

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday 11 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: Trade dispute between the US and China continues to escalate. In response to China's retaliatory measures following the US imposition of an additional 25% duty on Chinese goods with an annual trade value of c. \$34bn, effective from 6 July, and the US administration's consideration of an additional 25% tariff on products of China worth c. \$16bn in the coming months, the US Trade Representative proposed further action in the form of an additional 10% duty on targeted imports from China worth c. \$200bn. In reaction to the above, European equity markets were weaker in early trade on Wednesday and core bond prices firmed. The two-day NATO Summit commences today in Brussels where the main issues of discussions are expected to be Russia and defense spending with US President Donald Trump likely urging European NATO members to increase defense spending towards the target of 2% of GDP by 2024.

GREECE: According to press reports, the European Commission is expected to present today the framework regarding the Enhanced Post Programme Surveillance for Greece, which will then have to be approved by the Eurogroup and the ESM. According to the ELSTAT, the overall industrial production (IPI) index in May 2018 recorded an increase of 1.0% YoY. The Consumer Price Index (CPI) in June 2018 increased by 1.0% YoY the same rate of change as in June 2017.

SOUTH EASTERN EUROPE

CYPRUS: The House Price Index expanded by 3.7% YoY in Q1-2018.

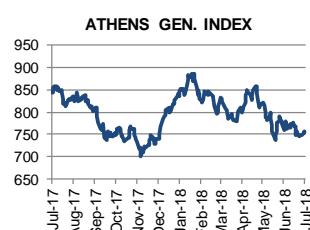
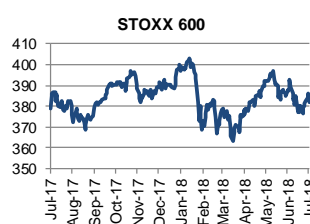
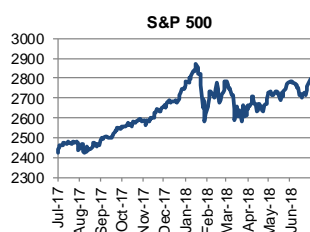
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Latest world economic & market developments

GLOBAL MARKETS

Trade dispute between the US and China continues to escalate. In response to China's retaliatory measures following the US imposition of an additional 25% duty on Chinese goods with an annual trade value of c. \$34bn, effective from 6 July, and the US administration's consideration of an additional 25% tariff on products of China worth c. \$16bn in the coming months, the US Trade Representative proposed further action in the form of an additional 10% duty on targeted imports from China worth c. \$200bn. A public consultation period will commence from now until 30 August. In reaction to the above, European equity markets were weaker in early trade on Wednesday, halting a multi-session rising trend. Turning to core bond markets, yields were lower remaining though within their recent two-week range. The 10-yr UST yield was more than 3.5bps lower on the day at 2.83% in European trade at the time of writing while the German counterpart was hovering around 0.29%, approaching a multi-week intraday low of 0.28% marked earlier this month. German data on Tuesday showing a bigger than expected drop in the ZEW investor sentiment to a six-year low of -24.7 in July from -16.1 in June on the back of concerns about the anticipated negative effects of the tariff dispute on foreign trade, also had an impact. The two-day NATO Summit commences today in Brussels where the main issues of discussions are expected to be Russia and defense spending with US President Donald Trump likely urging European NATO members to increase defense spending towards the target of 2% of GDP by 2024. Meanwhile, the Bank of Canada (BoC) convenes today and rates markets are nearly fully pricing a 25bps rate hike in its key lending rate to 1.50% amid strong employment growth and rising inflation pressures.



Source: Reuters, Bloomberg, Eurobank Research

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GREECE

According to press reports, the European Commission is expected to present today the framework regarding the Enhanced Post Programme Surveillance for Greece, which will then have to be approved by the Eurogroup and the ESM. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the overall industrial production (IPI) index in May 2018 recorded an increase of 1.0% compared to May 2017 while the corresponding annual rate of change of the index was 6.8%. The average overall IPI for the period from January to May 2018 recorded an increase of 0.2% compared to the average overall IPI of the period January to May 2017. The Consumer Price Index (CPI) in June 2018 increased by 1.0% YoY the same rate of change as in June 2017. The core inflation index in June 2018 stood at 1.4%.

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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

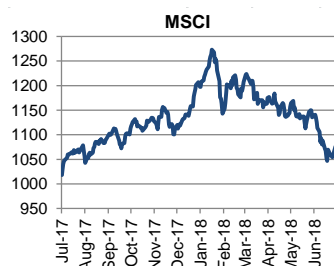
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Property prices were on an increasing path in Q1-2018. The House Price Index (HPI), a quarterly index calculated and published by CYSTAT that measures the change in the average prices of residential dwellings, is in positive territory since Q4-2016. The HPI expanded on an annual basis by -1.8% QoQ/+3.7% YoY in Q1-2018 up from +2.4% QoQ/+2.4% YoY in Q4-2017 compared to -3.0% QoQ/+2.4% YoY in Q1-2017. The Cypriot reading is close to that of EA-19 (+4.5% YoY) and bodes well with the ongoing rebound in the property market.

After a double – digit expansion in 2017, construction output continued increasing by 5.1% YoY in Q1-2018. The outstanding performance in Q1-2017 (+45.5% YoY) had a negative base-effect impact on the first quarter's reading. On average, construction output was running at 21.9% YoY in FY2017, up from 9.0% YoY in FY2016 vs. only 0.2% YoY in FY2015. The latest building permits release predisposes for a continuation in the construction output rebound. According to CYSTAT, the total value of building permits issued in FY2017 increased by 48.6% YoY, while the total area of building permits rose by 47.3% YoY.

The construction rebound has been one of the main drivers behind Cyprus's impressive turn-around. The brisk pace of economic expansion (+4.0% YoY in FY2017 vs. 3.4% YoY in FY2016) is underpinned by the ongoing construction projects. This has raised concerns that the output rebound is poised to fade away once those projects are completed. On these grounds, the IMF Board, in its latest assessment on the occasion of the conclusion of the second post-program monitoring discussion, urged Cypriot authorities to restart macro-critical structural reforms to help diversify the economy, avoiding an excessive concentration of economic activity in construction.

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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	2793.84	0.3%	4.5%	EUR/USD	1.1714	-0.3%	-2.4%	UST - 10yr	2.84	-1	43	GOLD	1251	-0.3%	-4.0%
Nikkei 225	21932.21	-1.2%	-3.7%	GBP/USD	1.3256	-0.2%	-2.0%	Bund-10yr	0.37	5	-6	BRENT CRUDE	77	-2.0%	15.6%
STOXX 600	381.81	-1.1%	-1.9%	USD/JPY	111.12	-0.1%	1.4%	JGB - 10yr	0.04	0	-1	LME X	3067	-1.1%	-10.3%

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	3.50	3	-78
5Y RSD	3.93	-1	-31
7Y RSD	4.39	0	-79

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.62	-1	62
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

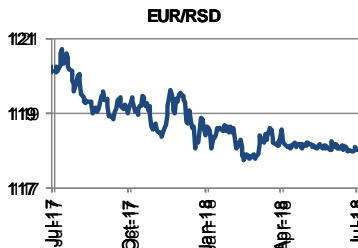
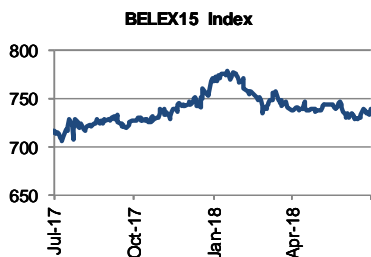
	Last	ΔDbps	ΔYTD bps
5-year	121	-2	3
10-year	174	-1	12

STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.7	-0.67%	-3.44%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.04	0.03%	0.74%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.77	-25	168
1-month	3.29	-5	142
3-month	3.35	-1	130
6-month	3.46	1	119
12-month	3.54	1	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.34	0	96
5Y RON	4.88	0	110
10Y RON	5.14	0	83

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.63	0	8
USD Jan-24	4.06	0	106

CDS

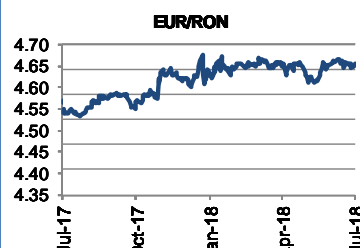
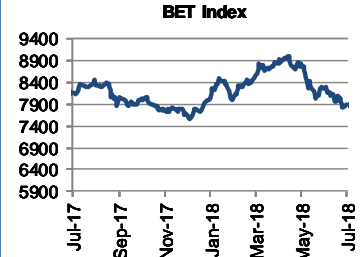
	Last	ΔDbps	ΔYTD bps
5-year	92	3	2
10-year	136	3	2

STOCKS

	Last	ΔD	ΔYTD
BET	7884.1	0.10%	1.68%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6605	-0.07%	0.09%



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	-0.08	0	-2
5Y BGN	0.09	0	-5
10Y BGN	0.91	0	-6

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.04	-1	12
EUR Sep-24	0.61	-1	3

CDS

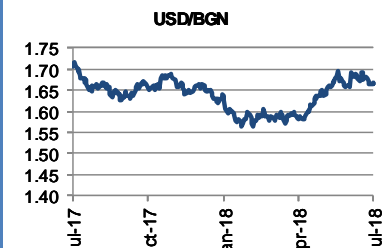
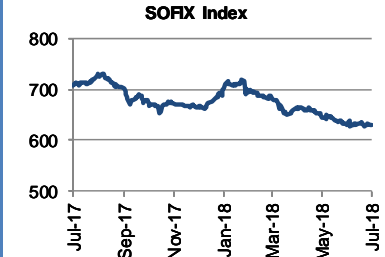
	Last	ΔDbps	ΔYTD bps
5-year	74	-1	-22
10-year	121	-1	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	629.1	0.00%	-7.14%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6698	-0.27%	-2.42%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:50 EEST

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