

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday 19 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: The USD retained a firm tone in European trade favored by Fed Chair Jerome Powell's positive comments on the US growth outlook in his congressional testimony on Tuesday before the Senate Banking Committee and again on Wednesday before the House Financial Services Committee that, along with a recent string of US firmer than expected data, supported expectations for two more Fed rate hikes by the end of this year. Focus today is on UK retail sales, which, coming on the heels of weaker than expected UK inflation data on Wednesday, have the potential to increase market uncertainty over a likely BoE rate hike at the next monetary policy meeting on 2 August, if we see downside surprises.

GREECE: Eurogroup President Mario Centeno stated in an interview that the success of Greece's exit from the economic adjustment programme depends on whether Greece will implement the reforms that are necessary for its economy to grow now that it has all the required tools. The Ministry for Migration Policy will reportedly submit a bill extending the possibility of residence permits for non-EU nationals who wish to invest at least €400,000 in assets other than real estate.

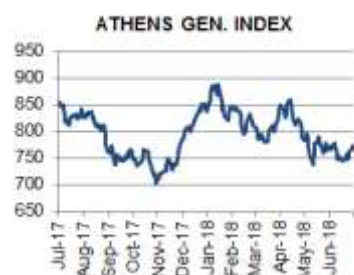
SOUTH EASTERN EUROPE

CYPRUS: Tourist arrivals hit a new record high in 1H-2018 driven by Eastern Europe and Nordic countries markets' over performance.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

According to the final estimates, the Eurozone's headline inflation rate remained stable at 2.0%YoY in June, up from 1.9%YoY in the prior month and 1.3%YoY in the same month a year earlier. The highest contribution came from energy (+ 0.76%YoY, the highest since early 2017) followed by services (+0.57 pp) and food, alcohol and tobacco (+0.53 pp). However, core inflation for June was revised downwards to 0.9%YoY from 1.0%YoY reported previously and 1.1%YoY in May, supporting the view that an ECB rate hike is still a long way off. News was broadly shrugged off by government bond markets with Eurozone bond yields rising slightly across the board in early European trade as Spain and France will hold bond auctions to raise up to €12.5bn cumulatively. In FX markets, the USD retained a firm tone favored by Fed Chair Jerome Powell's positive comments on the US growth outlook in his congressional testimony on Tuesday before the Senate Banking Committee and again on Wednesday before the House Financial Services Committee that, along with a recent string of US firmer than expected data, supported expectations for two more Fed rate hikes by the end of this year. The USD's rally pushed the EUR/USD slightly below 1.1600 for the first time in the last weeks. Elsewhere, the GBP weakened across the board marking a session low of 1.2984 against the USD, the lowest in the last ten months, while the EUR/GBP firmed to 0.8939 for the first time since March. A series of resignations from the UK cabinet in response to the Brexit Chequers plan which appears to suggest a shift towards a softer form of Brexit, have raised concerns about the prospect of a challenge to Mrs May's leadership from anti-EU conservative MPs. At the same time, the risk of the final Brexit deal being rejected by the UK Parliament has also risen as the UK Premier faces the difficult task of balancing the opposing demands of pro- and anti-Brexit Conservative MPs. UK inflation data yesterday showed that the headline CPI remained flat at 2.4%YoY in June, below consensus of 2.6%YoY and core inflation slowed to a 15-month low of 1.9%YoY. Focus today is on UK retail sales, which, coming on the heels of weaker than expected UK inflation data on Wednesday, have the potential to increase market uncertainty over a likely BoE rate hike next at the next policy meeting on 2 August, if we see downside surprises.

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GREECE

Eurogroup President Mario Centeno stated in an interview that the success of Greece's exit from the economic adjustment programme depends on whether Greece will implement the reforms that are necessary for its economy to grow now that it has all the required tools. As regards the post-programme surveillance, he made clear that it does not constitute a new programme but a process that all programme countries had to go through. Meanwhile, the Economic Affairs Committee of the German Parliament is expected to approve the disbursement of the last ESM loan tranche to Greece (€15 billion) on 1 August 2018. In other news, the Ministry for Migration Policy will reportedly submit a bill extending the possibility of residence permits for non-EU nationals who wish to invest in assets other than real estate. In broad lines the bill reportedly foresees the granting of a Golden Visa to non-EU nationals, who invest at least €400,000 in companies headquartered or established in Greece, or in Greek government bonds, or deposit at least €400,000 in a Greek credit institution with at least annual duration.

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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

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

CYPRUS

The positive momentum in the tourism sector continued into 1H-2018. Tourist arrivals expanded by 8.2% YoY in the month of June 2018 to 511.0 thousand, up from 472.5 thousand in the same month a year earlier (June 2017). The month of June was the thirty sixth consecutive month with a positive rate of increase on an annual basis. This sets a new record as it was the highest volume of tourist arrivals ever recorded in Cyprus during June. Overall, tourist arrivals increased by +14.5% YoY in 1H-2018 (1,645,149 vs. 1,463,206 in the same period last year). Tourist arrivals from Eastern Europe countries such as Poland (+66.0% YoY) and Ukraine (+46.3 YoY) and Nordic countries such as Finland (+48.3% YoY) and Sweden (+20.9% YoY) recorded a hefty increase. Tourist arrivals from some traditional markets such as Germany (+9.0% YoY), Greece (+15.6% YoY), Israel (+2.5% YoY), and UK (+9.7% YoY) had a mediocre performance in 1H-2018. In addition, tourist arrivals from niche markets such as Russia (-4.7% YoY) were weak. Although it is too soon to tell, tourism revenues expanded also by +6.9% YoY in January-April 2018 to €382.5.mn, up from €357.7mn compared to the same month last year. However, the corresponding statistics for expenditure per person are on a declining trend. The expenditure per person for January – April 2018 reached €559,36 compared to €625,32 in the corresponding period of the previous year, recording a decrease of 10.5%. In fact, the expenditure per person/per day for the period of January – April 2018 compared to the period of January – April 2017 also recorded a decrease of 6.3% (from €71,06 to €66,61). Overall, the tourism industry is poised for another record year in 2018 contributing to the GDP growth rebound of the Cypriot economy.

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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	2815.62	0.2%	5.3%	EUR/USD	1.1612	-0.2%	-3.3%	UST - 10yr	2.88	1	48	GOLD	1220	-0.6%	-6.4%
Nikkei 225	22764.68	-0.1%	0.0%	GBP/USD	1.3028	-0.3%	-3.6%	Bund-10yr	0.35	1	-8	BRENT CRUDE	72	-0.7%	8.3%
STOXX 600	387.06	0.0%	-0.5%	USD/JPY	112.94	-0.1%	-0.2%	JGB - 10yr	0.04	0	-1	LME X	2977	0.4%	-12.9%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.42	1	-19
1-month	2.61	1	-24
3-month	2.88	-1	-24
6-month	3.07	2	-17

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	0	-82
5Y RSD	3.92	0	-32
7Y RSD	4.21	0	-97

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.60	0	61
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

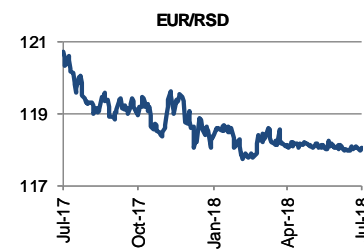
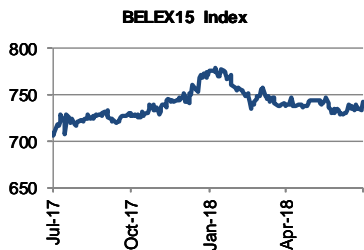
	Last	ΔDbps	ΔYTD bps
5-year	116	-1	-1
10-year	166	-1	4

STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.5	1.05%	-2.27%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.06	-0.08%	0.72%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.6	0	151
1-month	3.36	0	149
3-month	3.37	0	132
6-month	3.48	0	121
12-month	3.57	0	125

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.20	0	81
5Y RON	4.72	0	94
10Y RON	4.94	0	62

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.65	#N/A N/A	5
USD Jan-24	4.02	0	102

CDS

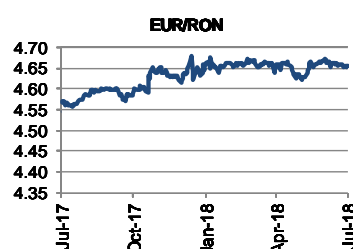
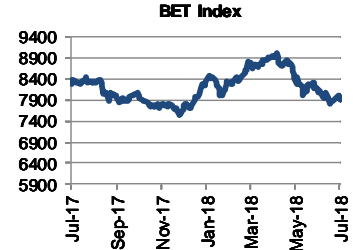
	Last	ΔDbps	ΔYTD bps
5-year	98	6	8
10-year	142	7	8

STOCKS

	Last	ΔD	ΔYTD
BET	7913.6	-0.96%	2.06%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6536	0.02%	0.24%



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	-2	-4
5Y BGN	0.09	-1	-6
10Y BGN	0.90	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.01	5	9
EUR Sep-24	0.42	103	-15

CDS

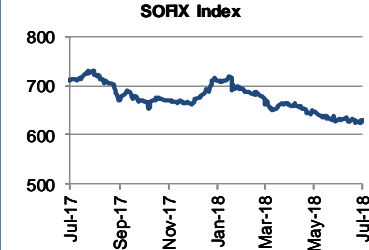
	Last	ΔDbps	ΔYTD bps
5-year	75	2	-21
10-year	122	2	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	628.3	-0.02%	-7.25%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6844	-0.24%	-3.27%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:45 EEST

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