



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, July 04, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Jul 3
  - ISM manufacturing (Jun)
  - Car sales (Jun)
- Jul 5
  - FOMC Jun 13-14 minutes
  - Factory orders (May)
- Jul 6
  - ADP employment change (Jun)
  - Jobless claims (weekly)
  - Trade balance (May)
  - ISM non-manufacturing (Jun)
- Jul 7
  - Non-farm payrolls (Jun)
  - U/E rate (Jun)
  - Average hourly earnings (Jun)

#### EUROZONE

- Jul 3
  - PMI manufacturing (Jun, f)
  - U/E rate (May)
- Jul 5: PMI services/composite (Jun, f)
- Jul 6: ECB June 8 meeting minutes

#### GREECE

- Jul 3: PMI manufacturing (Jun)
- July 6: U/E rate (Apr)

#### CYPRUS

- Jul 6: CPI (Jun)

#### SEE

#### ROMANIA

- Jul 3
  - ILO U/E rate (May)
  - 3.5% 2022 T-bonds auction
  - MPC meeting
  - International reserves (Jun)
- Jul 5: Retail sales (May)
- Jul 6: 5.8% 2027 T-bonds auction
- Jul 7
  - Net wages (May)
  - GDP (Q1, f)

#### SERBIA

- Jul 6: T-bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking their lead from the negative tone in Asian bourses, major European equity markets opened lower today giving back part of recent gains on geopolitical tensions. Meanwhile, US Treasuries came under renewed selling pressure on positive domestic data supporting market optimism over a rebound in US Q2 GDP. In FX markets, USD was firmer on the day supported by higher than expected manufacturing-related data. AUD was among the main underperformers after RBA disappointed some market participants expecting it to adopt a slightly hawkish tilt at today's monetary policy meeting. Focus today is on ECB chief economist Peter Praet who participates in a panel at 14:30 CET. US markets are closed due to the Independence Day holiday.

**GREECE:** According to press reports there are still a couple of pending actions to be fulfilled before the ESM disburses the next loan tranche of €7.7bn to Greece. The Management Board of the ESM is scheduled to convene tomorrow by teleconference to potentially give the green light for the disbursement of the next tranche if the above actions have been fulfilled. Otherwise, the decision could be postponed for the 13th or 14th of July. The June 2017 Markit Manufacturing PMI for Greece came in at 50.5, up from 49.6 in May. According to ELSTAT the seasonally adjusted overall volume index in retail trade in April 2017 increased +2.1% MoM and +2.9% YoY

### SOUTH EASTERN EUROPE

**ROMANIA:** The Central bank maintained at its MPC meeting yesterday interest rates unchanged at 1.75% and MRRs for FX and RON denominated liabilities at 8% each, in a widely anticipated decision.

**CESEE MARKETS:** Emerging market assets were mostly under pressure earlier today as risk sentiment soured amid geopolitical tensions in North Korea. The recent rise in core government bond yields also continued to dent their high yield allure. Meanwhile, trading was thin as the US is closed today on national holiday.

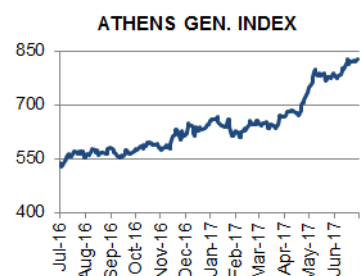
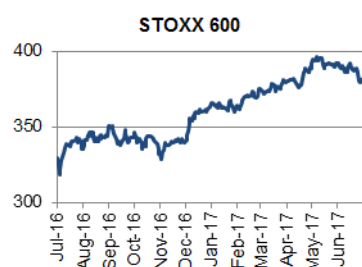
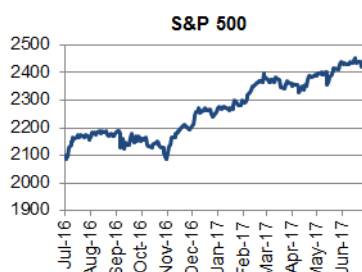
#### DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

July 4, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from the negative tone in Asian bourses, major European equity markets opened lower today giving back part of recent gains on renewed geopolitical tensions. North Korea test-fired an international-range ballistic missile earlier today that landed in Japan's Exclusive Economic Zone, deepening concerns about the nation's weapons programs ahead of the G20 meeting later this week in Germany. Meanwhile, US Treasuries came under renewed selling pressure on positive domestic data supporting market optimism over a rebound in US Q2 GDP. US manufacturing ISM index rose to 57.8 in June, the highest in nearly three years compared to 54.9 in the prior month with forward-looking subcomponents including new orders moving higher. Long-dated US sovereign paper underperformed with the 10-yr UST yield hitting a fresh 3 ½ month high of 2.35% earlier today. Meanwhile, the 2-yr US bond yield rose close to 1.43% for the first time in the last eight years with the 2/10-yr yield spread hovering around 93bps, the highest in the last seven weeks. Elsewhere, Bund yields were a touch lower on the day with the 10-yr yield falling close to 0.47% at the time of writing after ending at 0.48% in the prior session. In spite of today's modest decline, the 10-yr Bund yield remained close to the 0.51% year-to-date peak on the prevailing view that, following recent hawkish comments by ECB President Mario Draghi, the Central Bank is likely to start moving away from its ultra-easy monetary policy earlier than expected. In FX markets, USD was a tad firmer on the day with the DXY index trading close to 96.238 in European trade, c. 0.6% firmer cumulatively over the last two sessions. Against a broadly firmer US currency, GBP retreated close to 1.2900 after testing levels slightly above 1.3000 in the prior session pressured by a drop in UK manufacturing ISM to a three-month low of 54.3 in June. AUD was among the main underperformers after Australia's Central Bank disappointed some market participants expecting it to adopt a slightly hawkish tilt at today's monetary policy meeting. Focus today is on ECB chief economist Peter Praet who participates in a panel at 14:30 CET. US markets are closed due to the Independence Day holiday.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

According to press reports there are still a couple of pending actions to be fulfilled before the ESM disburses the next loan tranche of €7.7bn to Greece. These actions reportedly are: 1) an independent legal opinion that the pension reform that is to be implemented as of 2019 is in line with the Greek Constitution, 2) a Ministerial Decision that will determine exactly on which streets Sunday trade from May to October will be allowed, 3) legislation pertaining to the deregulation of the profession of engineers, and 4) the formal withdrawal of legal action against former HRADF (Hellenic Republic Asset Development Fund) experts. The Management Board of the ESM is scheduled to convene tomorrow by teleconference to potentially give the green light for the disbursement of the next tranche if the above actions have been fulfilled. Otherwise, the decision could be postponed for the 13<sup>th</sup> or 14<sup>th</sup> of July. On the data front, the June 2017 Markit Manufacturing PMI for Greece came in at 50.5, up from 49.6 in May. Although only marginally above the no-change threshold, the June 2017 PMI indicates an expansion of manufacturing activity for the first time since August 2016 (50.4). According to the Markit report, this positive development was driven by increases in new orders and output, which in turn contributed to employment increases with a rate of job creation that was the most marked for almost one year. Meanwhile, according to the Hellenic Statistical Authority (ELSTAT) the seasonally adjusted overall volume index in retail trade in April 2017 increased +2.1% MoM and +2.9% YoY significantly improved compared to the previous month when it had decreased -3.7% MoM and -0.9% YoY.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

July 4, 2017

## Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
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	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

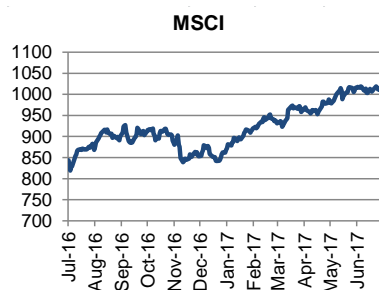
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.9	1.2	2.1
Budget Balance/GDP	-3.7	-1.4	-1.3
Current Account/GDP	-4.7	-4.0	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	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

### ROMANIA

On July 3rd, NBR maintained interest rates unchanged at 1.75% and MRRs for FX and RON denominated liabilities at 8% each, in a widely anticipated decision. In the statement released thereafter, the Central Bank highlighted that headline and core inflation came out slightly higher than the previous forecast in May. For the time being, underlying inflationary pressures remain relatively contained, yet they are slowly building up. Headline inflation and adjusted Core2 printed at 0.6% YoY and a multi-year high of 1.3% YoY, respectively, in May. 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 released in August. In our view, NBR continues to be on a wait-and-see mode. There are still a number of elevated risks, mainly domestic fiscal related, that NBR is increasingly aware of and will specify the timing of the initiation of the tightening cycle. Assuming no policy change, the projected fiscal deficit is expected to swell to 3.7% of GDP and further to 3.9% of GDP in 2018, above the EU 3% of GDP threshold. The government has downplayed those concerns. The EU Commission has already issued an official warning to Romania, on the existence of a significant deviation of the structural public budget balance (-2.6% of GDP in 2016) from the medium-term budgetary objective (-1% of GDP). On top of fiscal slippages, NBR is now confronted with the uncertain impact of the unitary public wage law and the announced fresh plans of the new government to overhaul taxation in response to the lavish pre-electoral promises.

From that point of view NBR Governor Mugur Isarescu emphasized that the central bank specialists were still assessing the unitary public wage law impact on the inflation trajectory and called for more fiscal plans clarity on behalf of the government. Recall that NBR has been on hold since May 2015 when it last cut interest rates by 25bps from 2.0%. It had signaled that monetary policy normalization could start by narrowing the interest rate corridor to  $\pm 100$ bp from  $\pm 150$ bp currently. There have been a number of both external (Brexit referendum, US elections, European elections) and internal (parliamentary elections in last December, political noise throughout H1-2017, fiscal uncertainties) that have pushed back the initiation of policy normalization in the last one year and a half. Ceteris paribus, monetary policy normalization could start as early as Q3.

[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

### CESEE MARKETS

Emerging market assets were mostly under pressure earlier today as risk sentiment soured amid geopolitical tensions in North Korea. The recent rise in core government bond yields also continued to dent their high yield allure. Meanwhile, trading was thin as the US is closed today on national holiday. Along these lines, the MSCI Emerging Markets index fell 0.7% compared to the prior session's settlement at the time of writing, though remaining not too far from a recent new 2-year high hit earlier in June. Bourses in the CESEE region stood in a modestly negative territory earlier in European trade, while regional currencies mostly firmed, recouping part of yesterday's losses, and short-term government bonds gained ground outperforming the rather minimal movement in paper of longer tenure. In FX markets, the Romanian leu remained under pressure a day after the Central Bank meeting. The EUR/RON hit a 1-week peak near 4.5805 earlier today in a pull-back from yesterday's 2-month trough close to 4.5420 after the MPC warned yesterday about fiscal risks and expressed the view that inflation may edge higher than previously projected.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

July 4, 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	2429.01	0.2%	8.5%	EUR/USD	1.1348	-0.1%	7.9%	UST - 10yr	2.35	0	-9	GOLD	1224	0.4%	6.3%
Nikkei 225	20032.35	-0.1%	4.8%	GBP/USD	1.292	-0.2%	4.6%	Bund-10yr	0.47	-1	26	BRENT CRUDE	49	-0.4%	-12.9%
STOXX 600	383.03	-0.1%	6.0%	USD/JPY	113.24	0.1%	3.3%	JGB - 10yr	0.08	-1	4	LMEX	2863	0.3%	7.6%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.96	-1	-4
1-week	3.11	0	-6
1-month	3.30	-2	-5
3-month	3.51	-3	4
6-month	3.72	-3	6

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.87	0	-18
5Y RSD	5.22	0	-14
7Y RSD	5.59	0	-4

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.96	0	-37
USD Nov-24	6.32	-3	-9

#### CDS

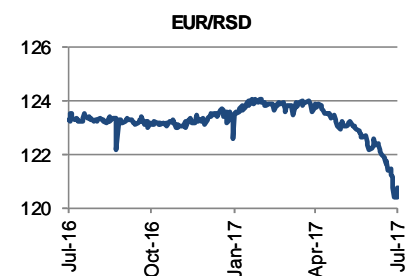
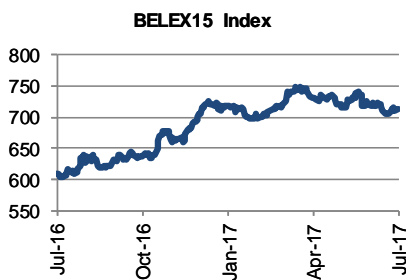
	Last	ΔDbps	ΔYTD bps
5-year	151	0	-57
10-year	200	0	-55

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	713.8	0.25%	-0.50%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.78	-0.30%	2.22%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.56	-3	0
1-month	0.65	0	-11
3-month	0.86	-1	-4
6-month	1.02	1	-9
12-month	1.19	0	-6

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.37	2	-25
5Y RON	2.35	1	-17
10Y RON	3.57	2	-8

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.90	0	-24
USD Jan-24	3.11	0	-74

#### CDS

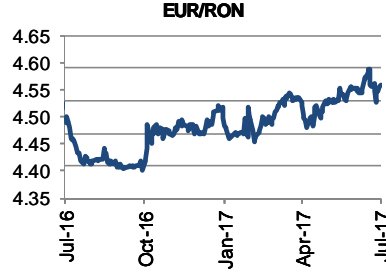
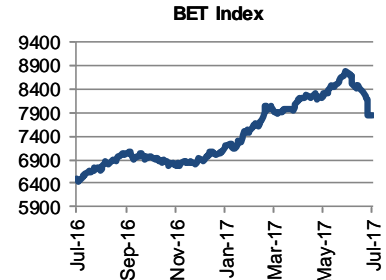
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-1
10-year	153	0	1

#### STOCKS

	Last	ΔD	ΔYTD
BET	7837.0	-0.24%	10.61%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5745	-0.04%	-0.78%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	-13	-40
1-month	-0.16	0	0
3-month	-0.08	0	-1
6-month	0.05	0	-3
12-month	0.42	0	1

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.08	-1	-23
5Y BGN	0.15	-3	-36
10Y BGN	1.52	0	-39

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-2.34	-3	-202
EUR Sep-24	1.23	0	-45

#### CDS

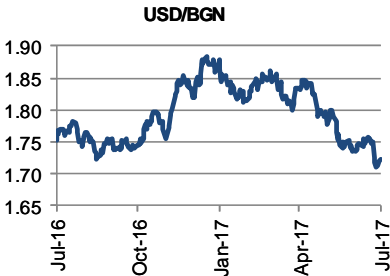
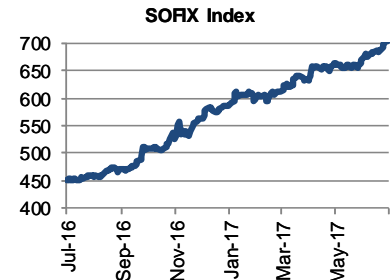
	Last	ΔDbps	ΔYTD bps
5-year	112	-1	-40
10-year	162	-1	-32

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	707.4	0.32%	20.63%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7234	-0.13%	7.83%



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

Data updated as of 12:30 EEST

July 4, 2017

## Contributors

**Paraskevi Petropoulou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Theodoros Stamatou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
30 210 3371228  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), + 30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), + 30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), + 30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) + 30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) + 30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) + 30 210 33 71 227

**Mariana Papoutsaki**  
[mpapoutsaki@eurobank.gr](mailto:mpapoutsaki@eurobank.gr) + 30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), + 30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), + 30 210 37 18 922

**Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), + 30 210 3371228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto:etsiampaou@eurobank.gr), +30 210 3337871

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankEA\\_FMR@eurobank.gr](mailto:EurobankEA_FMR@eurobank.gr)

Eurobank Economic Analysis and Financial Markets  
Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at

Follow us on twitter: [https://twitter.com/Eurobank\\_Group](https://twitter.com/Eurobank_Group)

