

### 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:** Global equity markets were higher in early European trade on Thursday supported by easing worries over a full-blown global trade war after EU Commission President Jean-Claude Juncker and US President Donald Trump reached a “major concession” at their meeting in Washington yesterday. According to the post-meeting statement, the two sides agreed the US to hold off on car tariffs while they launch negotiations “to work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods”. Core government bonds came under some pressure and the EUR/USD gained some ground. Focus today is on the ECB monetary policy meeting where the Central Bank is widely expected to maintain its stance of slowly adjusting its accommodative monetary policy.

**GREECE:** According to the Bank of Greece, in June 2018 the monthly net flow of credit to the private sector was positive at €1,055 mn compared with a negative net flow of €279 mn in the previous month while deposits by the private sector increased by €1,355 mn compared with an increase of €919 mn in the previous month.

### SOUTH EASTERN EUROPE

**ROMANIA:** The consolidated government in cash terms recorded a sizeable 6.8bn RON deficit in the month of June, bringing the 1H-2018 deficit at 1.8% of projected GDP.

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Thursday 26 July 2018

## Latest world economic & market developments

### GLOBAL MARKETS

Global equity markets were higher in early European trade on Thursday supported by easing worries over a full-blown global trade war after EU Commission President Jean-Claude Juncker and US President Donald Trump reached a “major concession” at their meeting in Washington yesterday. According to the post-meeting statement, the two sides agreed the US to hold off on car tariffs while they launch negotiations “to work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods”. Core government bonds came under some pressure with the 10-yr UST yield rising close to 2.98% for the first time since mid-June. Along these lines, the corresponding German counterpart hit a peak slightly above 0.42% earlier today, 2.5bps higher on the day and within distance from Monday’s six-week intraday peak.

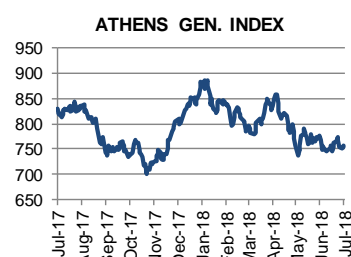
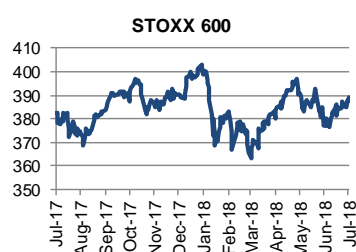
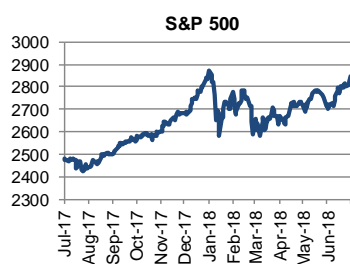
In FX markets, the EUR/USD gained some ground testing levels near 1.1730 ahead of today’s ECB monetary policy meeting. The Central Bank is widely expected to maintain its stance of slowly adjusting its accommodative monetary policy while President Mario Draghi is anticipated to focus in the post-meeting press conference on the euro area economic outlook and mounting downside risks. Elsewhere, the GBP/USD firmed to 1.3213, 0.2% higher on the day amid expectations for a 25bps rate hike at the next BoE policy meeting on 2 August following a string of encouraging UK data over the last few weeks and recent hawkish comments from a number of BoE officials. However, risks of any further substantial appreciation appear limited. Brexit uncertainty prevails as, just over eight months until the UK exits the EU, there is little clarity on the principles that will govern UK/EU trade relationship. The EU is likely to have reservations on the proposed Chequers plan and further concessions and compromises from the UK side are likely to be requested. At the same time, the risk of the final Brexit deal being rejected by the UK Parliament cannot be ruled out entirely as UK Prime Minister Theresa May faces the difficult task of balancing the opposing demands of pro- and anti-Brexit Conservative MPs. In a speech earlier this week, the UK PM said that the public should be “reassured” that the government is preparing for all potential Brexit outcomes.

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### GREECE

According to the Bank of Greece, in June 2018 the annual growth rate of credit to the private sector was -1.2% from -1.9% in the previous month. The monthly net flow of credit to the private sector was positive at €1,055 mn compared with a negative net flow of €279 mn in the previous month. Deposits by the private sector increased by €1,355 mn in June 2018 compared with an increase of €919 mn in the previous month while the annual growth rate stood at 7.5% from 7.4% in the previous month.

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Source: Reuters, Bloomberg, Eurobank Research

Thursday 26 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

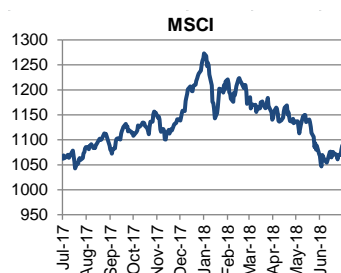
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### ROMANIA

The consolidated government balance in cash terms recorded a sizeable deficit of RON6.8bn in June, up by 65.4% YoY. Overall, the consolidated government deficit reached RON15.0bn or 1.6% of the projected GDP in the 1H-2018, compared to RON 6.3bn or 0.7% of GDP in the same period one year ago. However, the outcome in the 1H remains below the 2.2% of GDP Ministry of Finance projection for the period, while the government's full year target stands at RON27.6bn or 3% of GDP in 2018. Overall, budget revenues in 1H have been strongly affected by the government's expansive fiscal policies in the past years, which translated into weaker revenues from all revenue components (VAT, Taxes on use of goods or activities, Personal Income Tax). At the same time, expenditure was boosted by significant wage and pension increases.

In addition, sharply lower growth dynamics are also expected to put more pressure on the fiscal side this year. The budget has been built upon a real GDP growth assumption of 5.5%, which is unrealistic given the performance of the first quarter (0.0% QoQ/+4.2% YoY) and will make the attainment of the fiscal target an even harder task. Past experience has proved that the public investment program is the first to suffer from under-execution in order to contain the fiscal slippage. Running relatively sizeable fiscal deficits coupled with low public investment spending is exacerbating inflationary pressures undermining not only the competitiveness and the growth potential of the country but also its ability to withstand an external shock. To make things worse, the tensions within the ruling PSD party threaten political stability and have a negative impact on the consistency and efficiency of implemented policies.

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Thursday 26 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	2846.07	0.9%	6.5%	EUR/USD	1.1707	-0.2%	-2.5%	UST - 10yr	2.96	-1	56	GOLD	1228	-0.3%	-5.8%
Nikkei 225	22586.87	-0.1%	-0.8%	GBP/USD	1.3185	0.0%	-2.5%	Bund-10yr	0.41	2	-2	BRENT CRUDE	74	0.4%	11.0%
STOXX 600	389.22	0.5%	0.0%	USD/JPY	110.77	0.2%	1.7%	JGB - 10yr	0.09	2	5	LME X	3023	-0.4%	-11.6%

### SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	-1	-23
1-week	2.42	-1	-19
1-month	2.61	-1	-24
3-month	2.89	0	-23
6-month	3.06	-1	-18

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.48	4	-79
5Y RSD	3.92	3	-32
7Y RSD	4.33	0	-85

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.60	-1	60
USD Nov-24	#N/A N/A	#N/A N/A	-13164

#### CDS

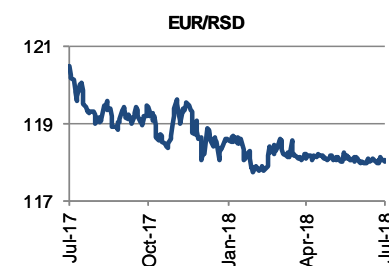
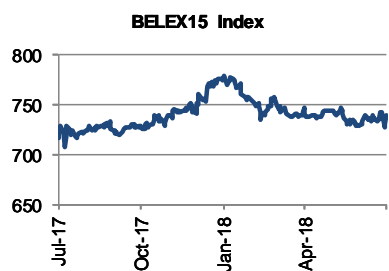
	Last	ΔDbps	ΔYTD bps
5-year	107	-3	-11
10-year	158	-4	-4

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.2	-0.01%	-2.72%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.05	0.09%	0.73%



### ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.53	4	244
1-month	3.45	1	158
3-month	3.46	3	141
6-month	3.52	0	125
12-month	3.62	1	130

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.33	0	95
5Y RON	4.81	0	103
10Y RON	4.99	0	67

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	2
USD Jan-24	4.03	-1	103

#### CDS

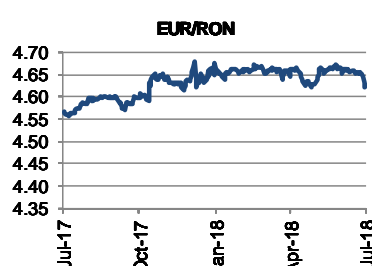
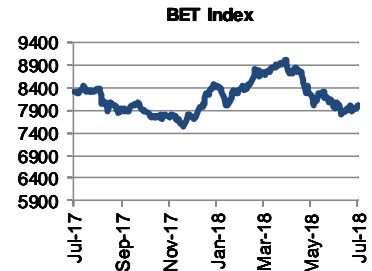
	Last	ΔDbps	ΔYTD bps
5-year	96	8	6
10-year	140	10	6

#### STOCKS

	Last	ΔD	ΔYTD
BET	7992.4	0.48%	3.08%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6261	-0.09%	0.84%



### 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	0	-6
10Y BGN	0.86	0	-10

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.01	-1	8
EUR Sep-24	0.47	-24	-11

#### CDS

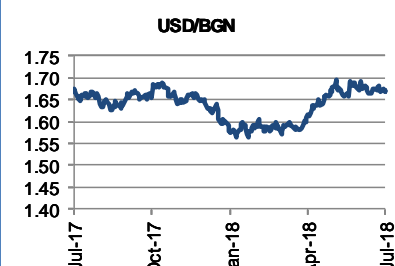
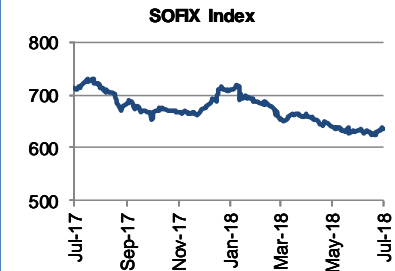
	Last	ΔDbps	ΔYTD bps
5-year	76	2	-21
10-year	123	120	-18

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	635.0	-0.17%	-6.27%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6707	-0.17%	-2.47%



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

Data updated as of 12:20 EEST

Thursday 26 July 2018

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