

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 10 July 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- July 9: Consumer credit (JMay)
- July 11: PPI (Jun)
- July 12
 - Jobless claims (7 Jul)
 - CPI (Jun)
- July 4
 - Import prices (Jun)
 - UM consumer confidence (Jul)

EUROZONE

- July 9
 - German exports (May)
 - ECB President Draghi speaks
- July 10
 - German ZEW (Jul)
 - ECB President speaks
- July 12: Industrial production (May)

UK

- July 10
 - Industrial production (May)
 - Trade balance (May)

GREECE

- Jul 10
 - CPI (Jun)
 - Industrial production (May)
- July 12: Unemployment rate (Apr)

SEE

BULGARIA

- July 9
 - Industrial Production (May)
 - Retail Sales (May)
- July 12: Trade Balance (May)

ROMANIA

- July 9: Wages Net (May)
- July 10: Trade Balance (May)
- July 11
 - Industrial Sales (May)
 - CPI (June)
 - NBR Board meeting minutes
- July 12: Industrial Production (May)

CYPRUS

- July 10: Real Estate Prices (Q1-2018, CYSTAT)
- July 11: Tourism Revenues (April)

SERBIA

- July 12
 - CPI (Jun)
 - NBS Board meeting (Jul)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In protest against UK PM Theresa May's soft Brexit plan on the future UK/EU relationship, Foreign Secretary Boris Johnson also resigned, just a few hours after David Davis quit as Brexit Secretary, raising the risk of an imminent challenge to Mrs. May's leadership. In terms of FX, the GBP's reaction to the latest UK political developments has been relatively limited suggesting that concerns over a period of heightened UK political uncertainty seem to be counterbalanced by increased optimism for a softer form of Brexit. On the data front, today's highlights include Germany's ZEW and June UK GDP, the first time ever the ONS will publish monthly GDP data.

GREECE: ECB President Mario Draghi reportedly stated at a hearing that the current post-programme surveillance or enhanced surveillance for Greece does not warrant a waiver for Greek government bonds. The ESM Board of Directors is expected to approve on Friday the disbursement of the last ESM loan tranche for Greece of €15 billion.

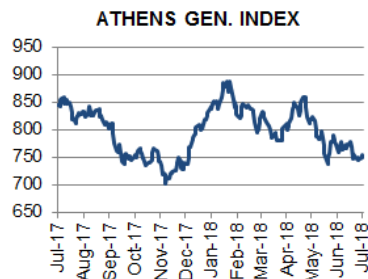
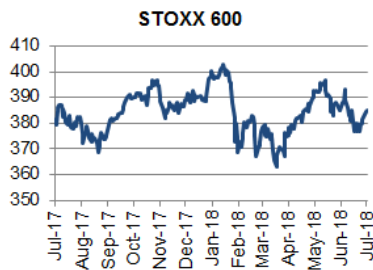
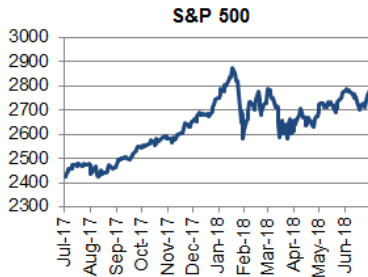
SOUTH EASTERN EUROPE

CESEE MARKETS: The Turkish lira came under renewed depreciation pressure on Monday's late and Tuesday's early trade on the announcement of the new cabinet members by newly-elected President Erdogan.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

In protest against UK PM Theresa May's soft Brexit plan on the future UK/EU relationship, Foreign Secretary Boris Johnson also resigned, just a few hours after David Davis quit as Brexit Secretary. The two high profile departures from the UK cabinet raise the risk of an imminent challenge to Mrs. May's leadership. A leadership challenge could be triggered if 48 Conservative MPs write a letter to the Chairman of the party's so called "1922 committee" expressing no confidence in Mrs May. Given that the hard-Brexit group has been rumored to contain around 70-80 Conservative MPs, it is reasonable to assume that there are enough MPs in favour of triggering a confidence vote. However, it is highly uncertain that Mrs May would lose such a vote. In terms of FX, the GBP's reaction to the latest UK political developments has been relatively limited suggesting that concerns over a period of heightened UK political uncertainty seem to be counterbalanced by increased optimism for a softer form of Brexit. The GBP/USD was 0.1% firmer on the day hovering around 1.3275/77 in European trade at the time of writing, albeit off Monday's 3 1/2 week peak of 1.3362 while the EUR/GBP was 0.2% weaker compared to Monday's close remaining trapped within the 0.8700-0.8900 recent range. Meanwhile, the DXY index was just 0.1% firmer on the day remaining though well below the 95.531 recent peak (28 June) reflecting the poor market reaction to the US non-farm payrolls data late last week and the recent escalation of the trade dispute between the US and China. Turning to bond markets, European government bond yields were slightly higher in early European trade amid supply pressures. Germany and the Netherlands will auction 10-yr bonds followed by Ireland and Italy later in the week. On the data front, today's highlights include Germany's ZEW and June UK GDP, the first time ever the ONS will publish monthly GDP data.

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GREECE

ECB President Mario Draghi reportedly stated at a hearing that the current post-programme surveillance or enhanced surveillance for Greece does not warrant a waiver for Greek government bonds. Once European parliaments have approved the decisions taken by the 21 June Eurogroup, the ECB will carry out its own debt sustainability analysis and make its own risk management considerations. Meanwhile, the ESM Board of Directors is expected to approve on Friday the disbursement of the last ESM loan tranche for Greece of €15 billion.

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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

CESEE MARKETS

Emerging assets traded broadly in black on Tuesday's morning trade on fading trade war concerns and stabilization of the Chinese Renminbi. At the time of the writing, the MSCI EM Index stood broadly unchanged than previous day close at 1075.84. From a regional point of view, Turkish assets came under renewed depreciation pressure on renewed policy risks concerns. The Turkish lira traded at 4.73/\$ on Tuesday's morning trade having weakened as low as 4.75/\$ during Monday's late trade confirming that the lira stands among the worst performing EM currencies this year. At the same time, the 5Y-CDS jumped by 22bps to 318bps while the 10Y-dollar denominated government bond widened by 46bps to 7.0%.

The presidential decrees issued earlier on Monday by newly elected President Erdogan set out the structure of the new presidential system which empowers the new president with sweeping executive powers, the regulations governing the appointment of officials including that of the Central Bank. According to the latter, the President will appoint the the Central Bank Governor, deputies and monetary policy committee members for a 4-year tenure, from 5-year previously, scrapping a requirement that deputy governors have a decade of experience. The announcement further exacerbated investors' concerns about the Central Bank's independence and concerns over falling significantly behind the curve. Political pressure – driven by President Erdogan's staunch support for low interest rates aimed at boosting economic activity – has fanned worries in the markets. Last but not least, investors' expectations for market-friendly appointments in the new cabinet were not confirmed. More importantly, President Erdogan's son-in-law was appointed as Economics Chief in the new administration – consolidating the Treasury and Finance functions replacing market –friendly politicians such as Mr. Mehmet Simsek and Mr. Naci Agbal who were not appointed in other posts.

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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	2784.17	0.9%	4.1%	EUR/USD	1.1746	0.0%	-2.2%	UST - 10yr	2.87	1	46	GOLD	1257	-0.1%	-3.6%
Nikkei 225	22196.89	0.7%	-2.5%	GBP/USD	1.3286	0.2%	-1.7%	Bund-10yr	0.32	2	-10	BRENT CRUDE	79	0.9%	17.8%
STOXX 600	384.75	0.0%	-1.1%	USD/JPY	111.06	-0.2%	1.5%	JGB - 10yr	0.05	1	0	LMEX	3102	1.3%	-9.3%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-2	-24
1-week	2.39	-1	-22
1-month	2.60	-1	-25
3-month	2.91	0	-21
6-month	3.03	-1	-21

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.47	0	-80
5Y RSD	3.94	-3	-30
7Y RSD	4.39	#N/A N/A	-79

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.63	-1	63
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

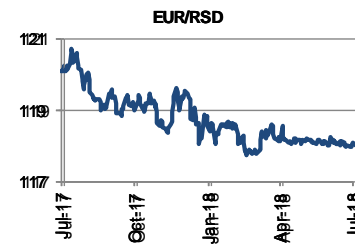
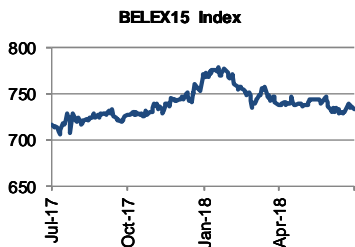
	Last	ΔDbps	ΔYTD bps
5-year	122	-2	4
10-year	175	-1	13

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.6	0.01%	-3.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.05	0.04%	0.73%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.02	-22	193
1-month	3.34	-1	147
3-month	3.36	-2	131
6-month	3.45	-1	118
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.36	0	97
5Y RON	4.91	0	113
10Y RON	5.16	0	84

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.63	0	9
USD Jan-24	4.07	-1	107

CDS

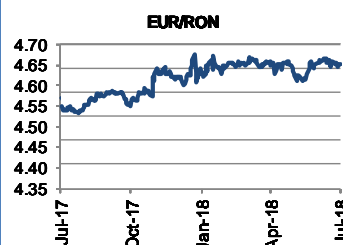
	Last	ΔDbps	ΔYTD bps
5-year	89	-8	-1
10-year	132	-9	-1

STOCKS

	Last	ΔD	ΔYTD
BET	7872.2	0.09%	1.53%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6588	-0.01%	0.13%



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	-0.11	-3	-5
5Y BGN	0.09	0	-5
10Y BGN	0.89	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.04	-2	12
EUR Sep-24	0.61	-13	4

CDS

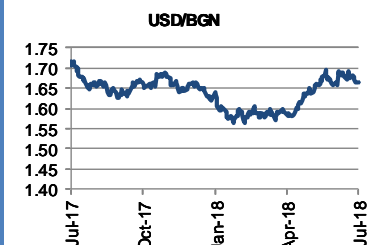
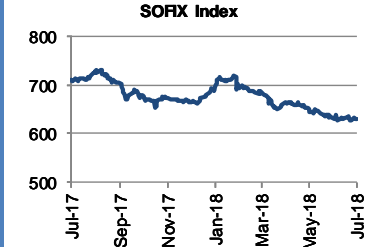
	Last	ΔDbps	ΔYTD bps
5-year	75	-3	-21
10-year	123	-3	-19

STOCKS

	Last	ΔD	ΔYTD
SOFIX	628.8	0.06%	-7.19%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6652	0.11%	-2.15%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:10 EEST

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