

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 17 July 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- July 16
 - Trump-Putin Summit
 - NY Fed Empire State Manufacturing Survey (Jul)
 - Retail sales (Jun)
 - Business inventories (May)
- July 17
 - Industrial production (Jun)
 - NAHB Housing Market Index (Jul)
 - Fed's Powell to testify before Senate Panel
- July 18
 - Housing starts & building permits (Jun)
 - Fed's Beige Book
 - Fed's Powell to testify before House Panel
- July 19
 - Philly Fed Business Outlook Survey (Jul)
 - CB leading indicators (Jun)

EUROZONE

- July 16: 20th EU-China Summit
- July 20: Current Account (May)

UK

- July 17: Average earnings, unemployment rate (May)
- July 18: CPI (Jun)

GREECE

- Jul 17: Merchant Fleet (May)
- July 20: Turnover Index in Industry (May)

SEE

BULGARIA

- July 16
 - CPI (Jun)
 - Unemployment rate (Jun)
- July 19: Current Account (May)

ROMANIA

- July 16: Current Account (May)

CYPRUS

- July 17: Tourist Arrivals (Jun)
- July 18: HICP (Jun)
- July 20: Industrial Turnover (Apr)

SERBIA

- July 20: Current Account (May)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US retail sales rose by 0.5%mom in June mainly on the back of a 0.9%mom gain in motor vehicle sales, following an upwards revised increase of 1.3%mom in May, the largest since September 2017. Solid US June retail sales, together with a tightening labor market and firming inflation, support the view for a rebound in US GDP to an annualized growth rate close to 4% in Q2 from 2% in Q1 and further gradual Fed rate hikes. Focus today is on Fed Chair Jerome Powell who will deliver the FOMC's semi-annual Monetary Policy Report before the Senate Banking Committee, the first leg of this two-day testimony.

GREECE: On the privatisations front, according to press reports DGComp has greenlighted the acquisition of the 66% stake in DESFA by the consortium composed of the companies "Snam S.p.A.", "Enagás Internacional S.L.U." and "Fluxys S.A." and the file will now be submitted to the Court of Audit for pre-contractual audit. According to the preliminary data released yesterday by the Ministry of Finance for the execution of the State Budget on a modified cash basis, the State Budget balance for the period January – June 2018 presented a deficit of €2,318 million against the target of the MTF5 2019-2022 explanatory report of a deficit of €3,249 million.

SOUTH EASTERN EUROPE

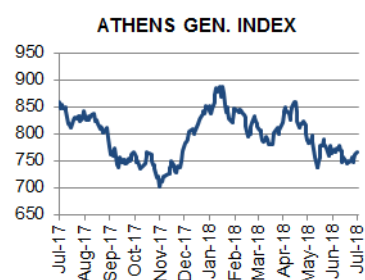
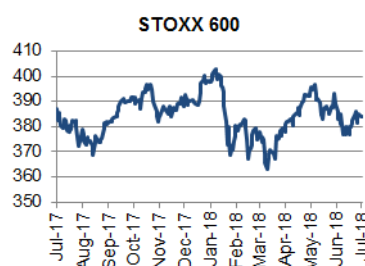
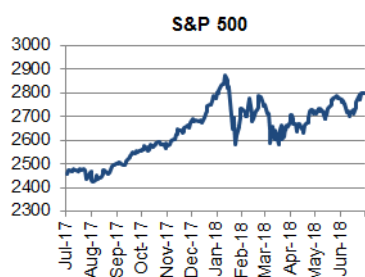
BULGARIA: Inflation accelerated for a third consecutive month on an annual basis to 3.2% YoY in June vs. 2.6% YoY in May.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US retail sales rose by 0.5% mom in June mainly on the back of a 0.9% mom gain in motor vehicle sales, following an upwards revised increase of 1.3% mom in May, the largest since September 2017. Excluding autos, gasoline and building materials, retail sales were unchanged in June but the respective reading of the previous three months, March, April and May, were all revised higher to 0.5%, 0.6% and 0.8%, respectively. Solid US June retail sales, together with a tightening labor market and firming inflation, support the view for a rebound in US GDP to an annualized growth rate close to 4% in Q2 from 2% in Q1 and further gradual Fed rate hikes. Focus today is on Fed Chair Jerome Powell who will deliver the FOMC's semi-annual Monetary Policy Report before the Senate Banking Committee, the first leg of this two-day testimony (on Wednesday, the FOMC Chair will deliver the Policy Report before the House Financial Services Committee). He is expected to reiterate the Central Bank's sanguine baseline outlook for the US economy and that further gradual increases in the federal funds rate are warranted, with the FOMC's baseline scenario foreseeing interest rates exceeding the longer-run neutral rate by the end of 2019. Investors will also pay attention to likely comments on the impact of recent US tariffs and the likelihood of an inverted yield curve (before each of the last five recessions, the 2/10 yield curve had become inverse). Awaiting the Fed Chair's testimony, the 2-yr UST yield was hovering around 2.60% in European trade at the time of writing, within distance from a fresh decade peak of 2.61% marked on Monday in reaction to positive retail sales while the 10-yr paper was yielding levels around 2.86% after marking a more than one week peak close to 2.88% in the prior session. Long-dated Bund yields also moved higher today with the 10-yr yield rising to 0.36%, some 5bps higher on the day. EMU periphery sovereign bonds outperformed with respective yields falling by up to 6bps. Italy was the star performer with the 10-yr yield spread against its German counterpart narrowing to a four week low. On the data front, today's major releases include US June industrial production while in the UK we expect the employment report for May, which is unlikely to deter market expectations for a BoE rate hike next month.

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GREECE

On the privatisations front, according to press reports DGComp has greenlighted the acquisition of the 66% stake in DESFA by the consortium composed of the companies "Snam S.p.A.", "Enagás Internacional S.L.U." and "Fluxys S.A." and the file will now be submitted to the Court of Audit for pre-contractual audit. According to the Government Pending Actions pertaining to privatisations as agreed at the 21 June Eurogroup, within ten days from the approval by the Court of Audit the Interministerial Committee for Assets Restructuring and Privatisation must issue a decision approving the Shareholders' Agreement for DESFA. According to the preliminary data released yesterday by the Ministry of Finance for the execution of the State Budget on a modified cash basis, the State Budget balance for the period January – June 2018 presented a deficit of €2,318 million against the target of the MTFS 2019-2022 explanatory report of a deficit of €3,249 million and a deficit of €1,596 million for the same period of 2017. The State Budget Primary Balance amounted to a surplus of €617 million against a primary deficit target of €465 million and a primary surplus of 1,936 million recorded in the same period of 2017.

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Tuesday 17 July 2018

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

BULGARIA

Consumer prices climbed further for a third consecutive month in June. Inflation rose to +0.1% MoM/+3.2% YoY in June vs. +0.3% MoM/+2.6% YoY in May, up from +0.4% MoM/+2.8% YoY in December. The inflation spike may be mainly attributed to the rise of non-food inflation (+0.5% MoM/+3.5% YoY in June vs. +0.8% MoM/+2.4% YoY in May), which is itself primarily driven by higher transportation prices. Transportation prices jumped to +2.2% MoM/+8.2% YoY in June vs. +2.6% MoM/+4.2% YoY in May) reflecting the upward trend in global energy prices in 1H-2018.

Food prices, both the largest as well as the most volatile component of CPI, were kept high at -0.5% MoM/+4.1% YoY in March compared to +0.9% MoM/+3.7% YoY in February, up from -0.1% MoM/-0.2% YoY in January. The main driver was the rise in the prices of vegetables (+18.0% YoY). Reflecting the normalization of global energy prices in Q1-2017, transportation prices jumped to -0.2% MoM/+7.6% YoY in March up from +0.4% MoM/+6.0% YoY in February, compared to only +1.1% MoM/+2.3% YoY in January and a one year low of +1.2% MoM/-11.5% YoY in last May. Utilities, another category heavily influenced by the rise in energy prices, expanded by +0.2% MoM/+4.4% YoY in June vs. +0.0% MoM/+4.0% YoY in May. Food prices were also a net positive contributor to headline inflation (+2.5% YoY, 0.8ppt).

Looking ahead, the sharp adjustment in the energy prices (gas prices up by 10.8%, electricity up by 2.0%) by the market regulator (KEVR) as of July and volatility of food prices (stemming from the fluctuation of vegetables and fruits prices in the summer months) are expected to maintain inflationary pressures intact in the coming months.

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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	2798.43	-0.1%	4.7%	EUR/USD	1.1728	0.1%	-2.3%	UST - 10yr	2.86	0	45	GOLD	1244	0.2%	-4.5%
Nikkei 225	22697.36	0.4%	-0.3%	GBP/USD	1.3241	0.0%	-2.1%	Bund-10yr	0.36	-1	-7	BRENT CRUDE	72	0.3%	7.8%
STOXX 600	383.75	-0.1%	-1.4%	USD/JPY	112.34	0.0%	0.3%	JGB - 10yr	0.04	0	-1	LMEX	2981	-0.8%	-12.8%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-23
1-week	2.41	2	-20
1-month	2.60	0	-25
3-month	2.88	-3	-24
6-month	3.06	3	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.48	-2	-79
5Y RSD	3.93	0	-31
7Y RSD	4.39	0	-79

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.61	0	62
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

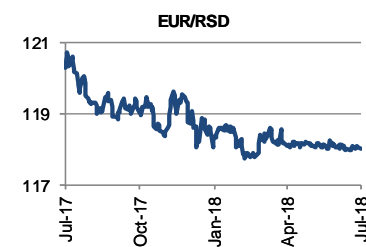
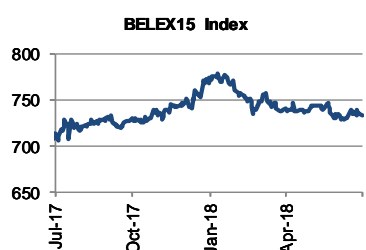
	Last	ΔDbps	ΔYTD bps
5-year	118	-2	0
10-year	168	-2	6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.5	-0.03%	-3.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.07	0.21%	0.71%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.59	0	150
1-month	3.3	0	143
3-month	3.35	0	130
6-month	3.47	0	120
12-month	3.56	0	124

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.22	0	84
5Y RON	4.73	0	95
10Y RON	4.93	0	61

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.65	#N/A N/A	5
USD Jan-24	4.02	1	103

CDS

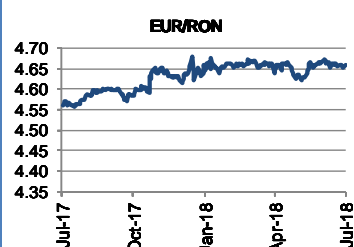
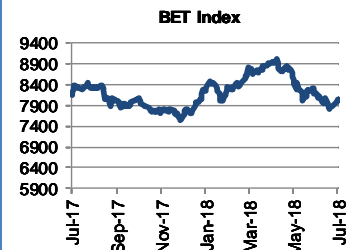
	Last	ΔDbps	ΔYTD bps
5-year	92	0	2
10-year	135	0	2

STOCKS

	Last	ΔD	ΔYTD
BET	8026.9	0.53%	3.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.658	-0.01%	0.15%



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	0.08	-1	-7
10Y BGN	0.89	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.03	-2	11
EUR Sep-24	0.61	-67	3

CDS

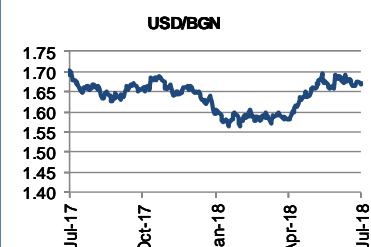
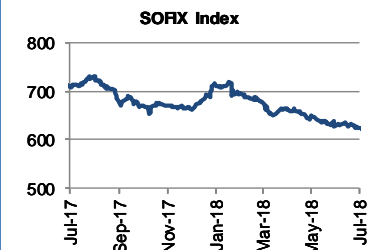
	Last	ΔDbps	ΔYTD bps
5-year	74	0	-23
10-year	120	0	-22

STOCKS

	Last	ΔD	ΔYTD
SOFIX	623.9	0.00%	-7.91%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6678	0.15%	-2.30%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:00 EEST

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