

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday 08 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 (1st 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: Mirroring the positive momentum in Wall Street overnight, Asia equity indices traded in the black on Wednesday for a fourth day in a row. Nevertheless, China's shares retreated on Wednesday after the US Trade Representative's office cited late on Tuesday that the Trump's administration will impose 25% tariffs on an additional \$16bn of Chinese goods from August 23rd, overshadowing China's strong July trade data. In FX markets, the CNY has strengthened following a meeting between the PBoC and Chinese Banks y-day. Elsewhere, the EUR/USD hit a 6-day high of 1.1628 in European trade on Wednesday, as the USD's recent rally on global trade frictions ran out of steam. In European markets, peripheral spread-tightening came hand in hand with the risk-on bounce, while Italian bank earnings supported BTP short-covering after last Thursday's violent reversal. There is some hesitation prevalent, however, with Italian budget talks resuming today.

GREECE: According to ELSTAT's commercial transactions data, the nominal value of Greek exports of goods increased by 24.8 YoY% in June 2018 from 14.9 YoY% in May 2018. The respective figures for imports were 27.1 YoY% and 2.9 YoY%. The balance of goods, after increasing on an annual basis for 7 straight months (+€247.2 YoY mn per month on average), decreased by -€465.0 YoY mn in June 2018.

SOUTH EASTERN EUROPE

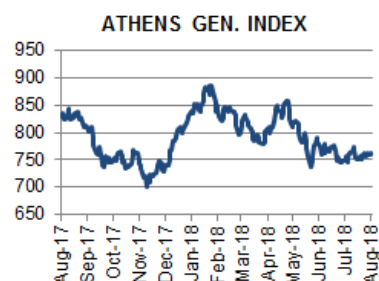
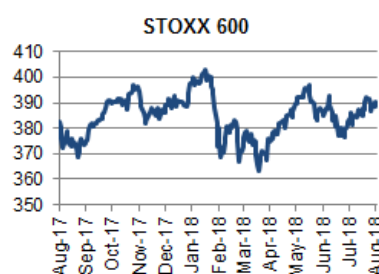
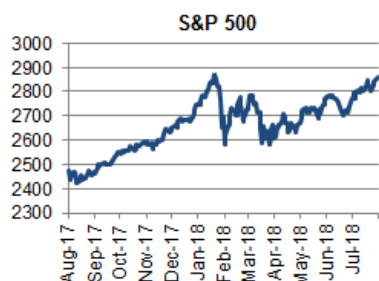
ROMANIA: NBR maintained the key policy rate (KPR) unchanged at 2.5% and MRRs for FX and RON denominated liabilities at 8% respectively.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Mirroring the positive momentum in Wall Street overnight amid a strong Q2 corporate earnings season, Asia equity indices traded in the black on Wednesday for a fourth day in a row while the CBOE volatility index (VIX) fell to a seven-month low of 10.87 in early European trade at the time of writing. Nevertheless, China's shares retreated on Wednesday after posting its biggest gain in more than two years in the prior session, with the Shanghai Composite index falling 1.3% and the blue-chip CSI300 index closing 1.6% lower. The US Trade Representative's office cited late on Tuesday that the Trump's administration will impose 25% tariffs on an additional \$16bn of Chinese goods from August 23rd, overshadowing China's July trade data that revealed an exports rise of 12.2%YoY (vs. 10.0% expected), up from 11.2%YoY in June, despite US tariffs imposed a month ago. In FX markets, the CNY has strengthened with the USD/CNH hitting a one-week low of 6.8061 in Asian trade following a meeting between the PBoC and Chinese Banks y-day, where the PBoC urged banks to prevent "herd behavior" regarding the Chinese currency while reassuring that the central bank has the necessary tools to stabilize the FX market and keep the CNY flexible in both directions. Elsewhere, the EUR/USD hit a 6-day high of 1.1628 in European trade on Wednesday, as the USD's recent rally on global trade frictions ran out of steam. In European markets, peripheral spread-tightening (Italy 2y -6bp) came hand in hand with the risk-on bounce (DAX +0.6%), while Italian bank earnings supported BTP short-covering after last Thursday's violent reversal (20bp range). There is some hesitation prevalent, however, with Italian budget talks resuming today.

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GREECE

According to ELSTAT's commercial transaction data, the nominal value of Greek exports of goods increased by 24.8 YoY% in June 2018 from 14.9 YoY% in May 2018. The category of oil products contributed 13.3 ppts to the annual percentage increase of total exports of goods (reflecting partially the increase in oil prices) followed by ships (+2.8 ppts) and the category of goods excluding oil and ships (+8.7 ppts). On the debit side of the accounts, the nominal value of Greek imports of goods increased by 27.1 YoY% in June 2018 from 2.9 YoY% in the previous month. The category of oil products contributed +18.2 ppts and the respective figure for the category of goods excluding oil and ships was +9.2 ppts. Given the aforementioned annual changes, the balance of goods, after increasing on an annual basis for 7 straight months (+€247.2 YoY mn per month on average), decreased by -€465.0 YoY mn in 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

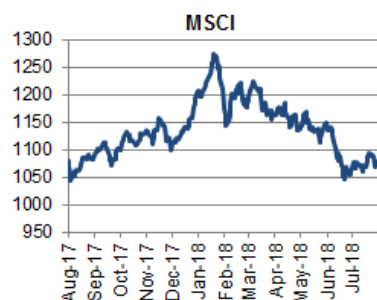
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba3	BB+	BB+

Latest economic & market developments in the CESEE region

ROMANIA

On August 6th, 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 non anticipated by market participants as it met the expectations of few analysts in the Bloomberg survey (3 out of 18 participants) with the rest anticipating a 25bps hike.

The market focus though turned to the dovish comments of the NBR Governor. In the press-conference thereafter, in an even more surprising move, Mr. Isarescu commented that the hiking cycle is approaching the end and celebrated that "a battle against inflation has been won as it's clear that inflation is easing". Headline inflation reached a new five year high in June (0.0% MoM/5.4% YoY in June) 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 2.9% down from 2.95% in May down from 3.09% YoY in April, which implies that demand side pressures could subside further in the near-term. To that end, the NBR governor had suggested in last month's 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. From that point of view, in this month's press-conference, the Governor pointed out that preliminary data show prices fell in month-on-month terms in July.

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 given that upside risks to inflation outlook do exist both from the expansionary domestic fiscal policy and major Central Banks' monetary policy normalization.

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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	2858.45	0.3%	6.9%	EUR/USD	1.1616	0.1%	-3.2%	UST - 10yr	2.97	0	57	GOLD	1215	0.3%	-6.8%
Nikkei 225	22644.31	-0.1%	-0.5%	GBP/USD	1.2934	0.0%	-4.3%	Bund-10yr	0.41	1	-1	BRENT CRUDE	75	0.1%	11.7%
STOXX 600	389.79	-0.2%	0.2%	USD/JPY	110.95	0.4%	1.6%	JGB - 10yr	0.11	0	7	LME X	2987	0.6%	-12.6%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	2	-22
1-week	2.42	1	-19
1-month	2.61	1	-24
3-month	2.89	0	-23
6-month	3.05	0	-19

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.44	0	-83
5Y RSD	3.89	0	-35
7Y RSD	4.35	0	-83

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.62	0	63

CDS

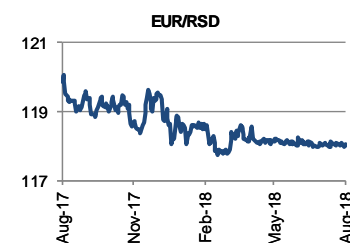
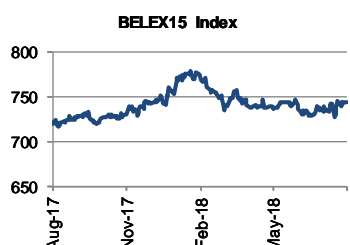
	Last	ΔDbps	ΔYTD bps
5-year	110	-1	-8
10-year	152	-1	-10

STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.9	-0.03%	-2.22%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.06	0.06%	0.72%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.69	0	160
1-month	3.31	0	144
3-month	3.36	0	131
6-month	3.46	0	119
12-month	3.57	0	125

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.05	0	67
5Y RON	4.54	0	76
10Y RON	4.76	0	45

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	1
USD Jan-24	4.05	1	105

CDS

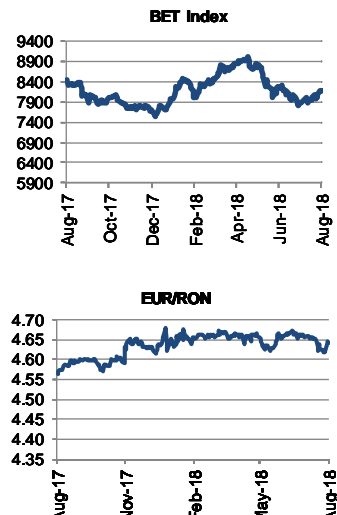
	Last	ΔDbps	ΔYTD bps
5-year	94	-1	4
10-year	136	-2	3

STOCKS

	Last	ΔD	ΔYTD
BET	8186.6	-0.04%	5.58%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6428	0.05%	0.47%



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	-0.10	-1	-4
5Y BGN	0.06	-2	-8
10Y BGN	0.84	0	-13

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	-6	8
EUR Sep-24	0.46	-26	-12

CDS

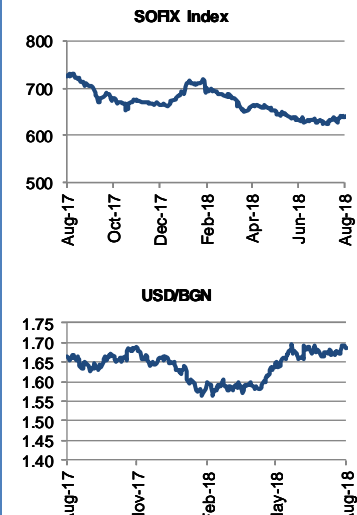
	Last	ΔDbps	ΔYTD bps
5-year	75	0	-21
10-year	121	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	639.6	-0.10%	-5.59%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6839	0.14%	-3.24%



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

Data updated as of 11:07 EEST

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