

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 30 July 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- July 31:
 - PCE (Jun)
 - Employment Cost Index (Q2)
- Aug 1:
 - ISM Manufacturing (Jul)
 - ADP Employment (Jul)
 - FOMC Rate Decision
- Aug 3:
 - Nonfarm Payrolls (Jul)
 - Unemployment Rate (Jul)
 - Average Hourly Earnings (Jul)

EUROZONE

- July 30: Economic Sentiment Indicator (Jul)
- July 31:
 - HICP (Jul)
 - Unemployment Rate (Jun)
 - Q2 GDP, flash estimate
- Aug 1:
 - PMI Manufacturing (Jul, f)
- Aug 3:
 - PMI Services (Jul, f)
 - PMI Composite (Jul, f)

GREECE

- Jul 30: PPI (Jun)
- Jul 31: Retail Sales (May)
- Aug 1: PMI manufacturing (Jul)

SEE

BULGARIA

- July 30: PPI Index (Jun)
- July 31:
 - Budget Balance (Jun)
 - Base Interest Rate (Aug)

CYPRUS

- Aug 2: CPI (Jul)

ROMANIA

- July 31: Unemployment (Jun)
- August 1: FX Reserves (Jul)
- August 2: PPI Index (Jun)
- August 3: Retail Sales (Jun)

SERBIA

- July 31:
 - Industrial Output (Jun)
 - GDP (Q2-2018, flash estimate)
 - Trade Balance (Jun)
 - Retail Sales (Jun)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Mirroring Friday's negative performance on Wall Street with the tech stocks underperforming on weaker-than-expected corporate reports, global equity markets traded in the red on Monday while major currencies consolidated around Friday's levels ahead of an eventful week. Three major central banks convene this week, with the BoJ meeting on Tuesday expected to receive greater attention given talks to a possible tweaking of Japan's massive asset-buying program. In the US, no change in policy is anticipated by the Federal Reserve that concludes its policy meeting on Wednesday, with the market almost fully priced for two 25bp rate hikes in September and December. As far as the BoE meeting is concerned, the consensus is for a 25bp dovish rate hike on Thursday, taking the central bank rate to 0.75%. In FX markets, the DXY dollar index stood little changed around 94.600 in European trade at the time of writing, shrugging of better than expected US Q2 GDP data released on Friday.

GREECE: According to press reports, the IMF in its Article IV Consultation for Greece confirmed the medium term sustainability of the country's gross public, but raised serious reservations over the respective long term sustainability.

SOUTH EASTERN EUROPE

SERBIA: The EURRSD remained bound within an 117.85/05-117.95/15 tight trading range in the past week.

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Latest world economic & market developments

GLOBAL MARKETS

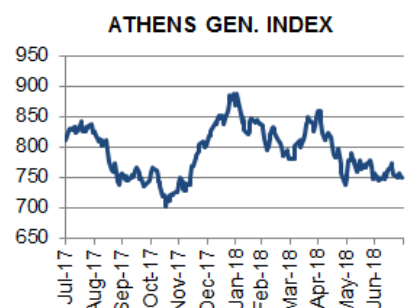
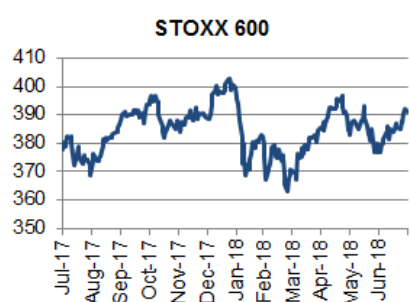
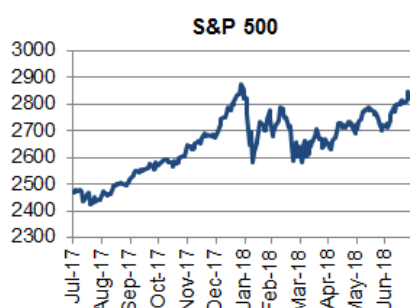
Mirroring Friday's negative performance on Wall Street with the tech stocks underperforming on weaker-than-expected corporate reports, global equity markets traded in the red on Monday while major currencies consolidated around Friday's levels ahead of an eventful week. Three major central banks convene this week, with the BoJ meeting on Tuesday expected to receive greater attention given talks to a possible tweaking of Japan's massive asset-buying program. Although there is no clear consensus, some investors and market analysts expect the BoJ to allow larger changes in the government bond market by loosening its interpretation of its policy target of "around 0%" in the 10-year yield. As a result, Japanese government bond prices fell on Monday, with respective 10-yr yield surging to roughly 1½ year high of 0.113% in European trade. In the US, no change in policy is anticipated by the Federal Reserve that concludes its policy meeting on Wednesday, with the market almost fully priced for two 25bp rate hikes in September and December. The July FOMC meeting is expected to be non-event, given that it does not include a post-meeting conference or an updated summary of economic projections. As far as the BoE meeting is concerned, the consensus is for a 25bp dovish rate hike on Thursday (with a probability of ca. 85%), taking the central bank rate to 0.75%, the first time since 2009 that the bank rate would surpass 0.5%. In FX markets, the DXY dollar index stood little changed around 94.600 in European trade at the time of writing, shrugging off better than expected US Q2 GDP data released on Friday. According to the BEA's advance estimate, the US economy grew by 4.1%QoQ saar in Q2 from 2.2% in the prior quarter, boosted by solid growth in personal consumption and federal spending, while net trade added a remarkable 1.1ppts to overall growth on a surge in exports, the strongest positive contribution since Q4 2013. On the US macro data front, June PCE and the Q2 Employment Cost Index data on Tuesday, July ISM manufacturing index and ADP employment change reading on Wednesday, as well as July Employment Situation Report on Friday should take centre stage. In the Euro area, July confidence indicators later today, July CPI prints and the advance Q2 GDP release on Tuesday and July PMI manufacturing and services indices on Thursday and Friday, respectively, will be worth watching.

okosma@eurobank.gr

Source: Reuters, Bloomberg, Eurobank
Research

GREECE

According to press reports, the IMF in its Article IV Consultation for Greece confirmed the medium term sustainability of the country's gross public debt, but raised serious reservations over the respective long term sustainability. The latter concerns were mainly due to the expected negative impact that the ageing of the Greek population might have on the long term primary balance and employment. According to the same sources, the IMF urged the Greek Government to continue its structural reform effort. The Article IV Consultation for Greece and the Debt Sustainability Analysis will be published on 31 June 2018.

tstamatiou@eurobank.gr

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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: Indicators	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

Latest economic & market developments in the CESEE region

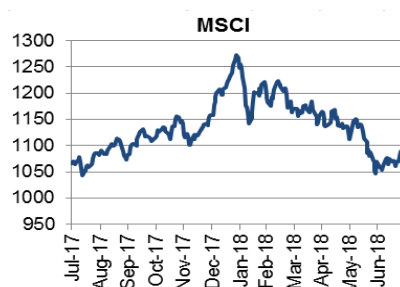
SERBIA*

The EUR/RSD held steady around 118.00 during the whole last week, remaining bound within a tight range of 117.85/05-117.95/15 amid low trading volumes. The National Bank of Serbia (NBS) continued with its routine of buying euros directly in the FX market, intervening for the fourth consecutive session in order to mitigate prevailing downside pressure on the EUR/RSD pair. In more detail, NBS bought €30mN on Friday, bringing the total amount at €60mn last week. On an annual basis, the total NBS purchases have reached the amount of €1.58bn so far in 2018.

In other news, Prime Minister Ana Brnabic has discussed with International Monetary Fund (IMF) Director Christine Lagarde in Washington on the prospect of IMF's cooperation with Serbia. Mrs. Brnabic and Mrs. Lagarde discussed the new agreement between the IMF and Serbia, which will be implemented for 30 months. The arrangement is exclusively advisory and does not foresee the use of financial resources, which is a confirmation of the good macroeconomic results that Serbia has achieved so far. Mrs. Brnabic pointed out that the previous government achieved fiscal consolidation and macroeconomic stabilization, with the task of this government to achieve faster GDP growth. The IMF director confirmed that the delegation of the institution will come to Serbia in September when they will discuss the continuation of the reforms.

*We would like to thank Djordje Lucic from Eurobank AD Beograd for his invaluable contribution in today's issue.

igkionis@eurobank.gr



Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba3	BB+	BB+

Monday 30 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	2818.82	-0.7%	5.4%	EUR/USD	1.1685	0.3%	-2.7%	UST - 10yr	2.98	2	57	GOLD	1222	-0.1%	-6.2%
Nikkei 225	22544.84	-0.7%	-1.0%	GBP/USD	1.3123	0.1%	-2.9%	Bund-10yr	0.44	4	1	BRENT CRUDE	74	0.3%	11.4%
STOXX 600	391.09	-0.3%	0.5%	USD/JPY	111.05	0.0%	1.5%	JGB - 10yr	0.10	0	5	LMEX	3033	0.2%	-11.3%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	1	-22
1-week	2.41	-1	-20
1-month	2.61	0	-24
3-month	2.88	-1	-24
6-month	3.06	0	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.44	0	-83
5Y RSD	3.89	0	-35
7Y RSD	4.36	0	-83

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.59	0	59
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

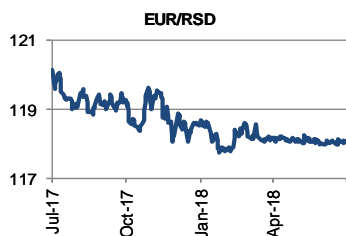
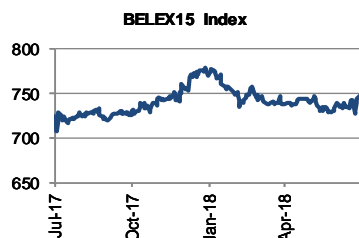
	Last	ΔDbps	ΔYTD bps
5-year	104	-1	-13
10-year	154	-2	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	747.8	0.25%	-1.58%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.38	-0.24%	0.45%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.61	7	252
1-month	3.5	4	163
3-month	3.47	2	142
6-month	3.53	2	126
12-month	3.63	1	131

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.29	0	91
5Y RON	4.76	0	98
10Y RON	4.91	0	59

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	3
USD Jan-24	4.01	0	101

CDS

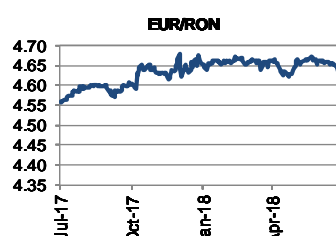
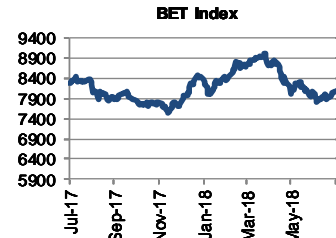
	Last	ΔDbps	ΔYTD bps
5-year	93	-1	3
10-year	136	-1	3

STOCKS

	Last	ΔD	ΔYTD
BET	8086.2	0.56%	4.29%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6249	-0.02%	0.86%



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	-0.07	2	-1
5Y BGN	0.10	1	-4
10Y BGN	0.85	0	-12

BG Eurobonds

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

CDS

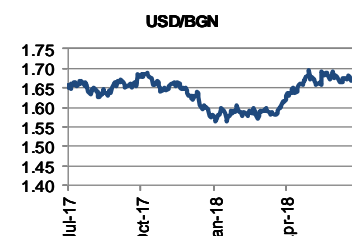
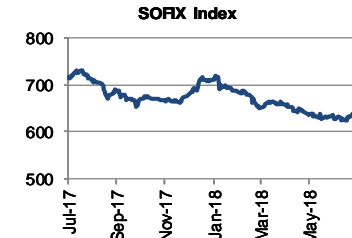
	Last	ΔDbps	ΔYTD bps
5-year	74	-1	-23
10-year	120	-1	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	631.8	-0.08%	-6.74%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6739	0.24%	-2.66%



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

Data updated as of 13:15 EEST

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Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Ioannis Gkionis
Senior Economist, Eurobank Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Stelios Gogos (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371226
sgogos@eurobank.gr

Theodoros Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
+30 210 3371228
tstamatiou@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Marisa Yiannissis: Administrator
magiannisi@eurobank.gr +210 3371242

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr +30 210 33 71 225

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr +30 210 33 71 227

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, +30 210 37 18 991

Dr. Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

Eurobank Ergasias S.A., 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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