2<sup>nd</sup> programme review and it constitutes an organised out-of-court procedure for the overall and long-term settlement of the debts of eligible entities. Persons with commercial activity and legal entities whose total under-settlement debts exceed €20,000 are eligible for the out-of-court workout contingent also on a number of other criteria (e.g financial institutions and insurance companies are excluded). Additionally, persons with commercial activity are eligible as long as they have positive EBITDA at least once in the last three fiscal years while legal entities must have positive EBITDA or net equity value at least once in the last three fiscal years. Debts to the State and to social security institutions are also eligible. In other news, according to the General Government data published yesterday, total General Government arrears (including tax arrears of €1.25 bn) at the end of June 2017 stood at €5.13 bn from €5.05 bn in the previous month. All the main categories of GG arrears were increased compared to the previous month with the exception of the state budget and local government arrears.

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August 3, 2017

## Latest economic & market developments in the CESEE region

### ROMANIA

On a seasonally and working day adjusted basis, retail sales softened to -0.4% MoM/+6.5% YoY in June down from +1.1% MoM/+8.7% YoY in May (heavily revised from the initial estimate of +4.1% MoM/+12.3% YoY). The softer monthly dynamics of the food segment was the main driver behind this. On an annual basis, food items expanded by -1.7% MoM/+2.6% YoY while non-food items increased by -0.3% MoM/+10.9% YoY. Fuels sales were the only item to demonstrate a monthly increase +1.3% MoM/+11% YoY in June.

Overall, retail sales expanded by +2.2% on a quarterly basis in Q2. The robust performance of retail sales in tandem with economic confidence headline and consumer plus retail trade sub-indicators is a very good proxy of private consumption and subsequently GDP growth is expected to remain very strong in Q2-2017, offsetting partially any external sector weakness. Even though the Economic Sentiment Index (ESI) softened in June (to 105.4 in June down from 105.9 in last May), it still stands very close to the post Lehman Brothers period high.

The strong gains in retail sales are rooted in the overly expansionary fiscal policy, which has resulted in wage growth rallying in double digits – Romania has the highest real wage growth in EU-28 – and has spurred optimism to households about their current and future financial situation. Recall that GDP growth dynamics surprised to the upside in Q1-2017. GDP growth came at +1.7% QoQ/+5.6% YoY in seasonally adjusted terms, +5.7% YoY in unadjusted terms. The estimate was the positive surprise of the region, coming out significantly above analysts' consensus expectations (+1.0% QoQ/+4.5% YoY). The stronger than expected reading compares to +1.5% QoQ/+5.0% YoY in Q4-2016, up from +1.1% QoQ/+4.0% YoY in Q1-2016. From a demand side point of view, private consumption accounted for the bulk of it (4.8ppts). The very strong and above consensus expectations growth rate has set the foundations for GDP growth in FY2017 to reach or even exceed last year's performance 4.8%.

Finally, NBR will most likely leave interest rates unchanged at 1.75% and MRRs for FX and RON denominated liabilities at 8% respectively in tomorrow's meeting. NBR now envisages inflation trajectory slightly above that projected in the medium-term forecast published in the May 2017 Inflation Report and is about to revise once again the year-end 2017-2018 forecasts (currently at 1.6%/3.1%) in the next report to be approved tomorrow. In our view, NBR continues to be on wait-and-see mode. There are still a number of elevated risks, mainly domestic fiscal related, that NBR is increasingly aware of and will determine the timing of the initiation of the tightening cycle.

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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

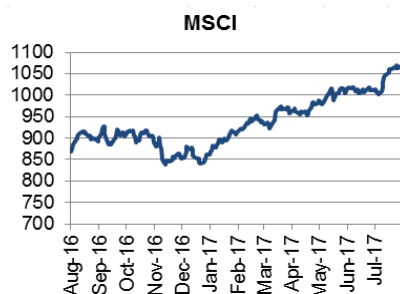
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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 3, 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	2477.57	0.0%	10.7%	EUR/USD	1.1837	-0.2%	12.5%	UST - 10yr	2.26	-1	-18	GOLD	1262	-0.4%	9.5%
Nikkei 225	20029.26	-0.3%	4.8%	GBP/USD	1.3254	0.2%	7.3%	Bund-10yr	0.50	1	29	BRENT CRUDE	52	-0.1%	-7.9%
STOXX 600	377.93	-0.2%	4.6%	USD/JPY	110.7	0.0%	5.7%	JGB - 10yr	0.07	-1	2	LMEX	2980	0.4%	12.0%

## 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	4.83	-1	-25
5Y RSD	5.22	0	-14
7Y RSD	5.59	-1	-5

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.50	-7	-82
USD Nov-24	6.22	-3	-20

#### CDS

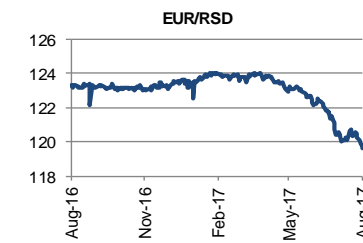
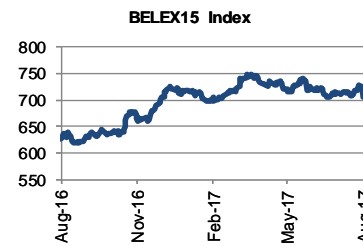
	Last	ΔDbps	ΔYTD bps
5-year	142	-2	-65
10-year	191	-1	-65

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	706.3	-0.12%	-1.54%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.76	0.14%	3.09%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.55	0	-1
1-month	0.69	0	-7
3-month	0.87	0	-3
6-month	1.04	1	-7
12-month	1.2	0	-5

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.25	-1	-37
5Y RON	2.23	-1	-29
10Y RON	3.53	0	-12

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.81	-6	-33
USD Jan-24	3.08	-4	-77

#### CDS

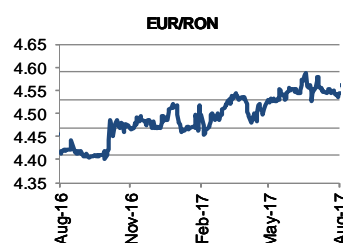
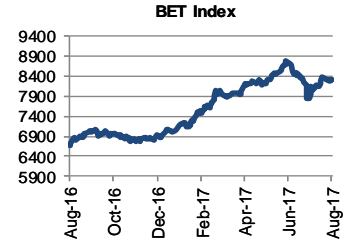
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-5
10-year	152	5	0

#### STOCKS

	Last	ΔD	ΔYTD
BET	8314.9	0.19%	17.36%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5633	-0.03%	-0.53%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.16	0	1
3-month	-0.09	-1	-2
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	1.51	0	-40

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.26	69	-61
EUR Sep-24	1.18	12	-50

#### CDS

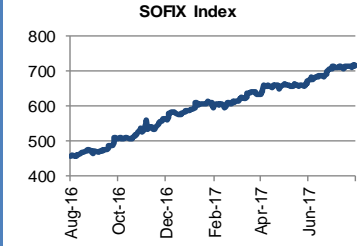
	Last	ΔDbps	ΔYTD bps
5-year	111	1	-41
10-year	161	0	-33

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	722.0	0.96%	23.12%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6524	-0.16%	12.47%



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

Data updated as of 11:55 EEST

August 3, 2017

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