

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday 06 August 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Aug 9:
  - PPI (Jul)
  - Weekly Jobless Claims
- Aug 10:
  - CPI (Jul)
  - Avg Hourly Earnings (Jul)

#### EUROZONE

- Aug 6:
  - Sentix Investor Confidence (Aug)
- Aug 9:
  - ECB's Economic Bulletin

#### UK

- Aug 10:
  - Industrial Production (Jun)
  - Q2 GDP (1<sup>st</sup> estimate)

#### GREECE

- Aug 9:
  - Industrial Production (Jun)
  - CPI (Jul)
  - Unemployment Rate (May)

#### SEE

##### BULGARIA

- Aug 8:
  - Industrial Production (Jun)
  - Retail Sales (Jun)
- Aug 10:
  - Trade Balance (Jun)

##### ROMANIA

- Aug 7: Avg Net Wages (Jun)
- Aug 9: Trade Balance (Jun)
- Aug 10:
  - Industrial Output (Jun)
  - Industrial Sales (Jun)
  - CPI (Jul)

##### SERBIA

- Aug 7: PPI (Jul)
- Aug 9: 1W Repo Rate Announcement

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The majority of Asian equity indices traded in the red on Monday amid escalating US/China trade tensions. China proposed on Friday retaliatory new tariffs (from 5% to 25%) on \$60bn worth of US imported goods. Trying to counterbalance its announcement for fresh tariffs on US imports and prevent the yuan currency from weakening too aggressively, the People's Bank of China (PBOC) imposed a reserve requirement of 20% from Monday on financial institutions settling CNY forward contract sales to clients, raising the cost for investors to short the Chinese currency and as such reversing fully the cut implemented last September. In FX markets, the US dollar held firm following the US employment data released on Friday that reinforced market expectations for further gradual increases in the fed funds rate. Mirroring a strengthening US dollar, the EUR/USD plunged to more than five-week lows of 1.1550 in European trade on Monday.

**GREECE:** According to the General Government data published earlier this week, the stock of the general government arrears to the private sector, including tax arrears, at the end of June 2018 was at €2.7 bn from €3.0 bn at the end of May 2018, a monthly decrease of -8.6%.

### SOUTH EASTERN EUROPE

**SERBIA:** The EURRSD remained bound within a 117.85-118.20 trading range in the past week.

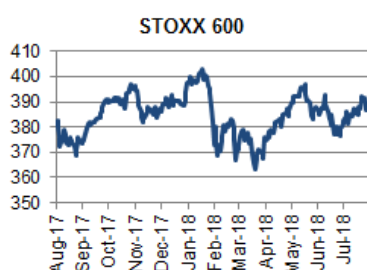
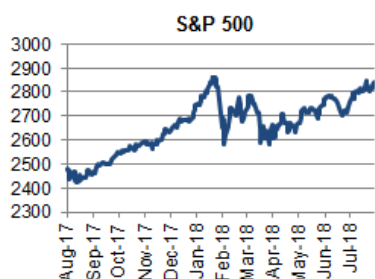
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## Latest world economic & market developments

### GLOBAL MARKETS



The majority of Asian equity indices traded in the red on Monday amid escalating US/China trade tensions. China proposed on Friday retaliatory new tariffs (from 5% to 25%) on \$60bn worth of US imported goods, while the US President Donald Trump cited that tariffs on Chinese imports are "working far better than anyone ever anticipated", highlighting losses in the Chinese equity market and emphasizing that the US stock market could "go up dramatically" as soon as trade agreements are renegotiated. Trying to counterbalance its announcement for fresh tariffs on US imports and prevent the yuan currency from weakening too aggressively, the People's Bank of China (PBOC) imposed a reserve requirement of 20% from Monday on financial institutions settling CNY forward contract sales to clients, raising the cost for investors to short the Chinese currency and as such reversing fully the cut implemented last September. In response, the USD/CNH pulled away from a 15-month high of 6.9127 hit on Friday, trading around 6.85 in European trade. Elsewhere, the US dollar held firm following the US employment data released on Friday that reinforced market expectations for further gradual increases in the fed funds rate, with the DXY dollar index trading at the time of writing near Friday's two-week high of 95.368, within distance from more-than-one-year peak of 95.652 hit in mid-July. Although the US payroll growth fell short of market expectations in July for a rise of 193k and slowed to 157k, this deceleration was partly offset by a cumulative upward revision of 59k in the two prior months. Meanwhile, the U-6 unemployment rate, which includes people who want to work but have given up searching and those working part-time purely for economic reasons, dropped three tenths to 7.5%, the lowest level since May 2001. Mirroring a strengthening US dollar, the EUR/USD plunged to more than five-week lows of 1.1550 in European trade on Monday. This week's calendar is relatively empty, though the US CPI report for July on Friday will be worth watching. Market expectations are for a rise of 0.2%MoM for the headline and the core, leaving the annual rates unchanged at 2.9% and 2.3%, respectively.

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### GREECE

Source: Reuters, Bloomberg, Eurobank Research

According to the General Government data published earlier this week, the stock of the general government arrears to the private sector, including tax arrears, at the end of June 2018 was at €2.7 bn from €3.0 bn at the end of May 2018, a monthly decrease of -8.6%. All categories of general government arrears decreased in June 2018 with the exception of tax arrears that registered a monthly increase of 19.9% (from €0.59 bn to €0.71 bn). The stock of general government arrears to the public sector excluding tax arrears at the end of June 2018 was at €2.0 bn from €2.4 bn in the previous month. Compared to their recent peak in August 2017 (€6.0 bn) general government arrears, including tax arrears, registered a decrease of -54.8%. According to the most recent Compliance Report (March 2018) arrears are expected to be cleared by June 2018.

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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

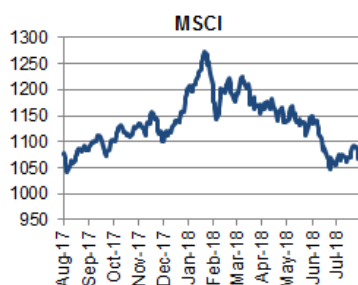
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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\*

The EURRSD remained bound within a 117.85-118.20 trading range in the past week, ending at a weekly high at 118.20 but without being able to gain any traction to the upside. At the same time, the repeated interventions from National Bank of Serbia (NBS) diluted any bearish bias. In terms of intervention intensity, the week passed with only one intervention, on Tuesday, when NBS bought €10mn. The Statistical Office data showed that in June 2018, exports of goods denominated in euros rose by 9.3% and imports of goods by 11.7% on an annual basis. In the period January–June 2018, exports of goods denominated in euros were higher by 7.6% while imports increased by 11.7% compared to the same period last year. Exports growth was driven by increases in all branches of manufacturing, while imports were driven primarily by imports of equipment and intermediate goods. Finally, the current account deficit has widened to 7.2% of GDP for Q1-2018 and could surpass the deficit of 2017. In 2017, the current account deficit widened to €2.09bn up from €1.075bn in the previous year.

\*We would like to thank Zoran Korac from Eurobank AD Beograd for his invaluable contribution in today's issue.

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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	2840.35	0.5%	6.2%	EUR/USD	1.1566	0.0%	-3.7%	UST - 10yr	2.95	0	54	GOLD	1212	-0.1%	-7.0%
Nikkei 225	22507.32	-0.1%	-1.1%	GBP/USD	1.2977	-0.2%	-4.0%	Bund-10yr	0.41	0	-2	BRENT CRUDE	74	0.4%	9.9%
STOXX 600	388.50	-0.2%	-0.2%	USD/JPY	111.28	0.0%	1.3%	JGB - 10yr	0.11	0	6	LMEX	2988	0.8%	-12.6%

## SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.42	0	-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	-83
5Y RSD	3.89	3	-35
7Y RSD	4.35	0	-83

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.63	2	63
USD Nov-24	#N/A N/A	#N/A N/A	-

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	153	0	-9

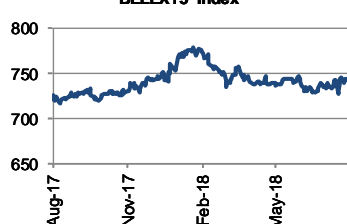
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	743.8	-0.03%	-2.10%

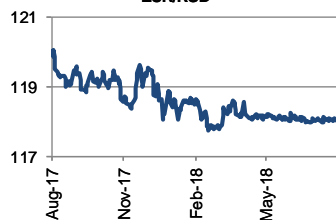
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.98	0.08%	0.79%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.8	-78	171
1-month	3.36	-14	149
3-month	3.4	-7	135
6-month	3.49	-4	122
12-month	3.6	-3	128

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.25	0	86
5Y RON	4.77	0	99
10Y RON	4.94	0	63

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	2
USD Jan-24	4.04	0	104

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	0	5
10-year	138	0	5

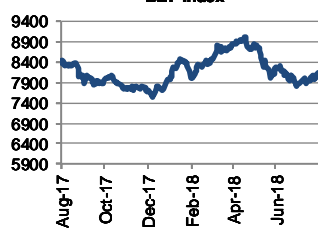
## STOCKS

	Last	ΔD	ΔYTD
BET	8126.5	0.47%	4.81%

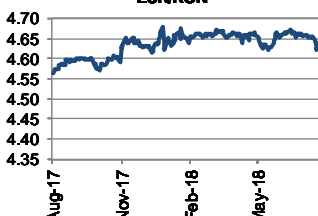
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6235	-0.21%	0.89%

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	-0.12	1	-6
5Y BGN	0.07	-3	-8
10Y BGN	0.85	0	-12

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	-5	8
EUR Sep-24	0.46	-26	-12

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	76	0	-20
10-year	121	0	-20

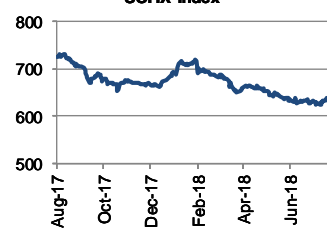
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	639.9	-0.05%	-5.54%

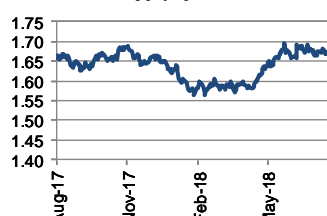
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.692	-0.07%	-3.70%

SOFIX Index



USD/BGN



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

Data updated as of 11:45 EEST

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