



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, July 17, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Jul 17: Empire state index (Jun)
- Jul 18: NAHB index (Jun)
- Jul 19
  - Housing starts (Jun)
  - Housing permits (Jun)
- Jul 20
  - Jobless claims (weekly)
  - Philly Fed (Jul)

##### EUROZONE

- Jul 18
  - DE: ZEW economic expectations (Jul)
  - HICP (Jun, f)
- Jul 20: ECB meeting & press conference

##### GREECE

- Jul 20: Turnover Index in Industry (May)
- Jul 21
  - Current account balance (May)
  - Sovereign credit rating review by S&P

##### SEE

##### BULGARIA

- Jul 17: 1.95% 2027 T-bonds auction
- July 18: Current account balance (May)

##### ROMANIA

- Jul 17: 4.75% 2025 T-bonds auction

##### SERBIA

- Jul 20: 5-year T-Bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** USD remained under selling pressure and US government bond yields were slightly lower in European trade on Monday reacting to a dovish shift in short-term Fed rate hike expectations following Friday's disappointing US inflation and retail sales data for June. This week's main event is the ECB monetary policy meeting on Thursday where President Mario Draghi is likely to adopt a slightly more dovish tone compared to that at the ECB Forum in Sintra on June 27th that triggered a sharp bond sell-off in recent weeks.

**GREECE:** According to press reports the Greek government is planning to tap the markets sometime this week with the issuance of a 5-year bond to raise c. 3 billion. At the time of writing the 10-year bond yield stood at 5.359% and the 2-year bond yield at 3.562%, the lowest levels since December 2009 and January 2010 respectively. According to the provisional data released by the Ministry of Finance for the budget execution on a modified cash basis, for the period January – June 2017 the state budget balance recorded a deficit of €1,597 million against the target for a deficit of €3,092 million in the Medium Term Fiscal Strategy (MTFS) 2018 – 2021 and a deficit of €1,852 million in the corresponding period of 2016.

### SOUTH EASTERN EUROPE

**SERBIA:** The EUR/RSD traded in a narrow range of 119.90 – 120.25 last week as appreciation pressures on the dinar were mitigated by new intervention in the FX markets by the National Bank of Serbia.

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July 17, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

USD remained under selling pressure and US government bond yields were slightly lower in European trade on Monday reacting to a dovish shift in short-term Fed rate hike expectations following Friday's disappointing US inflation and retail sales data for June. The CPI report came in below expectations for the fourth straight month revealing a rise of 0.02% on a monthly basis in the headline index taking the annual rate down to 1.7% from 1.9% in May. Core CPI rose by just 0.12% leaving the year-on-year rate unchanged at 1.7%. Separately, retail sales unexpectedly fell by 0.2% mom, the second monthly drop in a row pointing to slower Q2 private consumption. The DXY index marked a fresh year-to-date intraday low of 95.065 earlier in the day before edging up modestly to levels close to 95.280 at the time of writing, not much changed on the day but still around 7% lower so far this year. AUD was among the main outperformers in FX markets recording a one-year peak of 0.7840 against USD in early European trade favored by the latter's broad-based weakness, higher oil prices and firmer than expected China's Q2 GDP data. US government bonds were firmer on the day with the 10-yr paper yielding levels close to 2.31% after ending at 2.32% in the prior session, below a multi-month peak of 2.40% marked earlier this month. In a similar note, the 10-yr Bund yield was trading close to 0.58% at the time of writing after ending near 0.60% on Friday ahead of Thursday's ECB monetary policy meeting where President Mario Draghi is likely to adopt a slightly more dovish tone compared to that at the ECB Forum in Sintra on June 27th that triggered a sharp bond sell-off in recent weeks. Mario Draghi is not expected to attempt to alter market expectations about a tapering announcement in September or October at the latest. However, he is anticipated to stress the continued need for accommodative monetary policy mainly on the back of subdued underlying inflation pressures in an attempt to persuade investors that stimulus withdrawal, when it comes, will be gradual.

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### GREECE

According to press reports the Greek government is planning to tap the markets sometime this week with the issuance of a 5-year bond to raise c. 3 billion. Hellenic Republic bond yields continue their downward path with the 10-year bond yield standing at 5.359% at the time of writing and the 2-year bond yield at 3.562%, the lowest levels since December 2009 and January 2010 respectively. In other news, according to the provisional data released by the Ministry of Finance for the budget execution on a modified cash basis, for the period January – June 2017 the state budget balance recorded a deficit of €1,597 million against the target for a deficit of €3,092 million in the Medium Term Fiscal Strategy (MTFS) 2018 – 2021 and a deficit of €1,852 million in the corresponding period of 2016. The primary balance for the period January – June 2017 recorded a surplus of €1,936 million, against the MTFS 2018-2021 primary surplus target of €431 million and the primary surplus of €1,632 million for the same period in 2016.

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July 17, 2017

## 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

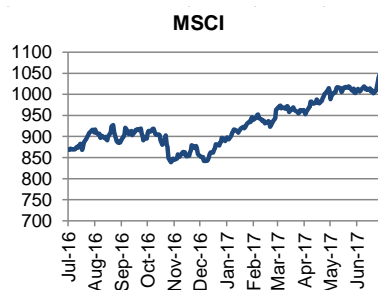
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

### SERBIA

The EUR/RSD traded in a narrow range of 119.90 – 120.25 last week as appreciation pressures on the dinar were mitigated by new intervention in the FX markets by the National Bank of Serbia (NBS). In more detail, NBS bought €105mn to halt the dinar's upside momentum. Taking into account that the Central Bank appears to be intervening lately whenever the cross dips below 120.00, we believe that the EUR/RSD will likely remain near that level despite strong selling pressures that have emerged over the last few weeks. At the same time, upside EUR/RSD pressures appear to be weak amid light trade volumes due to the summer lull and very weak demand for hard currency. Against this backdrop, our view is that the cross may move sideways for the next couple of weeks, remaining bound within a range of 120.00 – 120.70. However, a potential absence of NBS intervention could open the way for a move towards 119.00.

In other news, Serbia's consumer prices rose by 3.6% year-on-year in June following an annual increase of 3.5% in May, according to the latest data released last week by the Statistical Office of the Republic of Serbia. At the same time, month-to-month consumer price index (CPI) edged up 0.2% in June after decreasing by 0.5% in May. At the July monetary policy meeting held last week, NBS held the benchmark rate at the record low of 4.00% as was broadly anticipated. According to the accompanying statement, the decision was guided by inflation factors, inflation projections and the effects of past monetary easing. Inflationary pressures remain low, as confirmed by low and relatively stable core inflation, which has been hovering around 2% year-on-year since early 2017. The NBS Executive Board expects inflation to continue moving within the bounds of the target tolerance band of 3.0%±1.5 percentage points in the period ahead.

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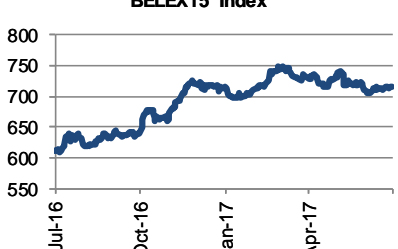
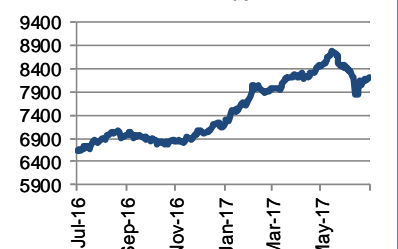
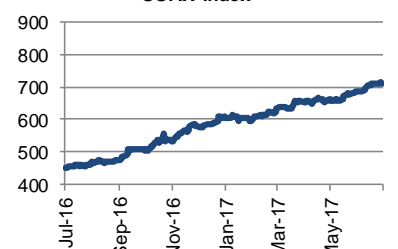
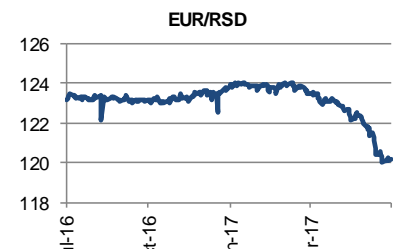
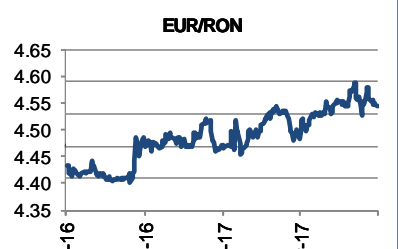
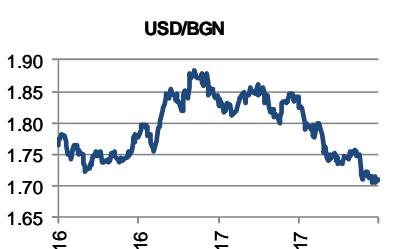
## GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2459.27	0.5%	9.8%	EUR/USD	1.1442	-0.2%	8.8%	UST - 10yr	2.31	-2	-13	GOLD	1230	0.1%	6.8%
Nikkei 225	20118.86	0.1%	5.3%	GBP/USD	1.3074	-0.2%	5.8%	Bund-10yr	0.59	-1	38	BRENT CRUDE	49	0.5%	-13.5%
STOXX 600	387.58	0.2%	7.2%	USD/JPY	112.58	0.0%	3.9%	JGB - 10yr	0.08	0	4	LME X	2859	0.6%	7.5%

## CESEE MARKETS

SERBIA				ROMANIA				BULGARIA					
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>					
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps		
T/N	2.99	0	-1	O/N	0.49	-1	-7	LEONIA	0.00	-1	0		
1-week	3.14	0	-3	1-month	0.62	-1	-14	1-month	-0.16	0	0		
1-month	3.31	0	-4	3-month	0.87	0	-3	3-month	-0.08	1	-2		
3-month	3.53	0	6	6-month	1.03	0	-8	6-month	0.04	0	-4		
6-month	3.73	0	7	12-month	1.2	0	-5	12-month	0.41	0	1		
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	4.87	#N/A N/A	-17	3Y RON	1.29	0	-33	3Y BGN	-0.08	0	-23		
5Y RSD	5.22	0	-14	5Y RON	2.23	-1	-29	5Y BGN	0.15	-3	-36		
7Y RSD	5.59	#N/A N/A	-4	10Y RON	3.45	0	-20	10Y BGN	1.53	0	-38		
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	1.82	0	-51	EUR Oct-25	1.96	0	-18	EUR Mar-22	0.40	0	-47		
USD Nov-24	6.29	3	-12	USD Jan-24	3.39	#N/A N/A	-47	EUR Sep-24	1.31	0	-37		
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	146	-3	-62	5-year	104	-2	-5	5-year	111	-1	-41		
10-year	194	-3	-62	10-year	146	-2	-6	10-year	161	-1	-33		
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	714.0	-0.14%	-0.47%	BET	8214.5	1.01%	15.94%	SOFIX	710.5	-0.37%	21.15%		
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.21	-0.05%	2.70%	EUR/RON	4.562	0.04%	-0.50%	USD/BGN	1.7094	-0.23%	8.72%		

BELEX15 Index		BET Index		SOFIX Index	
					
EUR/RSD		EUR/RON		USD/BGN	
					

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:15 EEST

July 17, 2017

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