

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday 09 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:** Asian equity markets traded mixed on Thursday, with China's tech shares leading the gains amid news for possible government support to further open the domestic technology sector to foreigners. In FX markets, the Russian ruble plunged after a Russian newspaper published the full text of a new US Senate bill that would impose new sanctions on Russia for meddling in US elections. Elsewhere, the British pound fell on Thursday to its lowest level in nearly a year against the US dollar and the common currency amid mounting fears for a 'no-deal' Brexit, with Great Britain leaving the EU without securing a trade agreement with Brussels. Investors' focus centres on Italy, where conflicting comments by government officials have sparked concerns over the anti-establishment government's ability to draft the 2019 budget without clashing with EU rules on fiscal discipline.

**GREECE:** According to the Bank of Greece, the ELA received by the Greek banks was at €4.8 bn at the end of July 2018, registering a 33.9% decrease on a monthly basis and a 72.3% decrease compared to the end of 2017.

### SOUTH EASTERN EUROPE

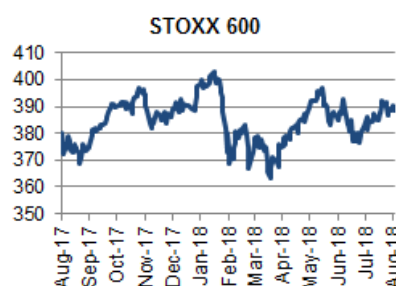
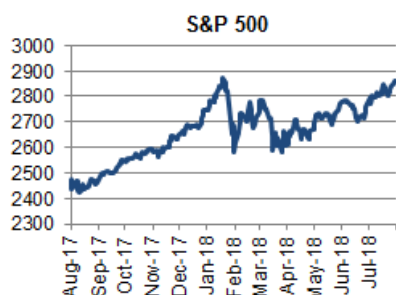
**ROMANIA:** The NBR revised its year-end inflation forecast down to 3.5% for 2018 and 2.7% for 2019

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## Latest world economic & market developments

### GLOBAL MARKETS



Asian equity markets traded mixed on Thursday, with China's tech shares leading the gains amid news for possible government support to further open the domestic technology sector to foreigners. China has reportedly revamped a leadership group, previously called the "National Technology and Education leadership Group" under the state Cabinet, in order to plan the country's main technological development strategies, pointing potentially to policy shifts for domestic technology companies. In FX markets, the Russian ruble plunged after a Russian newspaper published the full text of a new US Senate bill that would impose new sanctions on Russia for meddling in US elections, with the USD/RUB rising to a 21-month high of 66.71 in Asian trade, well above the psychologically important level of 65.00. Elsewhere, the British pound fell on Thursday to its lowest level in nearly a year against the US dollar and the common currency (\$1.2842 and €1.1074, respectively) amid mounting fears for a 'no-deal' Brexit, with Great Britain leaving the EU without securing a trade agreement with Brussels. Meanwhile, the USD/JPY edged lower to a two-week low of 110.71 in Asian trade on Thursday, as the traditional safe-haven yen capitalized on heightened trade war fears and increased speculation for BoJ's exit from its ultra-easy monetary policy stance. Turning to the government bond markets, the focus centres on Italy, where conflicting comments by government officials have sparked concerns over the anti-establishment government's ability to draft the 2019 budget without clashing with EU rules on fiscal discipline. Although the 10-yr Italian bond yields fell to a six-day low of 2.81% y-day with Italian Prime Minister Giuseppe Conte citing that Italy would defend its interest but not be "foolish" in its demands, it increased to a three-day high of 2.93% on Thursday after Deputy Prime Minister Luigi Di Maio argued that he was prepared to repeat in the budget talks the hard tactics regarding migration. Meanwhile, Germany's 10-year Bund yield reached a 17-day low of 0.38% in European trade on Thursday on risk off sentiment. Treasury's record \$26 bln 10-year auction was decent, stopping on the screws at 2.960%, right where it traded as it richened a bit into the bid deadline (resulting in a 2.875% coupon). There hasn't been a 3-handle 10y coupon since July 2011. Looking at today's calendar, the ECB publishes its latest economic bulletin, while in the US, the July core PPI report (expected at 0.2%MoM and 2.8%YoY), the final June wholesale inventories data and the weekly jobless claims are due later in the day.

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### GREECE

The Parliament's State Budget Office published y-day its report for the second quarter of 2018. According to the report the Greek government needs to move forward and implement the agreed reforms under the enhanced post – programme surveillance agreement (11 July 2018) and ignore calls for a more expansive fiscal policy in the upcoming period. Moreover, even though the agreement on the medium term debt relief measures was positive, the IMF's reservations over the long-term (post-2038) debt sustainability might have negative implications regarding the access to the markets and the further upgrade of the sovereign by the rating agencies. According to the aforementioned report the government should focus on the medium and long term prospects of the Greek economy via the improvement of the access to low cost financing via the banking system and / or the EU Cohesion funds and the implementation of measures aiming to boost the long term productivity. According to the Bank of Greece, the ELA received by the Greek banks was at €4.8 bn at the end of July 2018, registering a 33.9% decrease on a monthly basis and a 72.3% decrease compared to the end of 2017.

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Source: Reuters, Bloomberg, Eurobank Research

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## Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2017	2018e	2019f
Real GDP growth %	3.6	3.7	3.5
CPI (pa, yoy %)	2.1	2.4	2.7
Budget Balance/GDP	0.8	-1.0	-0.5
Current Account/GDP	4.5	3.0	3.0

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

CYPRUS: Indicators	2017	2018e	2019f
Real GDP growth %	3.9	3.9	3.6
CPI (pa, yoy %)	0.7	0.5	1.0
Budget Balance/GDP	1.8	1.7	1.7
Current Account/GDP	-6.7	-7.1	-7.8

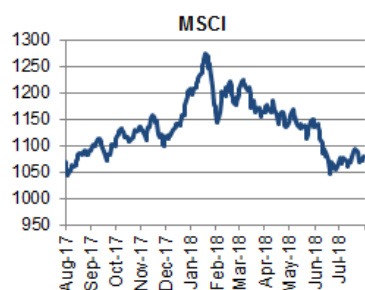
Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

ROMANIA: Indicator	2017	2018e	2019f
Real GDP growth %	7.0	4.5	4.0
CPI (pa, yoy %)	1.3	4.5	3.5
Budget Balance/GDP	-3.0	-3.5	-3.8
Current Account/GDP	-3.5	-4.0	-4.0

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2017	2018e	2019f
Real GDP growth %	1.9	3.5	3.5
CPI (pa, yoy %)	3.2	2.0	3.0
Budget Balance/GDP	1.2	0.6	0.5
Current Account/GDP	-5.7	-5.3	-5.2

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	Ba2	BB+	BB+

### ROMANIA

The NBR Governor, Mr. Mugur Isarescu, presented yesterday the updated August inflation report which contains the new consumer prices forecasts. NBR revised downwards the year end inflation forecast from 3.6% to 3.5% in 2018 at the upper limit of the target band (2.5%+/-1%) and trimmed that of 2019 by 0.3ppts to 2.7%. NBR grounded the downward revision of this year's projection on lower contributions from the adjusted CORE2 index and administered prices, partially offset by the higher contributions from fuel prices and tobacco product prices. Inflation components beyond the monetary policy scope are seen to make a cumulative contribution of 1.9ppts to the annual inflation rate at the end of 2018, 0.3ppts higher than that published in the previous May inflation report. At constant taxes, the year-end headline inflation rate is projected to stand at 3.4% YoY in 2018 and 2.6% YoY in 2019, only 0.1ppts below the previously forecasted levels. BNR anticipates a moderation, due to the significant reduction of the exogenous components' inflationary contribution, while pressures are expected to accumulate at the core inflation level, especially in 2019. Headline inflation is expected to enter within the target band in early 2019 and remain within it until the end of the forecast horizon.

The presentation of the inflation report came in the aftermath of NBR decision earlier in the week. On Monday, 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 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. Yet, the market focus 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.

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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	2857.70	0.0%	6.9%	EUR/USD	1.1591	-0.2%	-3.4%	UST - 10yr	2.95	-1	55	GOLD	1213	-0.1%	-6.9%
Nikkei 225	22598.39	-0.2%	-0.7%	GBP/USD	1.2855	-0.2%	-4.9%	Bund-10yr	0.39	-1	-4	BRENT CRUDE	72	-0.4%	7.6%
STOXX 600	388.60	-0.3%	-0.1%	USD/JPY	111.05	-0.1%	1.5%	JGB - 10yr	0.12	0	7	LMEX	3012	0.9%	-11.9%

### SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	-1	-23
1-week	2.41	-1	-20
1-month	2.60	-1	-25
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	3.63	0	64

#### CDS

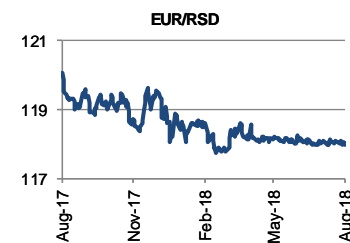
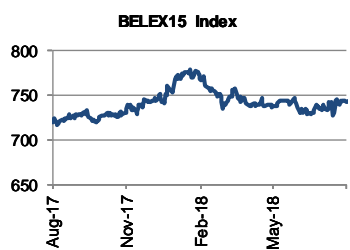
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-7
10-year	152	0	-10

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	755.4	1.68%	-0.58%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.96	0.09%	0.81%



### ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.68	0	159
1-month	3.23	-4	136
3-month	3.3	-3	125
6-month	3.44	-1	117
12-month	3.57	1	125

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.02	0	64
5Y RON	4.49	0	71
10Y RON	4.75	0	44

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	1
USD Jan-24	4.06	0	106

#### CDS

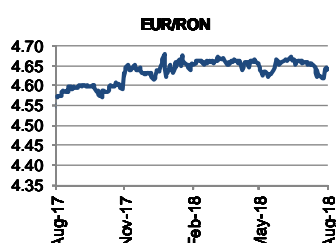
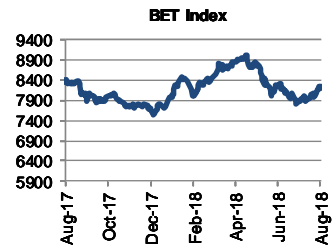
	Last	ΔDbps	ΔYTD bps
5-year	92	-2	2
10-year	134	-2	1

#### STOCKS

	Last	ΔD	ΔYTD
BET	8235.8	0.05%	6.22%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6422	-0.05%	0.49%



### 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	-1	-3
5Y BGN	0.08	-1	-7
10Y BGN	0.85	0	-12

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	-6	8
EUR Sep-24	0.45	-26	-12

#### CDS

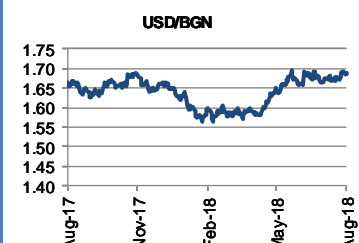
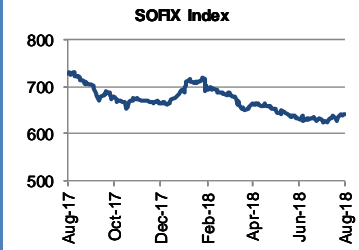
	Last	ΔDbps	ΔYTD bps
5-year	75	0	-22
10-year	120	0	-21

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	641.4	0.14%	-5.33%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6875	-0.17%	-3.44%



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

Data updated as of 11:15 EEST

Thursday 09 August 2018

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