



DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday 02 August 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- July 31:
 - PCE (Jun)
 - Employment Cost Index (Q2)
- Aug 1:
 - ISM Manufacturing (Jul)
 - ADP Employment (Jul)
 - FOMC Rate Decision
- Aug 3:
 - Nonfarm Payrolls (Jul)
 - Unemployment Rate (Jul)
 - Average Hourly Earnings (Jul)

EUROZONE

- July 30: Economic Sentiment Indicator (Jul)
- July 31:
 - HICP (Jul)
 - Unemployment Rate (Jun)
 - Q2 GDP, flash estimate
- Aug 1:
 - PMI Manufacturing (Jul, f)
- Aug 3:
 - PMI Services (Jul, f)
 - PMI Composite (Jul, f)

GREECE

- Jul 30: PPI (Jun)
- Jul 31: Retail Sales (May)
- Aug 1: PMI manufacturing (Jul)

SEE

BULGARIA

- July 30: PPI Index (Jun)
- July 31:
 - Budget Balance (Jun)
 - Base Interest Rate (Aug)

CYPRUS

- Aug 2: CPI (Jul)

ROMANIA

- July 31: Unemployment (Jun)
- August 1: FX Reserves (Jul)
- August 2: PPI Index (Jun)
- August 3: Retail Sales (Jun)

SERBIA

- July 31:
 - Industrial Output (Jun)
 - GDP (Q2-2018, flash estimate)
 - Trade Balance (Jun)
 - Retail Sales (Jun)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In line with market expectations, the Fed maintained the target range for the fed funds unchanged at 1.75-2.00% at its August meeting. The FOMC upgraded its view of economic growth since June, noting that "economic activity has been rising at a strong rate", as opposed to the June characterization of "solid" growth. Global bond markets were hit from the BoJ's decision to double the range allowed for its benchmark under its yield-curve control policy on Tuesday. In the US, the 10-yr Treasury yield rose above 3.00% y-day for the first time since mid-June, as the US Treasury refunding announcement put further upward pressure on yields. In response to the Fed's upbeat assessment of the US economy, the US dollar firmed against a basket of its currency peers but remained under pressure against the yen as the Japanese currency capitalized on higher Japanese government bond yields.

GREECE: German lawmakers approved y-day the disbursement of the final installment of €15.0bn from the financial envelope of the Third Economic Adjustment Programme. The actual disbursement will take place in the following days well ahead of the official end of the programme in August 2018.

SOUTH EASTERN EUROPE

SERBIA: According to the flash estimate, real GDP expanded by 4.4% YoY in Q2-2018 bringing the 1H performance at 4.5% YoY.

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Latest world economic & market developments

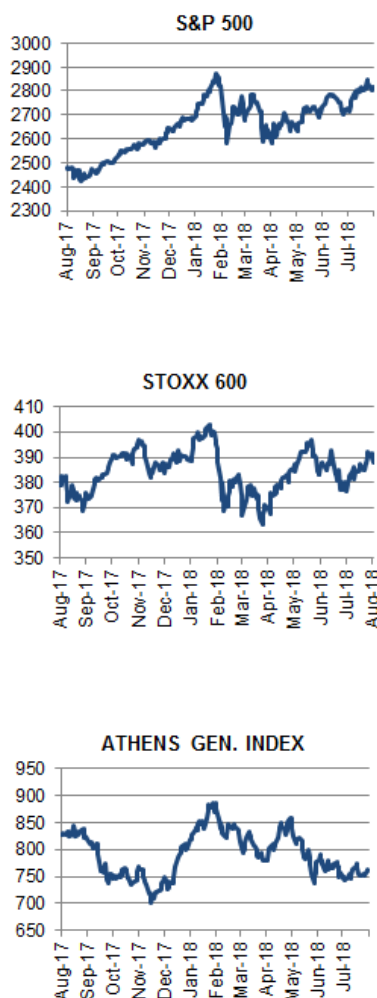
GLOBAL MARKETS

In line with market expectations, the Federal Reserve voted unanimously to maintain the target range for the fed funds unchanged at 1.75-2.00% at its August meeting. The FOMC upgraded its view of economic growth since June, noting that "economic activity has been rising at a strong rate", as opposed to the June characterization of "solid" growth. According to the statement, the labor market "has continued to strengthen", while household spending and business fixed investment have "grown strongly". Last but not least, the Committee concluded that its monetary policy stance remains accommodative, highlighting that headline and core inflation remains near the Fed's 2% target. The market is almost fully priced for two 25bps rate hikes in September and December as the labor market continues to firm and inflation trends higher. Global bond markets were hit from the BoJ's decision to double the range allowed for its benchmark under its yield-curve control policy on Tuesday. The 10-yr Japanese government bond yields rose further on Thursday to a 1-1/2 year high of 0.145%, while higher yields in Japan pushed core euro zone sovereign bond yields higher with the German and French 10-yr yields rising y-day to seven-week highs of 0.49% and 0.79%, respectively. In the US, the 10-yr Treasury yield rose above 3.00% y-day for the first time since mid-June, before retreating slightly to 2.99% in European trade on Thursday, as the US Treasury quarterly announcement for a \$78bn refunding package (up from \$73bn in the prior quarter) put further upward pressure on yields. The curve bear steepened in the selloff with the 30y the major underperformer. In FX markets, in response to the Fed's upbeat assessment of the US economy, the DXY dollar index rose to a week-high of 94.91 and the EUR/USD fell to a two-week low of 1.1618 in European trade. Nevertheless, the US dollar remained under pressure against the yen as the Japanese currency capitalized on higher Japanese government bond yields, with the USD/JPY losing 0.2% at around 111.50 at the time of writing. Looking at today's calendar, the main focus will likely be the BoE's MPC meeting outcome, while on the macro data front, Euro area June PPI as well as US weekly jobless claims, June factory orders and durable/capital goods orders (final data) are also due.

okosma@eurobank.gr

GREECE

German lawmakers approved y-day the disbursement of the final installment of €15.0bn from the financial envelope of the Third Economic Adjustment Programme. Even though the disbursement was approved in principle in early July 2018, the actual disbursement was postponed for later due to the reservations originating from the German lawmakers. These reservations were mainly due to the postponement of the already agreed, in the context of the final review of the programme, increase of the VAT rate in five Greek islands and the subsequent request for additional budgetary savings of ca €28.0mn within 2018 in order to counterbalance the respective VAT revenues shortfall. Following the German parliamentary approval, the actual disbursement will take place in the following days well ahead of the official end of the programme in August 20 2018. According to recent ELSTAT (seasonally adjusted) data, the overall volume index in retail trade in May 2018 registered an increase of 4.5% on an annual basis. On a monthly basis, the overall volume index in retail trade registered an increase of 0.9% in May 2018.

tstamatiou@eurobank.gr

Source: Reuters, Bloomberg, Eurobank Research

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BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
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	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

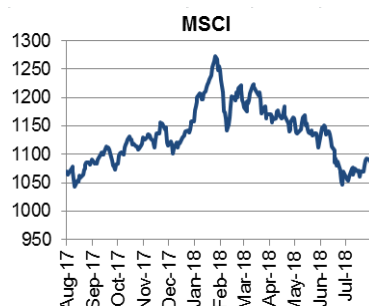
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.5
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-5.7	-4.7
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.00	3.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings		
L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB-
CYPRUS	Ba3	BB+

Latest economic & market developments in the CESEE region

SERBIA

According to the flash estimate GDP expanded by +4.4% YoY in Q2-2018, above the Bloomberg survey median (+3.6% YoY), bringing the first six months performance at +4.5% YoY. The stronger than expected growth reading compares to +4.6% YoY in Q1-2018, which is the fastest pace in a decade, and +2.4% YoY in Q4-2017. After bottoming out in Q3-2014, economic activity gradually started to accelerate, with domestic GDP exhibiting twelve consecutive quarters of positive growth between Q2-2015 and Q1-2018. Although the components of growth are not yet known, private investment and investments are expected to have been the main drivers in Q2. The rising of imports, as a result of strengthening domestic demand, has turned net exports' contribution negative to the expansion of the economic activity. The stronger than expected real GDP performance has led Prime Minister Brnabic to voice her expectation that public wages and pensions will be hiked sooner than anticipated. According to the initial plan, that was under the approval of the IMF, pensions and public wages were scheduled to be hiked as of November and January next year respectively. The issue will be discussed at the next IMF mission visit in the country in late September. Recall that the IMF approved a new 30-month non-financial advisory programme in the form of "Policy Coordination Instrument" (PCI) for Serbia. The new program suggests continuation of structural and institutional reforms and provides a valuable policy anchor going forward.

After several years of straggling with recession and stagnation, the Serbian economy has embarked on a virtuous cycle. Having expanded by 1.9% in 2017, real GDP is highly likely to outperform our 3.5% forecast in 2018. Among the main drivers behind this improving performance is increased inward foreign direct investment (FDI). Net FDI inflows-the latest NBS forecast stands at €2.6bn in 2018- have been incentivised by the ongoing improvements in the domestic business environment and macroeconomic fundamentals as well as generous subsidies scheme offered to foreign investors.

igkionis@eurobank.gr

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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	2813.36	-0.1%	5.2%	EUR/USD	1.1625	-0.3%	-3.2%	UST - 10yr	3.00	0	60	GOLD	1218	0.2%	-6.5%
Nikkei 225	22512.53	-1.0%	-1.1%	GBP/USD	1.3082	-0.3%	-3.2%	Bund-10yr	0.48	0	5	BRENT CRUDE	72	0.1%	8.4%
STOXX 600	388.05	-0.5%	-0.3%	USD/JPY	111.62	0.1%	1.0%	JGB - 10yr	0.13	-1	8	LMEX	2983	-2.0%	-12.7%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-23
1-week	2.42	1	-19
1-month	2.61	0	-24
3-month	2.89	0	-23
6-month	3.06	0	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.44	-1	-84
5Y RSD	3.89	-1	-35
7Y RSD	4.35	3	-83

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.61	0	61
USD Nov-24	#N/A N/A	#N/A N/A	-

CDS

	Last	ΔDbps	ΔYTD bps
5-year	110	0	-7
10-year	152	0	-10

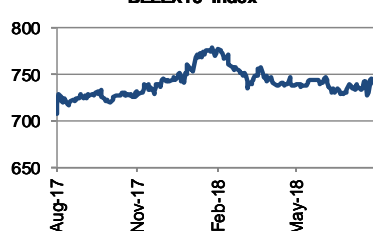
STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.1	-0.46%	-2.60%

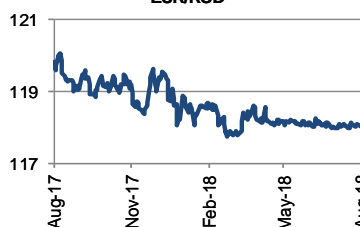
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.83	0.20%	0.92%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.59	-2	250
1-month	3.5	-1	163
3-month	3.47	0	142
6-month	3.53	1	126
12-month	3.62	-1	130

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.24	0	86
5Y RON	4.70	0	92
10Y RON	4.88	0	56

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	3
USD Jan-24	4.04	0	104

CDS

	Last	ΔDbps	ΔYTD bps
5-year	97	1	7
10-year	141	1	7

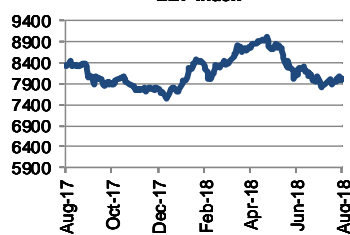
STOCKS

	Last	ΔD	ΔYTD
BET	7998.3	-0.17%	3.15%

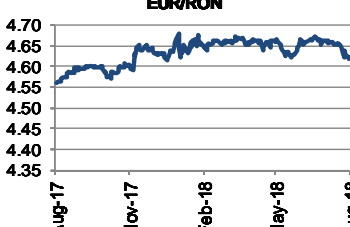
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6222	-0.06%	0.92%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.30	0	-5
3-month	-0.23	0	-5
6-month	-0.12	0	-7
12-month	0.22	1	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.11	-1	-5
5Y BGN	0.09	-2	-5
10Y BGN	0.86	0	-11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.01	-1	7
EUR Sep-24	0.42	-2	-16

CDS

	Last	ΔDbps	ΔYTD bps
5-year	76	0	-21
10-year	121	0	-21

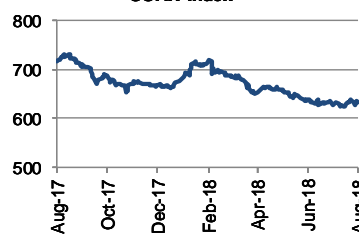
STOCKS

	Last	ΔD	ΔYTD
SOFIX	633.8	-0.14%	-6.44%

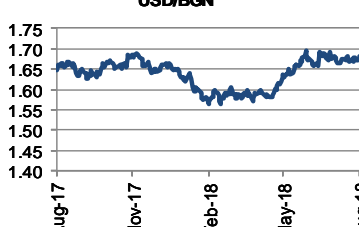
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6828	-0.33%	-3.17%

SOFIX Index



USD/BGN



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

Data updated as of 11:40 EEST

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Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Ioannis Gkionis
Senior Economist, Eurobank Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

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

Stelios Gogos (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371226
sgogos@eurobank.gr

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
+30 210 3371228
tstamatou@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Marisa Yiannissis: Administrator
magiannisi@eurobank.gr, +30 210 3371242

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr, +30 210 33 71 225

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, +30 210 37 18 991

Dr. Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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