



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, August 04, 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

- Aug 3: CPI (Jul)

##### SEE

##### BULGARIA

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

##### ROMANIA

- Jul 31: Unemployment (ILO, Jun)
- Aug 1: International Reserves (Jul)
- Aug 2: PPI (Jun)
- Aug 3: Retail Sales (Jun)
- Aug 4: 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:** Mirroring the negative sentiment in Wall Street overnight, global equity indices traded in the red on Friday after the Wall Street Journal reported that Special Counsel Robert Mueller has empaneled a grand jury in Washington to investigate Russia's purported interference in the 2016 US presidential election. In FX markets, the DXY dollar index initially firmed yesterday moving slightly above 93.000 after positive US initial claims data underscored labor market strength, but gave up gains trading close Wednesday's 15-month low of 92.548 after the July release of the services sector survey. Elsewhere the EUR/GBP traded yesterday as low as 0.8924 during European trading, but then increased to a 9-month high of 0.9050 following the BoE's more dovish than expected policy announcement. Cautious comments by Governor Mark Carney and a generally more dovish BoE's policy stance and led to a sizeable bond rally, with most government bond market yields moving remarkably lower.

**GREECE:** The electronic platform for the out-of-court workout that was launched yesterday reportedly attracted 6,000 visitors who entered the platform by using their tax codes, 2,300 of them proceeded to the verification of their data while 300 were deemed un-eligible to fall under the new framework. Capital controls – imposed in Greece on 28 June 2015 – are to be further relaxed as of 1 September 2017 according to the ministerial decision signed by the Minister of Finance Euclid Tsakalotos and published yesterday.

### SOUTH EASTERN EUROPE

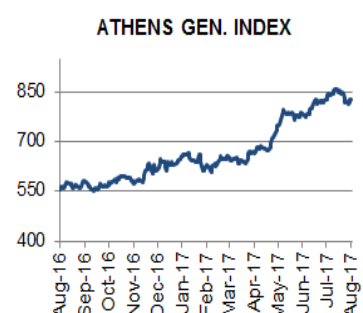
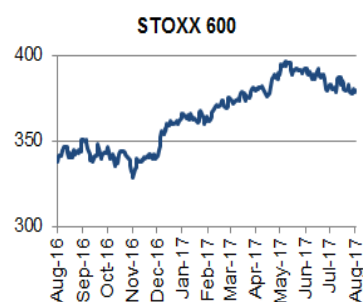
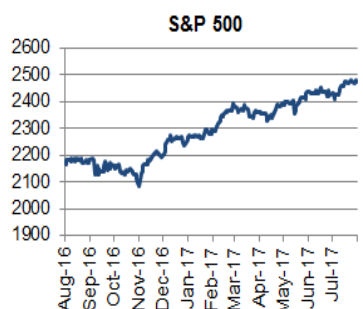
**CYPRUS:** According to the CBC data, banks are lagging behind in the achievement of their respective NPFs restructuring targets in Q1-2017.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Mirroring the negative sentiment in Wall Street overnight, global equity indices traded in the red on Friday after the Wall Street Journal reported that Special Counsel Robert Mueller has empanelled a grand jury in Washington to investigate Russia's purported interference in the 2016 US presidential election. Adding to this, two sources have reportedly told Reuters that the grand jury has issued subpoenas with regard to a meeting of US President Donald Trump's son, his son-in-law and a Russian lawyer in June 2016. In FX markets, the DXY dollar index initially firmed yesterday moving slightly above 93.000 after positive US initial claims data underscored labor market strength, but gave up gains after the July release of the services sector survey. According to the Institute for Supply Management (ISM), the non-manufacturing index fell to 53.9 from 57.4 in June, marking its lowest level since August 2016. Against this backdrop, the DXY dollar index traded around 92.700 during early European trading on Friday, within distance from Wednesday's 15-month low of 92.548. Capitalizing on the USD weakness, EUR/USD hovered around levels of 1.1890 at the time of writing, within striking distance of Wednesday's 2.5 year-high of 1.1910. Elsewhere, the EUR/GBP traded yesterday as low as 0.8924 during European trading, but then increased to a 9-month high of 0.9050 following the BoE's more dovish than expected policy announcement. As widely expected, the BoE kept its key policy rate unchanged at 0.25%, with the number of dissent votes declining from three to two. Meanwhile, the MPC voted unanimously to maintain the stock of asset purchases at £435bn of gilts and £10bn of £-IG corporate bonds, with the BoE's GDP growth projections being cut to 1.7% in 2017 (from 1.9% previously) and 1.6% in 2018 (from 1.7% previously). The market currently prices around 35% probability of a November rate hike, while we continue to expect the BoE to remain on hold throughout 2017 as Brexit negotiations uncertainty still remains sufficiently elevated. The more dovish BoE's policy stance and cautious comments by Governor Mark Carney led to a sizeable bond rally yesterday, with most government bond market yields moving remarkably lower. Along these lines, 10-yr Gilt yield hit a 5 week-low of 1.14% overnight, before retreating to levels around 1.15% during European trading. The 10-yr Bund yield followed suit moving slightly below 0.45% earlier today, its lowest level in about a month. U.S. Treasury yields were also under pressure with the 10-yr yield trading around 5 week lows of 2.22% during early European trading. On the data calendar front, focus today centres on the July nonfarm payrolls data release, which are expected to be in the range of 180k from 222k in June.

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### GREECE

The electronic platform for the out-of-court workout that was launched yesterday reportedly attracted 6,000 visitors who entered the platform by using their tax codes, 2,300 of them proceeded to the verification of their data while 300 were deemed un-eligible to fall under new framework. The importance of this new project for the restructuring of viable companies was particularly stressed by the Governor of the Independent Authority for Public Revenue George Pitsilis at the inauguration of the platform. Capital controls – imposed in Greece on 28 June 2015 – are to be further relaxed as of 1 September 2017 according to the ministerial decision signed by the Minister of Finance Euclid Tsakalotos and published yesterday in the government gazette (issue B' 2723). The decision foresees among others that: 1) cash that has not been withdrawn on a day or number of days can be cumulatively withdrawn up to the amount of €1,800 per calendar month, 2) legal entities with a single- or double-entry bookkeeping system are permitted to open a current or deposit account in a financial institution through a new Customer ID, regardless of the existence of another account to which they are beneficiaries, 3) professional farmers are permitted to open a bank account as long as they do not already have another bank account, 4) employees are permitted to open a wage account in a financial institution other than the one in which they already have an account, if their new employer uses for payroll a different financial institution than that in which they already have an account, and 5) a natural person is permitted to open a new account in order to deposit the payments from an insurance contract and/or indemnity from an insurance company.

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August 4, 2017

## Latest economic & market developments in the CESEE region

### CYPRUS

According to the data released by the Central Bank of Cyprus, the stock of non-performing facilities (NPFs) declined by only €48mn in April, bringing the stock of NPFs down by 15.3% in the period between December 2014 – April 2017. The decline in NPFs reflects three main factors: increased repayments, the migration of successful restructurings to performing facilities after the completion of the observance period plus write-offs and settlements through immovable property exchange. At the same time, total facilities decreased by €232mn, resulting in the ratio of NPFs to total facilities edging up from 46% in March to 46.1% in April but still down from 47.2% in December 2016. Based on the EBA conservative definition a restructured NPF is still classified as an NPF for a probation period of at least 12 months, even if it is serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified as NPFs (€9.17bn out of €12.98bn in April 2017).

Overall banks are lagging behind in the achievement of their restructuring targets in Q1-2017. The Central Bank uses a set of four indicators to monitor the compliance of the banks in the NPFs restructuring process. In its statement the Central Bank noted that there is an over-performance of the target for the first indicator ("Proposed sustainable solutions") pointing to the huge effort that is being made in sustainable restructuring of loans in arrears over 90 days. Specifically, the target for the first indicator was set at 14.62% and the actual realization was 16.7%. However, a sizeable under-performance was observed in the second indicator ("Concluded sustainable solutions") whose target was 15.07% and the actual realization was 7.17%. A smaller under-performance was observed for the third indicator ("Loans that have been restructured and present arrears of less than 8 days") whose target was set at 72.19% and the actual realization was 68.68%. The biggest under-performance was observed for the target of the fourth indicator ("Loans that presented arrears of 31-90 days at the beginning of the quarter but by the end of the quarter do not present any arrears"), which was 44.53% whereas the actual realization was 33.27%.

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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

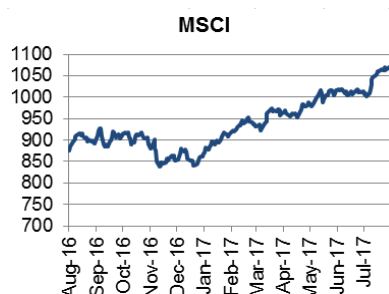
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP*	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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 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	2472.16	-0.2%	10.4%	EUR/USD	1.1881	0.1%	12.9%	UST - 10yr	2.23	1	-21	GOLD	1269	0.1%	10.2%
Nikkei 225	19952.33	-0.4%	4.4%	GBP/USD	1.3154	0.1%	6.4%	Bund-10yr	0.46	0	25	BRENT CRUDE	52	-0.7%	-9.1%
STOXX 600	379.29	0.1%	4.9%	USD/JPY	110.07	0.0%	6.3%	JGB - 10yr	0.07	0	2	LMEX	2978	-0.1%	12.0%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.01	0	1
1-week	3.14	-1	-3
1-month	3.32	0	-3
3-month	3.55	-1	8
6-month	3.76	0	10

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.84	0	-24
5Y RSD	5.22	0	-14
7Y RSD	5.58	0	-5

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.47	1	-85
USD Nov-24	6.22	1	-20

#### CDS

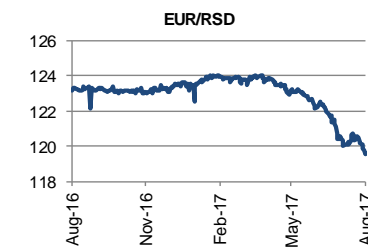
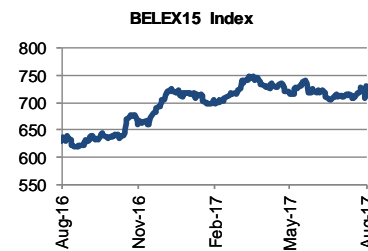
	Last	ΔDbps	ΔYTD bps
5-year	141	-1	-66
10-year	190	-1	-65

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.1	1.67%	1.77%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.70	-0.07%	3.14%



### 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	1.03	-1	-8
12-month	1.2	0	-5

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.24	0	-38
5Y RON	2.20	-1	-32
10Y RON	3.52	0	-13

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.81	0	-33
USD Jan-24	3.08	0	-77

#### CDS

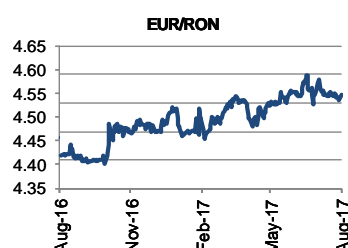
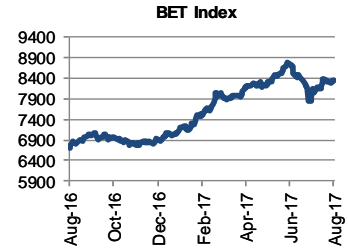
	Last	ΔDbps	ΔYTD bps
5-year	104	104	-6
10-year	152	0	-1

#### STOCKS

	Last	ΔD	ΔYTD
BET	8339.3	-0.02%	17.70%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.564	-0.07%	-0.55%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.16	0	1
3-month	-0.08	1	-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	-26
5Y BGN	0.11	0	-40
10Y BGN	1.51	0	-40

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.27	-6	-60
EUR Sep-24	1.14	25	-54

#### CDS

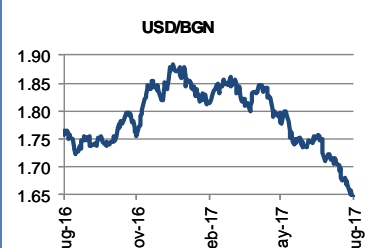
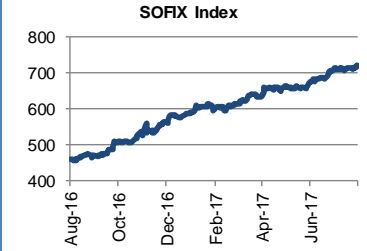
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-41
10-year	161	0	-33

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	717.2	-0.40%	22.30%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6463	0.10%	12.88%



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

Data updated as of 13:00 EEST

August 4, 2017

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