

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: European government bond yields, mainly of core countries and at the short end of the curve, were higher in early European trade on Thursday after a report conveyed that some ECB Governing Council members were uneasy about investors not expecting a rate hike before December 2019. Turning to FX markets, the EUR/USD briefly rose to a three-week high of 1.1711 earlier today on firmer than expected German industrial orders. ECB Governing Council Member Ewald Nowotny, ECB Executive Board Member Yves Mersch and ECB Supervisory Board Chair Danièle Nouy will speak at the two-day annual Austrian Central Bank conference in Linz today (12:30 CET). BoE Governor Mark Carney is also due to speak today at an event in Newcastle (12:00 CET). Looking at today's calendar, we expect the minutes from the FOMC June monetary policy meeting and the US ADP June employment report ahead of tomorrow's US non-farm payrolls data.

GREECE: The Public Debt Management Agency (PDMA) published yesterday a preliminary report on the estimated effect of the 21 Eurogroup medium term debt relief measures on debt sustainability according to which with the implementation of the 21 June Eurogroup medium term debt relief measures, "debt dynamics are clearly sustainable and on a downward path".

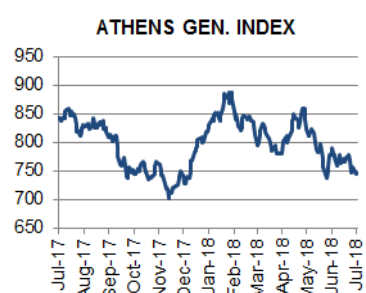
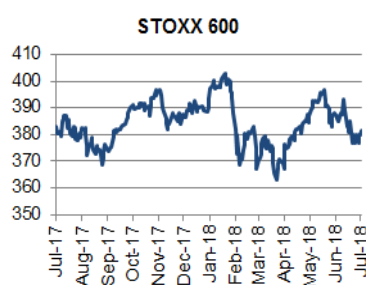
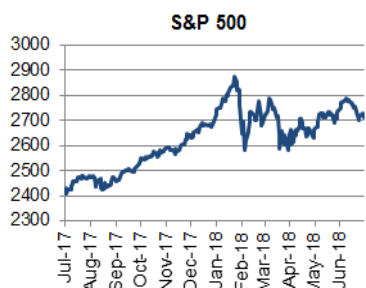
SOUTH EASTERN EUROPE

ROMANIA: NBR maintained interest rates unchanged at 2.5% and MRRs for FX and RON denominated liabilities at 8% respectively.

DISCLAIMER

This document has been issued by Eurobank Ergasias SA (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 (expressed 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.

Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

European government bond yields, mainly of core countries and at the short end of the curve, were higher in early European trade on Thursday after a report conveyed that some ECB Governing Council members were uneasy about investors not expecting a rate hike before December 2019. As per the same source, the ECB policymakers suggested that a rate hike in September or October is on the cards, noting though that any decision on the ECB's monetary policy will depend on the euro area economic outlook. 2-yr German bond yields rose by more than 4bps on the day hitting a two-week high of -0.64% earlier today while 10-yr Bund yields rose to 0.33%, 2.7bps firmer compared to Wednesday's close. Turning to FX markets, the EUR/USD briefly rose to a three-week high of 1.1711 earlier today on firmer than expected German industrial orders before retreating to levels around 1.1685/88 in European trade at the time of writing, remaining within the 1.1500-1.1800 recent range. ECB Governing Council Member Ewald Nowotny, ECB Executive Board Member Yves Mersch and ECB Supervisory Board Chair Danièle Nouy will speak at the two-day annual Austrian Central Bank conference in Linz today (12:30 CET). However, market participants are unlikely to price in a much more aggressive ECB rate tightening path on the back of prevailing political uncertainty in Italy and in Germany, the ECB's dovish forward guidance on interest rates, ongoing trade worries and concerns about the sustainability of the global economic recovery. BoE Governor Mark Carney is also due to speak today at an event in Newcastle (12:00 CET) and his comments may trigger an adjustment in market expectations for a 25bps rate hike at the 2 August BoE policy meeting. Meanwhile, in Germany, the Social Democrats (SPD), one of grand coalition parties, has yet to decide whether to accept the migration compromise between Chancellor Angela Merkel's CDU party and its Bavarian sister party CSU, foreseeing the creation of transit centers at the German-Austrian border. Leading politicians of the grand coalition will meet again later today. Looking at today's calendar, we expect the minutes from the FOMC June monetary policy meeting and the US ADP June employment report.

ppetropoulou@eurobank.gr

GREECE

The Public Debt Management Agency (PDMA) published yesterday a preliminary report on the estimated effect of the 21 Eurogroup medium term debt relief measures on debt sustainability. According to this report, the abolition of the step-up interest rate margin on the debt buy-back tranche of the second programme represents savings of c. €0.2 billion per year while the ECB profits from 2014 and 2017 onwards that will be distributed over 2018-2002 amount to €5.8 billion. The deferral by 10 years of interest and amortization will be applied unconditionally on €96.9 billion of EFSF loans along with the extension of the weighted average maturity by 10 years. Out of the €15 billion of the last ESM loan tranche, €3.3 billion will be used to buy-back past loans/bonds whose terms are relatively unfavourable (e.g. IMF, ECB, etc.) in order to reduce debt service costs. According to the PDMA analysis these measures along with the precautionary cash buffer of €24.1 billion, which is the equivalent of two years of gross financing needs, will lead to a breach of the 15%-of-GDP threshold in 2033 (instead of 2028 without the medium term debt relief measures) and no breach of the 20%-of-GDP threshold (instead of a breach thereof in 2033 without the medium term debt relief measures). Additionally, the debt-to-GDP ratio is expected to decline to 128% of GDP in 2032 against 134% before the aforementioned measures.

Thursday 05 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

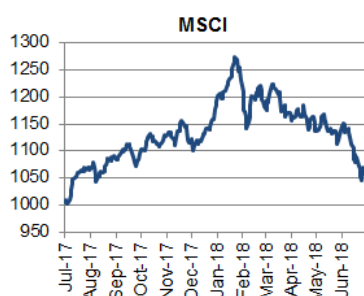
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

Latest economic & market developments in the CESEE region

ROMANIA

On July 4th, the NBR maintained the key policy rate (KPR) unchanged at 2.5% and MRRs for FX and RON denominated liabilities at 8% respectively. At the same time, the NBR also decided to preserve the deposit facility rate at 1.50% and the lending facility rate at 3.50% leaving the interest rate corridor unchanged at 2%. The decision was not entirely anticipated by market participants as it met the expectations of a thin majority in Bloomberg survey (10 out of 18 participants) while the majority of analysts in the respective Reuters survey were expecting a 25bps hike. Hence, the decision was perceived as a slight surprise pushing the domestic currency lower. However, after RON retreated as low as 4.6645/€, it ended the day at 4.6598/€ little changed.

In the statement released thereafter, NBR took note of both the high inflationary pressures, which were attributed to supply side factors (such as the larger-than-expected hikes in fuel prices and tobacco product prices) and the weaker than expected GDP growth reading in Q1-2018. Headline inflation reached a new five year high (5.4% in May vs. 5.2% in April up from +5.0% YoY in March), in a move further above the upper bound of the NBR's target interval (2.5+1%). However, the adjusted Core CPI (excluding administered and volatile prices, alcohol and tobacco) index also decreased over the same month to 2.95% in May down from 3.09% YoY in April compared to 3.05% in March, which implies that demand-side pressures could subside further in the near-term. To that end, the NBR governor suggested in the press-conference that during the summer months inflationary pressures are very low on a monthly basis, which could help the inflation rate and interest rates to converge at a relatively low level. Moreover, he added that the current monetary policy stance was less accommodative than the KPR was implying, suggesting thus little need for further aggressive hikes. The Governor pointed out that the NBR monetary policy cannot be decoupled from the ECB and CESEE central banks. The FX interventions of NBR have helped cushion the volatility of global capital flows, with other peer CESEE currencies coming under depreciation pressure, and RON remaining relatively stable. The NBR has hiked three times, each time by 25bps so far this year and we are still looking for one more by the end of the year – a view we hold since last April – provided that there is no other unexpected supply side shock.

igkionis@eurobank.gr

Thursday 05 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	2713.22	-0.5%	1.5%	EUR/USD	1.168	0.2%	-2.7%	UST - 10yr	2.86	3	45	GOLD	1253	-0.1%	-3.8%
Nikkei 225	21546.99	-0.8%	-5.4%	GBP/USD	1.3233	0.0%	-2.1%	Bund-10yr	0.33	3	-9	BRENT CRUDE	78	-0.4%	16.6%
STOXX 600	381.47	0.4%	-2.0%	USD/JPY	110.65	-0.1%	1.8%	JGB - 10yr	0.04	0	-1	LME X	3092	-1.3%	-9.6%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	2	-22
1-week	2.40	1	-21
1-month	2.61	1	-24
3-month	2.91	0	-21
6-month	3.04	1	-20

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	-2	-82
5Y RSD	3.96	0	-29
7Y RSD	4.38	-1	-79

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.71	#N/A N/A	72
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

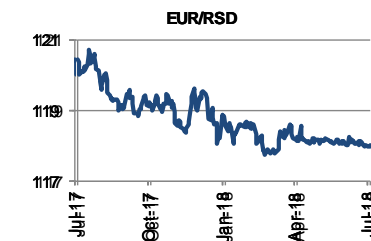
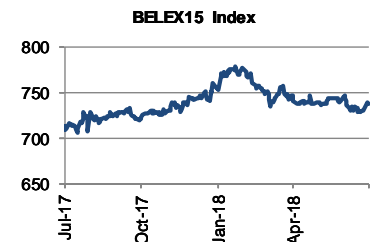
	Last	ΔDbps	ΔYTD bps
5-year	123	-1	5
10-year	175	-1	13

STOCKS

	Last	ΔD	ΔYTD
BELEX15	736.8	-0.05%	-3.03%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.10	-0.07%	0.68%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.4	-5	231
1-month	3.39	5	152
3-month	3.39	5	134
6-month	3.46	7	119
12-month	3.52	10	120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.40	0	102
5Y RON	5.00	0	122
10Y RON	5.19	0	88

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	#N/A N/A	7
USD Jan-24	4.24	0	124

CDS

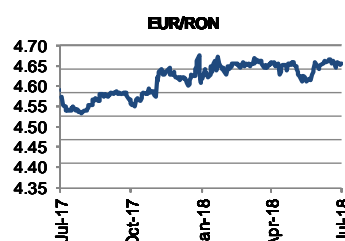
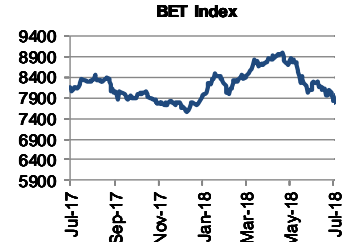
	Last	ΔDbps	ΔYTD bps
5-year	98	5	8
10-year	143	6	9

STOCKS

	Last	ΔD	ΔYTD
BET	7806.3	-1.19%	0.68%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6625	0.00%	0.05%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	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	-0.10	1	-4
5Y BGN	0.12	1	-3
10Y BGN	0.96	0	0

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.04	-2	12
EUR Sep-24	0.62	7	4

CDS

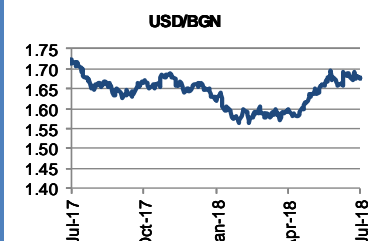
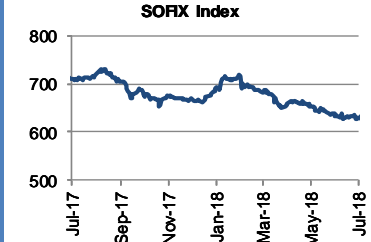
	Last	ΔDbps	ΔYTD bps
5-year	79	1	-18
10-year	126	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	630.0	-0.06%	-7.00%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6744	0.21%	-2.69%



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

Data updated as of 11:00 EEST

Thursday 05 July 2018

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 Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
+30 210 3371228
tstamatiou@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 Yiannisis: Administrator
magiannisi@eurobank.gr +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 Stamatiou: Senior Economist
tstamatiou@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

Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- **7 Ημέρες Οικονομία:** Weekly review of the Greek economy
- **Greece Macro Monitor - Focus Notes:** Periodic publication on the latest economic & market developments in Greece
- **Economy & Markets:** Analysis & research on the Greek and international economy
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Global Macro Themes & Market Implications for the EA Periphery and the CESEE:** Monthly review of the international economy and financial markets
- **Global Markets Special Focus Reports:** Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

