

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: In line with market expectations following important policy decisions last month, the ECB monetary policy meeting yesterday proved to be a non-event for financial markets. At the post-meeting press conference, Mario Draghi reiterated that, subject to incoming data, the ECB intends net asset purchases to end at the end of 2018 and keep interest rates at their present levels at least through the summer of 2019. In FX markets, the ECB's reaffirmed patience on rate hikes weighed on the EUR which hit a one-week intraday low of 1.1625 against the USD earlier today. Focus today is on the advance estimate of US Q2 GDP.

GREECE: ECB President Mario Draghi, stated that now GGBs need a waiver to be eligible for QE but when the ESM programme expires, the waiver expires. ELA-ceiling for Greek banks is reduced to €8.4bn up to and including 13 September 2018, following a request by the Bank of Greece.

SOUTH EASTERN EUROPE

CYPRUS: Total banking system deposits recorded a substantial decrease in June after two consecutive months of increases.

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Friday 27 July 2018

Latest world economic & market developments

GLOBAL MARKETS

In line with market expectations following important policy decisions last month, the ECB monetary policy meeting yesterday proved to be a non-event for financial markets. The Central Bank made no changes to its policy or forward guidance providing further support to the prevailing view that interest rates will remain stable until autumn next year. At the post-meeting press conference, Mario Draghi reiterated that, subject to incoming data, the ECB intends net asset purchases to end at the end of 2018 and keep interest rates at their present levels at least through the summer of 2019. On the growth outlook, the ECB President adopted a fairly more positive tone compared to the June meeting and described the risks as "broadly balanced". He stressed that the threat of protectionism remains "prominent" but appeared encouraged by the constructive outcome of the recent meeting between EU Commission President Jean-Claude Juncker and US President Donald Trump. On the inflation front, he also appeared slightly more confident that inflation is converging towards target on a sustainable manner, making particular reference to the accelerated growth rate of contractual wages. No details on reinvestment policy were provided with President Mario Draghi saying that the Governing Council did not even discuss when to discuss the issue.

In FX markets, the ECB's reaffirmed patience on rate hikes weighed on the EUR, which hit a one-week intraday low of 1.1625 against the USD earlier today, poised for weekly losses to the tune of 0.8%. Focus today is on the advance estimate of US Q2 GDP. Consensus is for an acceleration to around 4.0% in annualized terms from 2.0% in the prior quarter and the likelihood of further EUR/USD losses cannot be ruled out should US data surprise to the upside. Turning to US Treasuries, yields remained in an upward trend with the 10-yr yield hitting an intraday peak close to 2.99% earlier today, the highest since mid-June and within distance from the psychologically important level of 3.00% that could be potentially tested in case of a very strong US GDP reading.

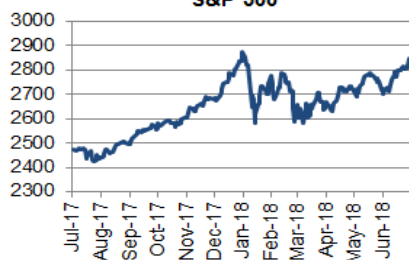
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GREECE

At the press conference following the Governing Council meeting yesterday, ECB President Mario Draghi, stated that "right now Greek government bonds are not eligible for QE and they need a waiver which was in place while the programme was in place. Once the programme expires, the waiver expires and that's what it is right now". Meanwhile, yesterday the Governing Council of the ECB did not object to an ELA-ceiling for Greek banks of €8.4bn up to and including 13 September 2018, following a request by the Bank of Greece. The reduction of €1.9 bn in the ceiling reflects and improvement of the liquidity situation of Greek banks taking into account flows stemming from private sector deposits and from the banks' access to wholesale financial markets.

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S&P 500



STOXX 600



ATHENS GEN. INDEX



Source: Reuters, Bloomberg, Eurobank Research

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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

Total banking system deposits recorded a substantial decrease in June after two consecutive months of increases.

From a flow point of view, total deposits recorded a net substantial decrease of €745.2mn in June on top of a net increase of €201.2mn in May, up from a substantial net increase of €2.386,4mn in April and a net decrease of €642.9mn in March, plus a net decrease of €29.2mn in February. The substantial increase of April can be attributed to the deposit placed by the Cypriot government to CCB equal to €2.5bn. The outflows recorded in the month of June can be attributed to the uncertainty with respect to the resolution of the Cyprus Co-operative Bank (CCB), the second largest bank at that time, which had a negative impact on depositors' sentiment.

The rapidly evolving case of the Cyprus Co-operative Bank (CCB) dominated the agenda in Q2-2018 and is expected to keep our attention in the medium-term. The privatization process of CCB, initiated by the government in late March, resulted in its ultimate liquidation. The liquidation involves the acquisition of its performing assets by Hellenic Bank rendering it the second largest bank in Cyprus in terms of assets, deposits and employees and the transfer of NPEs to a state-owned entity, which is set up for that purpose. On top, the Cypriot government introduced the "ESTIA" subsidy scheme to help vulnerable groups of borrowers, while the insolvency and foreclosures frameworks were further reformed in early July for the first time since 2014-2015.

The annual rate of expansion in deposits – which has been in positive territory since October 2015 with the exception of only one month in March 2018 – slowed down to 3.9% YoY in June down from 4.6% YoY in May, 4.5% YoY in April, 3.1% YoY in December 2017, compared to 6.2% YoY in December 2016 and only 0.2% YoY in December 2015. Total deposits stood at €50.2bn in June compared to €50.9bn in May vs. €50.5bn in April, €48.0bn in March, €48.7bn in February, €48.6bn in January and €49.4bn in December 2017, compared to €49.0bn in December 2016 and €45.97bn in December 2015.

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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	2837.44	-0.3%	6.1%	EUR/USD	1.1646	0.0%	-3.0%	UST - 10yr	2.98	0	57	GOLD	1224	0.1%	-6.1%
Nikkei 225	22712.75	0.6%	-0.2%	GBP/USD	1.3114	0.0%	-3.0%	Bund-10yr	0.41	0	-2	BRENT CRUDE	74	-0.2%	11.3%
STOXX 600	391.19	0.2%	0.5%	USD/JPY	111.03	0.2%	1.5%	JGB - 10yr	0.10	1	6	LME X	3027	0.2%	-11.5%

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	3.48	0	-79
5Y RSD	3.92	0	-32
7Y RSD	4.33	0	-85

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

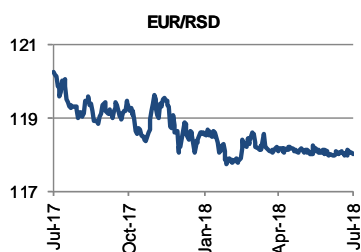
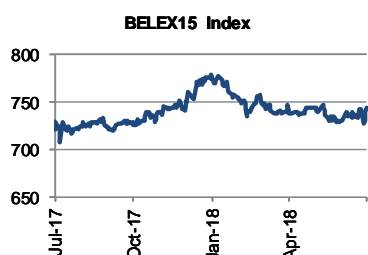
	Last	ΔDbps	ΔYTD bps
5-year	105	-2	-12
10-year	156	-2	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	754.1	1.41%	-0.75%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.01	-0.74%	0.76%



ROMANIA

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.31	0	92
5Y RON	4.79	0	101
10Y RON	4.95	0	63

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	2
USD Jan-24	4.01	0	101

CDS

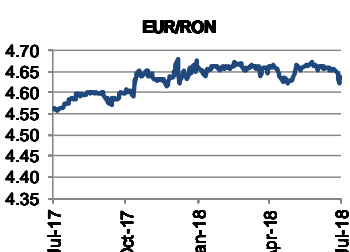
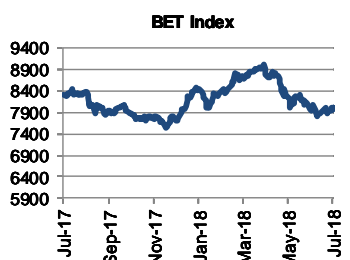
	Last	ΔDbps	ΔYTD bps
5-year	94	-2	4
10-year	138	-2	4

STOCKS

	Last	ΔD	ΔYTD
BET	8020.6	0.05%	3.44%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.634	0.08%	0.66%



BULGARIA

Money Market			
	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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	-0.09	1	-3
5Y BGN	0.09	1	-5
10Y BGN	0.84	1	-12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	1	8
EUR Sep-24	0.42	24	-16

CDS

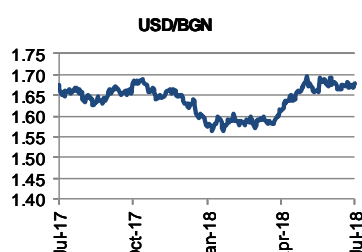
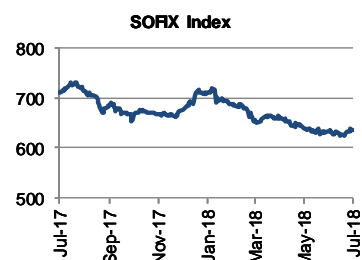
	Last	ΔDbps	ΔYTD bps
5-year	75	-1	-22
10-year	121	-2	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	635.4	0.00%	-6.20%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6793	0.02%	-2.97%



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

Data updated as of 11:00 EEST

Friday 27 July 2018

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