



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, July 10, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Jul 12
  - Fed Chair Yellen testifies before House Financial Services Committee
  - Fed's Beige Book
- Jul 13
  - Jobless claims (weekly)
  - Fed Chair Yellen testifies before Senate
- Jul 14
  - CPI (Jun)
  - Retail sales (Jun)
  - Industrial prod/n (Jun)
  - UoM consumer confidence (Jul, p)

#### EUROZONE

- Jul 10: Eurogroup
- Jul 11: Ecofin

#### GREECE

- Jul 10
  - HICP/CPI (Jun)
  - Industrial prod/n (May)

#### CYPRUS

- Jul 11: HICP (Jun)

#### SEE

#### BULGARIA

- Jul 10
  - Retail sales (May)
  - Industrial prod/n (May)
  - Trade balance (May)
- Jul 13: CPI (Jun)

#### ROMANIA

- Jul 10
  - Trade balance (May)
  - 3.25% 2024 T-bonds auction
  - MPC meeting minutes
- Jul 11
  - Industrial sales (May)
  - CPI (Jun)
- Jul 12: Industrial prod/n (May)
- Jul 13: 1.35% 2019 T-Bonds auction
- Jul 14
  - CAD (May)
  - Fitch rating review

#### SERBIA

- Jul 11: MPC meeting
- Jul 12
  - CPI (Jun)
  - 2-year T-Bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US non-farm payrolls data for the month of June surprised positively with the headline rising by 222k, higher than 179k expected. The unemployment rate rose to 4.4% from a 16-year low of 4.3% in the prior month but this was largely due to an increase in the participation rate. In reaction to the US employment report, major European equity markets opened higher on Monday, taking their lead from the positive tone on Wall Street in the prior session. US government bond yields remained in an upward trend with the bearish curve steepening prevailing. In FX markets, USD was modestly firmer against the majority of its currency peers, especially vs. JPY. Looking at this week's calendar, focus is on the FOMC Chair Janet Yellen's semi-annual testimony before Congress on Wednesday while, in terms of data, Friday's US inflation and retail sales for June lure market attention.

**GREECE:** The ESM Board of Directors approved on Friday the third tranche of €8.5 billion of financial assistance to Greece. According to the relevant press release, the first disbursement under this tranche will amount to €7.7 billion, and is expected to be made by the ESM today. A further disbursement for arrears clearance of €0.8 billion may be made after 1 September 2017 subject to Greece making significant progress on arrears clearance and to a further decision by the ESM Board of Directors. according to the Hellenic Statistical Authority, the deficit of the Trade Balance for the 5-month period from January to May 2017 increased by 24.7% compared with the corresponding period in 2016. The corresponding change excluding oil products increased 19.8%, while the corresponding change excluding oil products and ships recorded an increase of 6.3%.

### SOUTH EASTERN EUROPE

**BULGARIA:** The domestic equities market ended mixed last week as trades came in narrow spreads with moderate volumes. Meanwhile, the local sovereign curve was flexed around the mid tenor, with the long-end increasing by up to 6bps. Eurobond yields drifted higher as well, in line with the upward trend witnessed in core government bonds.

**SERBIA:** Following a short-lived bounce towards 120.70/90 early in the week, the EUR/RSD tumbled to a fresh 1 ½-year low at 120.00/20 on Friday.

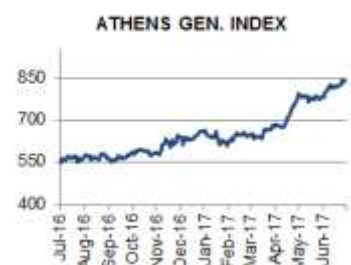
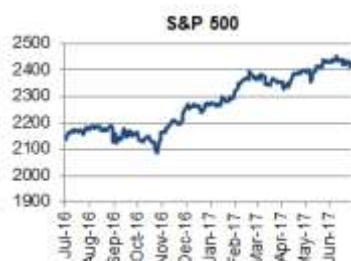
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July 10, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US non-farm payrolls data for the month of June surprised positively with the headline rising by 222k, higher than 179k expected. Adding to the positive tone of the report, the figures of the previous two months were revised higher by 47k cumulatively. The average workweek increased to 34.5 hours from 34.4 in May, approaching the cycle peak of 34.6 recorded in January 2016. The unemployment rate rose to 4.4% from a 16-year low of 4.3% in the prior month but this was largely due to an increase in the participation rate to 62.8% from 62.7%. Earnings growth remained soft with average hourly earnings rising by just 0.2% mom taking the annual rate to 2.4% from 2.5% but lower than 2.6% expected. Overall, the US non-farm payrolls report suggests that, although inflation may be slow to pick up on the back of soft wage gains, the US economy remains on the recovery path despite the modest removal of policy accommodation that has taken place. All in all, the US report added to the view for a Fed announcement of balance sheet normalization later this year and a third rate hike before the end of the year. In reaction to the US employment report, major European equity markets opened higher on Monday, taking their lead from the positive tone on Wall Street in the prior session. US government bond yields remained in an upward trend while, in terms of upcoming domestic data this week, risks seem skewed for somewhat higher yields. Bearish curve steepening prevailed with the US 2/10-yr yield spread hovering around 99bps in European trade, the widest in around two months. In FX markets, USD was modestly firmer on the day against the majority of its currency peers, especially vs. JPY hitting a two-month peak of 114.30 earlier in the day after BoJ Governor Haruhiko Kuroda reiterated the Central Bank's resolve to maintain the massive stimulus programme for as long as is needed to meet the 2% inflation target. Looking at this week's calendar, focus is on the FOMC Chair Janet Yellen's semi-annual testimony before Congress on Wednesday while, in terms of data, Friday's US inflation and retail sales for June lure market attention.

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### GREECE

The ESM Board of Directors approved on Friday the third tranche of €8.5 billion of financial assistance to Greece under the current economic adjustment programme. According to the relevant press release, the first disbursement under this tranche will amount to €7.7 billion, and is expected to be made by the ESM today. Out of this amount, €6.9 billion will be used for debt servicing needs and €0.8 billion for arrears clearance. A further disbursement for arrears clearance of €0.8 billion may be made after 1 September 2017 subject to Greece making significant progress on arrears clearance, using its own resources to the arrears clearance effort as well as the funding from the disbursement approved today. This will be subject to a further decision by the ESM Board of Directors. It is noted that after the latest disbursement, ESM financial assistance for Greece will reach €39.4 billion, out of a total programme envelope of up to €86 billion. Together the ESM and the EFSF have so far disbursed €181.2 billion to Greece (including the latest amount), making the rescue funds the largest creditors to Greece by far. In other news, according to the Hellenic Statistical Authority, the deficit of the Trade Balance for the 5-month period from January to May 2017 increased by 24.7% compared with the corresponding period in 2016. The corresponding change excluding oil products increased 19.8%, while the corresponding change excluding oil products and ships recorded an increase of 6.3%.

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## Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
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	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

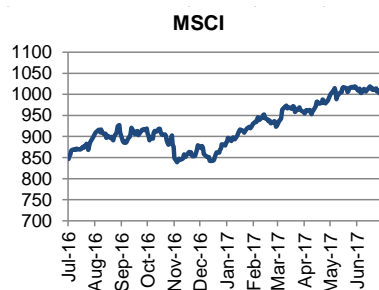
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.9	1.2	2.1
Budget Balance/GDP	-3.7	-1.4	-1.3
Current Account/GDP	-4.7	-4.0	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2016	current	2017
Policy Rate (eop)	4.00	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

### BULGARIA

The domestic equities market ended mixed last week as trades came in narrow spreads with moderate volumes. The major benchmark SOFIX index managed to add 0.6% on the week to close at 707.96 points on Friday, thanks to gains registered until Tuesday. Weekly turnover stood at EUR 3.2mn lifted by block deals. Meanwhile, the local sovereign curve was flexed around the mid tenor, with the long-end increasing by up to 6bps. Eurobond yields drifted higher as well, in line with the upward trend witnessed in core government bonds. The movement was more pronounced in the belly of the curve, resulting in an advance of about 6-8bps.

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### SERBIA

Following a short-lived bounce towards 120.70/90 early in the week, the EUR/RSD tumbled to a fresh 1 ½-year low at 120.00/20 on Friday. In order to mitigate the dinar's appreciation momentum, the National Bank of Serbia (NBS) bought €30mn. On the back of a good agricultural season and a large budget surplus so far this year, we expect to see another leg lower for the cross, but the pace of going further down will likely be much slower. In more detail, we expect to see the EUR/RSD at 119.50 in one month's time and 119.00 in two months.

In other news, IMF mission head James Roaf praised ongoing reforms in Serbia, during his meeting with President Aleksandar Vucic, citing that results of Serbia's budget were "excellent". That said, some macroeconomic risks do lie ahead. Among them, a strike in FIAT plant in the city of Kragujevac. There has been a rumor of FIAT planning to leave Serbia as sales of current model (FIAT 500L) are declining. The strike could speed up that decision and seriously damage Serbian trade balance as one of the biggest contributors to exports. New Prime-Minister Ana Brnabic was quoted as saying to local media that she wants to examine whether the new IMF deal is necessary as "sometimes the IMF is more stringent than is necessary, and in that respect, it is possible that a new deal hinders growth".

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July 10, 2017

## 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	2425.18	0.6%	8.3%	EUR/USD	1.1416	0.1%	8.5%	UST - 10yr	2.38	-1	-7	GOLD	1208	-0.4%	4.8%
Nikkei 225	20080.98	0.8%	5.1%	GBP/USD	1.2893	0.0%	4.3%	Bund-10yr	0.56	-1	35	BRENT CRUDE	47	0.0%	-17.8%
STOXX 600	381.23	0.3%	5.5%	USD/JPY	114.17	-0.2%	2.5%	JGB - 10yr	0.09	0	5	LMEX	2822	-0.5%	6.1%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.97	0	-3
1-week	3.10	0	-7
1-month	3.29	0	-6
3-month	3.51	0	4
6-month	3.69	0	3

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.87	0	-22
5Y RSD	5.22	0	-14
7Y RSD	5.59	0	-4

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.01	0	-31
USD Nov-24	6.33	-1	-8

#### CDS

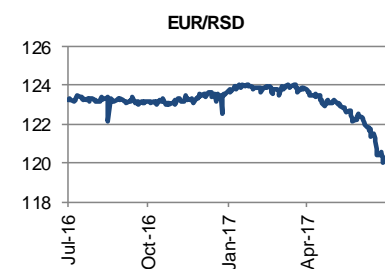
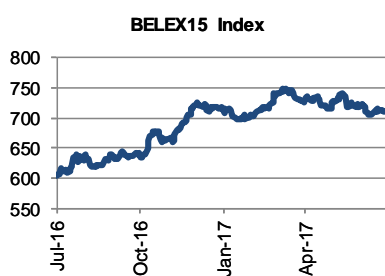
	Last	ΔDbps	ΔYTD bps
5-year	151	-4	-57
10-year	199	-5	-56

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	710.1	0.04%	-1.02%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.10	-0.07%	2.80%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.56	0	0
1-month	0.65	0	-11
3-month	0.88	0	-2
6-month	1.02	0	-9
12-month	1.2	0	-5

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.38	-1	-24
5Y RON	2.35	-1	-17
10Y RON	3.59	0	-6

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.00	1	-14
USD Jan-24	3.48	0	-37

#### CDS

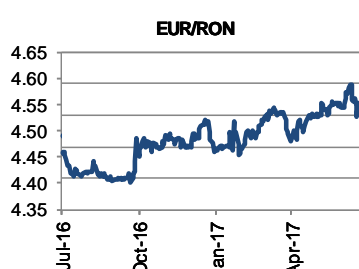
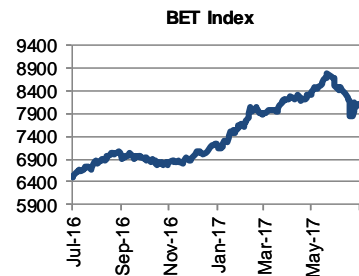
	Last	ΔDbps	ΔYTD bps
5-year	108	0	-1
10-year	151	0	-1

#### STOCKS

	Last	ΔD	ΔYTD
BET	8092.6	0.59%	14.22%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5695	0.09%	-0.67%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	41	1
1-month	-0.16	1	1
3-month	-0.09	-1	-2
6-month	0.05	0	-3
12-month	0.42	0	1

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	0	-22
5Y BGN	0.18	2	-32
10Y BGN	1.56	0	-35

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-18.66	3	-1310
EUR Sep-24	1.32	-37	-36

#### CDS

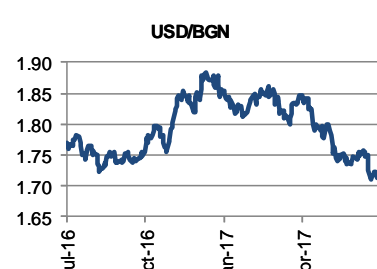
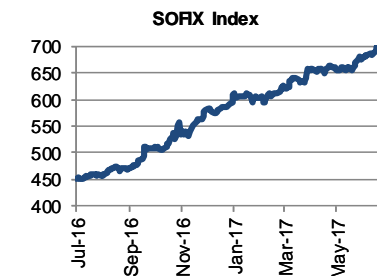
	Last	ΔDbps	ΔYTD bps
5-year	113	0	-39
10-year	163	0	-31

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	709.9	0.27%	21.05%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7133	0.13%	8.47%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:50 EEST

July 10, 2017

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