

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- July 24: Existing home sales (Jun)
- July 25: New home sales (Jun)
- July 26: Durable goods orders (Jun)
- July 27: Q2 real GDP (advance estimate)

EUROZONE

- July 24: Composite PMI (Jul)
- July 25
 - Juncker meets Trump in the White House
 - German IFO business climate (Jul)
 - M3 money supply (Jun)
- July 26
 - German GfK consumer confidence (Aug)
 - ECB policy meeting & press conference
- July 27: ECB Survey of Professional Forecasters

GREECE

- Jul 23: Current Account (May)

SEE

BULGARIA

- July 27: Gross External Debt (May)

CYPRUS

- July 25: Retail Sales (May)

ROMANIA

- July 24: M3 money supply (June)

SERBIA

- July 25: Real Gross Wages (June)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Trade concerns prevail with US President Donald Trump explicitly threatening in an interview on Friday to impose tariffs on all \$500bn of imported goods from China. The US President also repeated his view that a strong USD puts the US at a disadvantage, accused China and the European Union of currency manipulation and criticized the Fed that its monetary policy on raising interest rates takes away from the US "big competitive edge". In reaction to the above, the USD weakened across the board with the EUR/USD bouncing to the highest in about two weeks. This week's highlights will be the visit by EU Commission President Jean-Claude Juncker to the White House (24 July) and the ECB's monetary policy meeting (25 July). In terms of data, major releases include euro area PMIs for July (24 July) ahead of the advance estimate of US Q2 GDP (27 July).

GREECE: S&P Global Ratings raised its outlook on Greece to positive from stable while affirming its B+ rating. According to ELSTAT, the overall turnover index in industry in May 2018 recorded an increase of 11.4%YoY / 15.7%MoM compared with an increase of 20.1%YoY / 10.6% MoM it had recorded in May 2017.

SOUTH EASTERN EUROPE

BULGARIA: The main Bulgarian equity SOFIX index gained 0.79% to 632.01 points over the past week. With the exception of the local currency 8Y government bond yield which rose by 6bps, external and local government bond yields dropped by 1-4bps respectively.

SERBIA: The NBS interventions in the FX market have kept the EUR/RSD anchored at 118.0 in the past week.

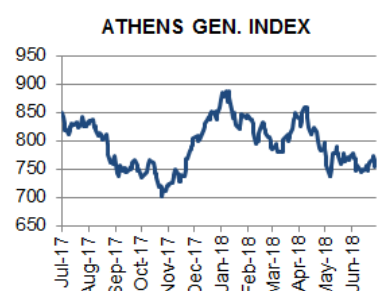
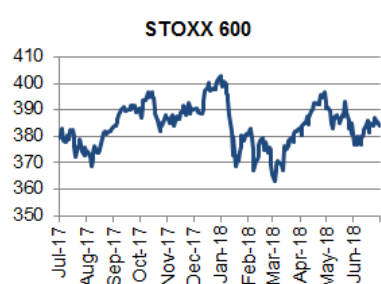
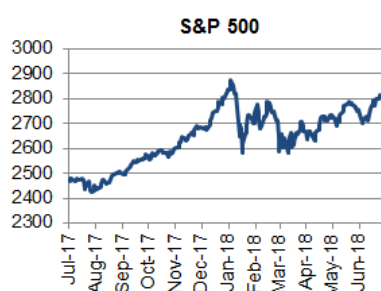
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Latest world economic & market developments

GLOBAL MARKETS

At the G20 meeting that was held in Buenos Aires on 23-24 July, finance ministers and central bankers failed to reach a consensus on how to resolve disputes over US tariff actions to prevent trade and geopolitical tensions from hurting global growth trade. Against this background, trade concerns prevail with US President Donald Trump explicitly threatening in an interview on Friday to impose tariffs on all \$500bn of imported goods from China. The US President also repeated his view that a strong US currency puts the US economy at a disadvantage and accused China and the European Union of currency manipulation. As regards the Fed, he criticized that its monetary policy on raising interest rates takes away from the US "big competitive edge". In reaction to the above, the USD weakened across the board with the DXY dropping to a multi-session low of 94.207 earlier today, 1.5% lower from last week's fresh 2018 highs. The EUR/USD bounced to 1.1750, the highest in about two weeks, remaining though within the recent trading range given the lack of clear direction. Turning to government bond markets, US long-dated yields remained close to recent highs with the 10-yr yield hovering around 2.89% at the time of writing, with distance from Friday's session peak of 2.90%, the highest since June 26, partially affected by reports suggesting that the BoJ will review the sustainability of its policy at its next meeting as well as expectations for a wave of new corporate issuance in the coming sessions. The US 2/10-yr yield curve undertook some bearish steepening over the last few sessions with the corresponding spread standing close to 30bps at the time of writing, not much changed on the day but some 5.5bps wider compared to last week's 11-year low. This week's highlights will be the visit by EU Commission President Jean-Claude Juncker to the US where he will meet US President Donald Trump (24 July) with proposals to stave off the introduction of import tariffs on EU cars. The ECB also holds its next policy meeting (25 July) and is expected to maintain its stance of slowly adjusting its accommodative monetary policy. In terms of data, major releases include euro area PMIs for July (24 July) ahead of the advance estimate of US Q2 GDP (27 July) which is expected to pick up from 2.0% (QoQ annualized) in Q1 mainly on the back of a rebound in consumer spending and net exports.



Source: Reuters, Bloomberg, Eurobank Research

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GREECE

S&P Global Ratings raised its outlook on Greece to positive from stable while affirming its B+ rating. According to S&P the outlook reflects a potential upgrade if Greek authorities were to boost competition in product markets, strengthen property rights, ease bankruptcy procedures and improve the enforcement of contracts. The ratings agency projects annual real GDP growth between 2% and 2.5% over the next three years. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the overall turnover index in industry in May 2018 recorded an increase of 11.4%YoY / 15.7%MoM compared with an increase of 20.1%YoY / 10.6% MoM it had recorded in May 2017. The average overall turnover index in industry for the period June 2017 to May 2018 increased by 6.9% compared to the corresponding index for the period June 2016 to May 2017. In May 2017, the corresponding annual rate of change of the Overall Turnover Index in Industry was 8.5%.

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Monday 23 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*

The main Bulgarian equity SOFIX index exited its downward spiral and was able to gain 0.79% to 632.01 points over the past week. The weekly volume also showed some drift from the summer lethargy reaching €1.9mn. On the other hand, external government bond yields had little to show for during the previous week, with all tenor yields dropping by 1-4 bps. Local government bond yields also exhibited changes in a similar range, with the exception of the 8-year tenor, which saw its yield rising by 6 bps over the week.

SERBIA*

The National Bank of Serbia (NBS) interventions in the FX market for five consecutive days have kept the EUR/RSD anchored at 118.0 in the past week. The NBS bought €70mn from local banks bringing no mirth to anyone who expected some vividness in the pair. Meanwhile, the recent global market tensions have had a limited impact on the local market as we haven't spotted any pressure on the currency lately.

Meanwhile, on July 18th, the Executive Board of the International Monetary Fund (IMF) approved a new, 30-month non-financial advisory programme in the form of Coordination Instrument (PCI) for Serbia. The PCI involves no use of IMF financial resources. According to the IMF statement, the programme aims at maintaining macroeconomic and financial stability and advancing an ambitious structural and institutional reform agenda to foster rapid and inclusive growth, job creation and improved living standards. Program reviews will take place on a semi-annual fixed schedule.

Finally, according to the latest NBS data, the overall profit before tax of all 29 banks in Serbia amounted to RSD 68.7bn in FY2017, rising by RSD47.7bn compared to FY2016. Twenty two banks recorded profits whilst seven recorded losses. The employment in the banking sector declined by 892 employees bringing the total number employed at 23,055 in 2017. The overall net assets of the banking sector stood at RSD3.369bn, with the overall capital amounting to RSD 667.1bn. The value of NPLs amounted to RSD 204.9bn at the end of 2017.

* We would like to thank Ruslan Raychev from Eurobank Bulgaria and Zoran Korac from Eurobank AD Beograd for their invaluable contribution in today's issue.

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Monday 23 July 2018

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	2801.83	-0.1%	4.8%	EUR/USD	1.1735	0.1%	-2.2%	UST - 10yr	2.90	0	49	GOLD	1230	-0.1%	-5.6%
Nikkei 225	22396.99	-1.3%	-1.6%	GBP/USD	1.3151	0.1%	-2.7%	Bund-10yr	0.39	2	-4	BRENT CRUDE	73	0.0%	9.3%
STOXX 600	383.76	-0.5%	-1.4%	USD/JPY	110.97	0.4%	1.6%	JGB - 10yr	0.09	5	4	LMEX	2973	1.3%	-13.1%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	0	-22
1-week	2.43	0	-18
1-month	2.62	0	-23
3-month	2.89	0	-23
6-month	3.07	0	-17

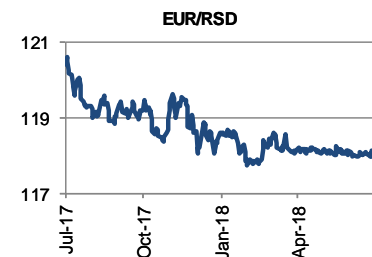
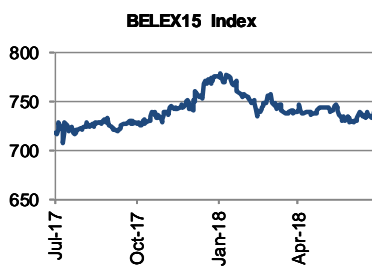
RS Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RSD	3.49	0	-78
5Y RSD	3.92	0	-32
7Y RSD	4.25	0	-93

RS Eurobonds	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.59	0	60
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS	Last	ΔDbps	ΔYTD bps
5-year	116	-1	-2
10-year	167	0	5

STOCKS	Last	ΔD	ΔYTD
BELEX15	742.4	0.88%	-2.29%

FOREX	Last	ΔD	ΔYTD
EUR/RSD	118.05	0.09%	0.73%



ROMANIA

Money Market	Last	ΔDbps	ΔYTD bps
ROBOR	2.63	0	154
O/N	2.63	0	154
1-month	3.37	0	150
3-month	3.39	0	134
6-month	3.5	0	123
12-month	3.61	0	129

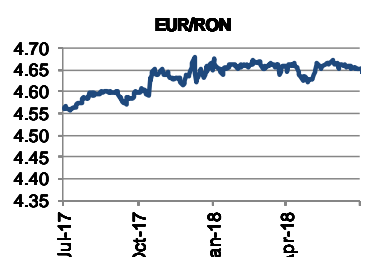
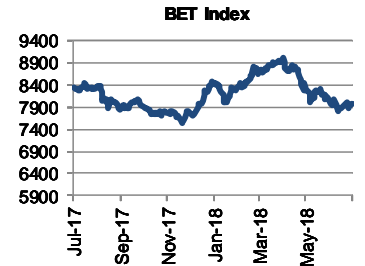
RO Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RON	4.26	0	88
5Y RON	4.77	0	99
10Y RON	4.99	0	68

RO Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.65	#N/A N/A	5
USD Jan-24	4.03	1	103

CDS	Last	ΔDbps	ΔYTD bps
5-year	98	-1	8
10-year	141	-1	8

STOCKS	Last	ΔD	ΔYTD
BET	7972.0	0.94%	2.81%

FOREX	Last	ΔD	ΔYTD
EUR/RON	4.6536	-0.02%	0.24%



BULGARIA

Money Market	Last	ΔDbps	ΔYTD bps
SOFIBOR	0.01	0	1
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

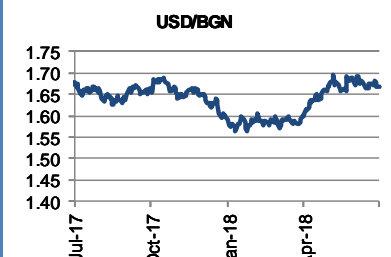
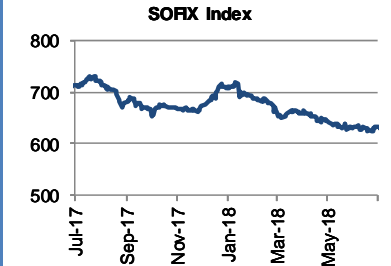
BG Local Bonds	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.10	0	-4
5Y BGN	0.06	-3	-8
10Y BGN	0.84	1	-13

BG Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	2	8
EUR Sep-24	0.47	-26	-11

CDS	Last	ΔDbps	ΔYTD bps
5-year	75	0	-22
10-year	121	-1	-20

STOCKS	Last	ΔD	ΔYTD
SOFIX	632.0	-0.01%	-6.71%

FOREX	Last	ΔD	ΔYTD
USD/BGN	1.6668	0.12%	-2.24%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:30 EEST

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