

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jul 2: ISM manuf (Jun)
- Jul 3
 - Factory orders (May)
 - Auto sales (Jun)
- Jul 4: Public Holiday
- Jul 5
 - Initial jobless claims (June 30)
 - ISM non-manuf (Jun)
 - ADP employment report (Jun)
 - Minutes of June FOMC meeting
- Jul 6
 - Trade balance (May)
 - Non-farm payrolls (Jun)

EUROZONE

- Jul 2
 - Unemployment rate (May)
 - PMI manuf, final (Jun)
- Jul 4: PMI services, final (May)
- Jul 5: German industrial orders (May)

GREECE

- Jul 2: PMI manufacturing (Jun)

SEE

ROMANIA

- July 2
 - Unemployment (May)
 - International Reserves (€bn, Jun)
- July 3
 - PPI (May)
 - Retail Sales (May)
- July 4: NBR policy meeting
- July 6: GDP (Q1-2018, second estimate)

CYPRUS

- July 4
 - Registered Unemployment (Jun)
 - Building permits (Apr)
- July 5: CPI (Jun)

SERBIA

- July 6: PPI Index (Jun)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Horst Seehofer, the leader of Bavaria's Christian Social Union (CSU) and Germany's Interior Minister who offered to resign over the weekend after rejecting Chancellor Angela Merkel's EU migration deal, told reporters yesterday evening that he will remain in office as Interior Minister and party leader, after reaching a deal on migration with Angela Merkel's sister party, Christian Democrats (CDU). The deal, which brought Germany's coalition government to the brink of collapse, foresees the creation of transit centers in Bavaria for asylum seekers who have already applied for asylum in another EU member state. News that Chancellor Angela Merkel and Interior Minister Horst Seehofer reached a deal on migration weighed on German Bunds while the EUR gained some ground against the USD. The US President said to reporters on Friday that he will make a decision on car tariffs from the EU and other trading partners within the next three to four weeks.

GREECE: According to the Bank of Greece Monetary Policy Report 2017-2018 that was released yesterday, the 21 June Eurogroup decision ensures the sustainability of Greek public debt at least in the medium term. Serious concerns are expressed about the agreed primary surplus targets over such a protracted period of time. Real GDP growth is forecast at 2.0% in 2018 and 2.3% in 2019, driven by investment, exports and a slight upturn in private consumption. Conditions in the financial sector are considered to be improving with banks having returned to profitability in Q1 2018, capital adequacy ratios remaining high and NPEs continuing the declining course in line with targets.

SOUTH EASTERN EUROPE

CESEE MARKETS: The Turkish lira came under renewed depreciation pressure on Tuesday's morning trade on the announcement of a higher than expected inflation reading in June.

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Latest world economic & market developments

GLOBAL MARKETS

Horst Seehofer, the leader of Bavaria's Christian Social Union (CSU) and Germany's Interior Minister who offered to resign over the weekend after rejecting Chancellor Angela Merkel's EU migration deal, told reporters yesterday evening that he will remain in office as Interior Minister and party leader, after reaching a deal on migration with Angela Merkel's sister party, Christian Democrats (CDU). The deal, which brought Germany's coalition government to the brink of collapse, foresees the creation of transit centers in Bavaria for asylum seekers who have already applied for asylum in another EU member state and their applications will be examined there in a fast-track procedure. In order for this new border regime to come into effect, the German government wants to negotiate bilateral agreements with other EU countries. News that Chancellor Angela Merkel and Interior Minister Horst Seehofer reached a deal on migration weighed on German Bunds with the 10-yr yield rising close to 0.33% earlier today after hitting a four-week low close to 0.28% on Monday. In FX markets, the EUR gained some ground hovering around 1.1650/58 against the USD in European trade at the time of writing, 0.6% higher from Monday's intraday lows. Besides political developments in Germany, trade concerns also continue to take centre stage. US President Donald Trump said to reporters on Friday that he will take a decision on car tariffs from the EU and other trading partners within the next three to four weeks. Meanwhile, the EU warned the US Commerce Department earlier this week that US import tariffs on cars and car parts would prompt retaliation tariffs on US goods worth of \$294bn.

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GREECE

According to the Bank of Greece Monetary Policy Report 2017-2018 that was released yesterday, the 21 June Eurogroup decision ensures the sustainability of Greek public debt at least in the medium term but over the long term debt sustainability depends on keeping up the fiscal and reform effort and on the commitment of the European partners for further debt relief in the event of an unexpectedly more adverse scenario. Serious concerns are expressed about the agreed primary surplus targets over such a protracted period of time, which the BoG considers the greatest risk in the analysis of long-term sustainability. Furthermore it is argued that the prerequisites for maintaining the waiver for Greek government bonds, i.e. enhanced surveillance and conditionality, are in essence provided for in the Eurogroup agreement and could thus allow for the GGBs' inclusion in the ECB's asset purchase programme both in its regular duration and during the reinvestment period. As regards economic activity, the BoG forecasts real GDP growth of 2.0% in 2018 and 2.3% in 2019, driven by investment, exports and a slight upturn in private consumption while downside risks include delays in the implementation of reforms and privatisations, excessive taxation, increased trade protectionism worldwide, geopolitical developments, risk aversion due to market turbulence and increased migrant-refugee flows. Finally, according to the BoG report, conditions are improving in the financial sector with banks having returned to profitability in Q1 2018, capital adequacy ratios remaining high and NPEs continuing the declining course in line with targets. In other news, the General Shareholders Meeting of DEPA is expected to approve today the acquisition of the stake of Shell in EPA Attica which will then be subject to approval by the Hellenic Competition Commission and DG Comp. Once this procedure has been completed, DEPA will break into DEPA commercial and DEPA network, which will open the way for the sale of DEPA commercial in line with the June Eurogroup agreement.



Source: Reuters, Bloomberg, Eurobank Research

Tuesday 03 July 2018

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

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

CESEE MARKETS

Emerging assets traded broadly in red on Tuesday's morning trade driven by heightened trade war concerns. At the time of writing, the MSCI EM Index stood at 1055.28, -0.38% lower than previous day close. From a regional point of view, the Turkish lira came under renewed depreciation pressure trading at 4.66/USD having weakened as low as 4.69/USD in the day confirming that the lira stands among the worst performing EM currencies this year. The headline inflation reading of June and the PMI reading of May weighed on the domestic currency performance in the last two days, adding to overheating concerns for the Turkish economy. Headline inflation reading in June increased by 2.6% MoM/15.4% YoY above consensus expectations. The PMI inched up to 46.8 compared to 46.4 previously, remaining though firmly below the 50 threshold. Recall that, the Turkish currency has come under significant pressure this year amid increased concerns about heightened, double-digit and well above the 5% official target in tandem with the lack of more aggressive Central Bank monetary policy response. The results of the dual snap elections on June 24th in which Tayyip Erdogan was elected President from the first round and the ruling AKP party and its ally gained parliamentary majority, had provided a temporary boost to the currency. The USD recent strengthening to multi-month highs has also weighed on the TRY, as have heightened geopolitical risks and the country's elevated external vulnerabilities.

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Tuesday 03 July 2018

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	2726.71	0.3%	2.0%	EUR/USD	1.1657	0.2%	-2.9%	UST - 10yr	2.87	0	47	GOLD	1246	0.3%	-4.4%
Nikkei 225	21785.54	-0.1%	-4.3%	GBP/USD	1.3184	0.3%	-2.5%	Bund-10yr	0.32	2	-11	BRENT CRUDE	78	0.8%	16.5%
STOXX 600	379.47	0.7%	-2.5%	USD/JPY	110.9	0.0%	1.6%	JGB - 10yr	0.03	1	-2	LMEX	3156	-1.5%	-7.7%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.27	-2	-25
1-week	2.40	-1	-21
1-month	2.59	-1	-26
3-month	2.88	-2	-24
6-month	3.05	-1	-19

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.45	0	-82
5Y RSD	3.99	0	-25
7Y RSD	4.36	0	-81

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.76	0	77
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

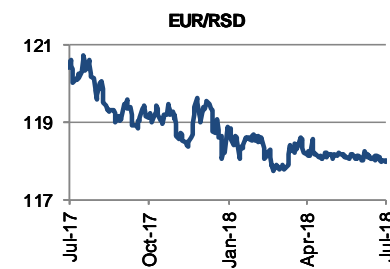
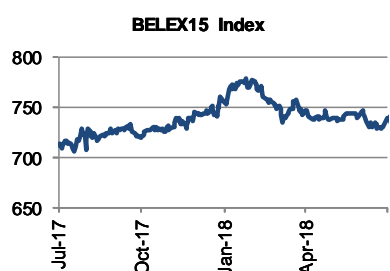
	Last	ΔDbps	ΔYTD bps
5-year	125	1	7
10-year	176	2	14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	734.0	0.09%	-3.39%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.91	1.04%	0.85%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.43	-3	234
1-month	3.23	5	136
3-month	3.24	9	119
6-month	3.29	5	102
12-month	3.34	3	102

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.36	0	98
5Y RON	4.96	0	118
10Y RON	5.21	0	90

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	#N/A N/A	7
USD Jan-24	4.25	0	125

CDS

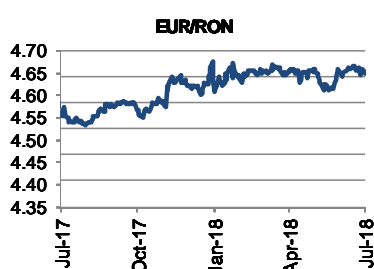
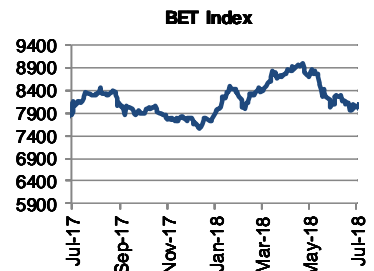
	Last	ΔDbps	ΔYTD bps
5-year	99	0	9
10-year	143	0	10

STOCKS

	Last	ΔD	ΔYTD
BET	8055.0	-0.40%	3.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6642	-0.01%	0.01%



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	-0.09	-2	-3
5Y BGN	0.12	-3	-2
10Y BGN	1.00	0	3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	-12	12
EUR Sep-24	0.63	-20	6

CDS

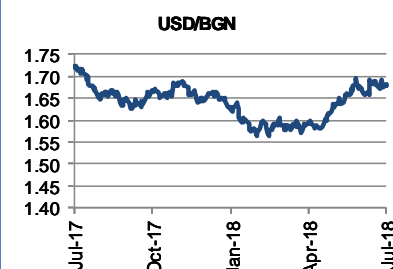
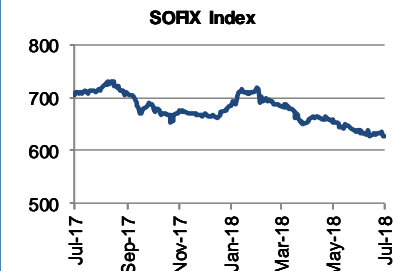
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	127	0	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	635.1	0.13%	-6.25%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6795	-0.32%	-2.98%



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

Data updated as of 12:30 EEST

Tuesday 03 July 2018

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