



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday 25 July 2018

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: Core government bond yields retreated from Tuesday's highs as market speculation that the BoJ will likely scale back its monetary stimulus at the next policy meeting on 30 July, faded. Furthermore, investors adopt a cautious tone ahead of today's talks in Washington between European Commission President Jean-Claude Juncker and US President Donald Trump in an attempt to de-escalate trade tensions on tariffs. In FX markets, the EUR/USD was trading slightly below 1.1700, a tad firmer on the day remaining though within the recent trading range given the lack of clear direction. Germany auctions today 5-yr bonds aiming to raise up to €4bn.

GREECE: According to the Bank of Greece, in May 2018 travel receipts rose by 34.7% year-on-year while the number of inbound visitors rose by 23.6% year-on-year to 2,450 thousand. In January-May 2018, travel receipts increased by 21.7%YoY to €2,518 million (incl. receipts from cruises of €80.2 million) while the number of inbound visitors increased by 16.8%YoY to 5,352 thousand. As a result, average non-resident expenditure per trip in Greece rose by 5.4%YoY to €455.5 (excl. receipts from cruises).

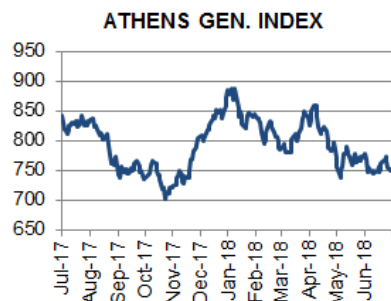
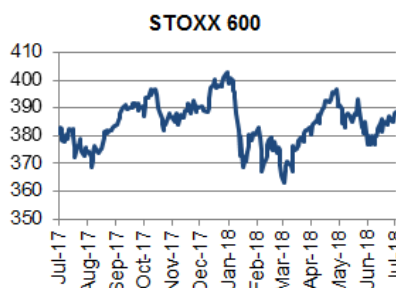
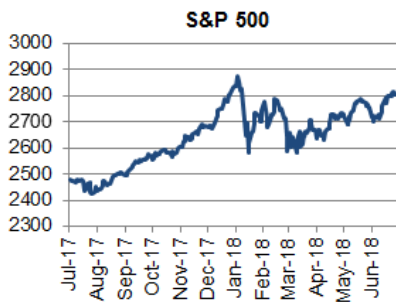
SOUTH EASTERN EUROPE

CESEE MARKETS: In an unexpected move, the Central Bank of Turkey stayed put on rates in yesterday's MPC meeting.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Core government bond yields retreated from Tuesday's highs as market speculation that the BoJ will likely scale back its monetary stimulus at the next policy meeting on 30 July, faded. Furthermore, investors adopt a cautious tone ahead of today's talks in Washington between European Commission President Jean-Claude Juncker and US President Donald Trump in an attempt to de-escalate trade tensions on tariffs. The US has imposed a 25% tariff on steel imports and a 10% levy on aluminum and the ECB has responded with tit-for-tat retaliation measures in the form of tariffs on \$3.2bn of US goods. The US President has also expressed his administration's intention to impose a 20% tariff on EU car and auto parts with the EU drawing up a new list of US products to impose a tariff in retaliation. The 10-yr Bund yield was standing close to 0.39% at the time of writing in European trade, 0.5bps lower on the day and 3.5bps below Tuesday's five week intraday high. EMU periphery sovereign bonds outperformed with respective yields falling by up to 2.5bps on a daily basis ahead of Thursday's ECB monetary policy meeting. The Central Bank is widely expected to maintain its stance of slowly adjusting its accommodative monetary policy while President Mario Draghi is anticipated to focus in the post-meeting press conference on the euro area economic outlook and mounting downside risks. Turning to FX markets, the DXY index was little changed on the day hovering around 94.52 at the time of writing, 0.1% weaker compared to Tuesday's settlement but 0.3% higher from multi-session intraday lows marked earlier this week. The EUR/USD was trading slightly below 1.1700, a tad firmer on the day remaining though within the 1.1500-1.1800 recent trading range given the lack of clear direction. Germany auctions today 5-yr bonds aiming to raise up to €4bn.

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GREECE

According to the Bank of Greece, in May 2018 travel receipts rose by 34.7% YoY while the number of inbound visitors rose by 23.6%YoY to 2,450 thousand. In January-May 2018, travel receipts increased by 21.7%, relative to the same period of 2017, to €2,518 million (incl. receipts from cruises of €80.2 million). This development is attributed to increases in receipts from within the EU28 by 35.0% to €1,734 million and in receipts from outside the EU28 by 1.2% to €704 million. In particular, receipts from euro area residents rose by 38.8% to €1,185 million, while receipts from residents of non-euro area EU28 countries also increased, by 27.5% to €549 million. Meanwhile, in January-May 2018 the number of inbound visitors increased by 16.8% compared to the same period of 2017, to 5,352 thousand. Specifically, visitor flows through airports increased by 18.6%, as did visitor flows through road border-crossing points, by 14.2%. In the period under review, the number of visitors from within the EU28 rose by 23.5% year-on-year to 3,716 thousand, while the number of visitors from outside the EU28 also increased, by 3.9% to 1,636 thousand. Visitors from within the euro area rose by 26.8%, as did visitors from the non-euro area EU28 countries, by 19.5%. Finally, for the period January-May 2018, average non-resident expenditure per trip in Greece rose by 5.4% to €455.5 (excl. receipts from cruises) compared to a drop of 1.1% recorded in the corresponding period of 2017.

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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

On the CESEE markets front, the Central Bank of Turkey (CBRT) policy meeting disappointed analysts' and investors' expectations who were looking for tighter monetary policy in a challenging economic environment. The CBRT opted to leave interest rates unchanged while reiterating its earlier communicated view for further hikes in the future if needed. In the statement released thereafter, the CBRT justified its decision emphasizing that the signs of domestic demand deceleration point to a visible slowdown in economic activity and the need to assess the monetary policy impact of interest rate hikes in the period of May-June 2018.

According to the Bloomberg survey of economists, the median expectation was for a 100bp rate rise, with a good number of economists forecasting a larger 125bp hike. Factoring in the 75bps rate hike delivered in April, the cumulative tightening rendered has reached 500bps year-to-date so that the KPR – the 1-week repo as of late May – currently stands at 17.75%. Headline inflation accelerated to 15.4% YoY in June up from 12.2% YoY in May, coming in significantly above market expectations of 13.9% YoY. Inflation is not only running within double digit territory but is also expected to remain at elevated levels. The year-end and the 12-month forward market CPI expectation stand at 13.9% YoY and 11.1% YoY respectively, versus the 5% medium-term CBRT target. Thus, if CBRT fails to maintain real interest rates high enough depreciation pressure for the Turkish lira will likely increase. The market response in the aftermath of the CBRT decision has been quite impressive. The Turkish lira has been trading 4.8570/USD – at the time of the writing – compared to 4.7628/USD ahead of the decision announcement. The Turkish lira has lost 28.2% year-to-date against USD, confirming that it stands among the worst performing EM currencies this year.

Yesterday's monetary policy meeting was the first after the snap elections in late June in which President Erdogan was re-elected. The elections marked the replacement of the existing parliamentary system into an executive presidency with sweeping executive powers for the new President following a referendum backed by the ruling AKP and the MHP in April last year. The presidential decrees issued so far set out on the new cabinet appointments and the Central Bank appointments regulations further exacerbated investors' concerns about the Central Bank's independence and disappointed investors' expectations for market-friendly appointments. Political pressure – driven by President Erdogan's staunch support for low interest rates aimed at boosting economic activity – has fanned worries in the markets.

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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	2820.40	0.5%	5.5%	EUR/USD	1.1694	0.1%	-2.6%	UST - 10yr	2.94	-1	53	GOLD	1227	0.2%	-5.8%
Nikkei 225	22614.25	0.5%	-0.7%	GBP/USD	1.3168	0.2%	-2.6%	Bund-10yr	0.38	-1	-4	BRENT CRUDE	74	1.0%	10.9%
STOXX 600	388.59	0.1%	-0.2%	USD/JPY	111.22	0.0%	1.3%	JGB - 10yr	0.07	-1	2	LME X	3034	2.0%	-11.3%

SERBIA

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

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.44	-2	-83
5Y RSD	3.89	5	-35
7Y RSD	4.33	#N/A	N/A

RS Eurobonds

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

CDS

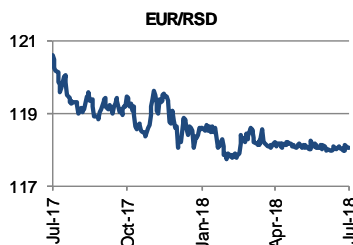
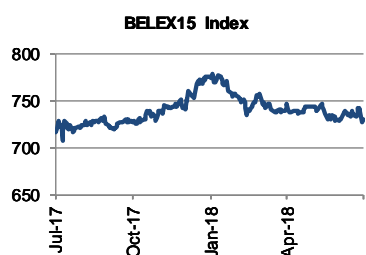
	Last	ΔDbps	ΔYTD bps
5-year	110	-3	-7
10-year	162	-3	0

STOCKS

	Last	ΔD	ΔYTD
BELEX15	729.5	0.41%	-3.98%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.05	0.04%	0.73%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.48	0	239
1-month	3.42	0	155
3-month	3.42	0	137
6-month	3.51	0	124
12-month	3.61	0	129

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.33	0	95
5Y RON	4.82	0	104
10Y RON	5.00	0	69

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.64	#N/A	N/A
USD Jan-24	4.04	-1	104

CDS

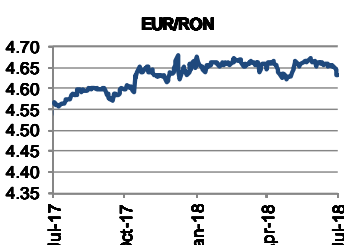
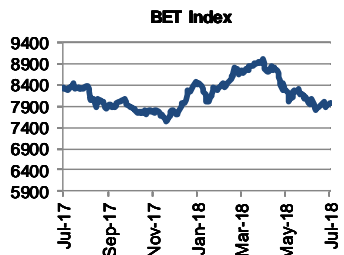
	Last	ΔDbps	ΔYTD bps
5-year	87	-10	-3
10-year	130	-12	-4

STOCKS

	Last	ΔD	ΔYTD
BET	7974.0	0.24%	2.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6301	0.00%	0.75%



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	-2	-6
5Y BGN	0.08	-1	-6
10Y BGN	0.86	0	-11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.01	0	8
EUR Sep-24	0.43	0	-15

CDS

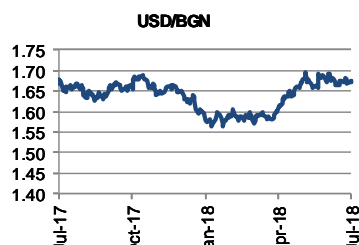
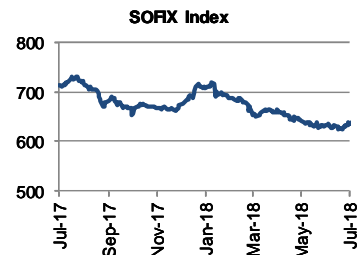
	Last	ΔDbps	ΔYTD bps
5-year	74	-1	-23
10-year	120	-1	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	636.9	-0.05%	-5.99%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6726	0.07%	-2.58%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 10:30 EEST

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