



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, July 18, 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: Global equity markets retreated from recent highs in European trade on Tuesday, USD extended its recent losses and US government bond yields remained in a downward trend amid increased uncertainty over whether the US administration will manage to implement key election promises including tax reforms and sizable infrastructure spending. Eurozone government bonds followed suit while euro area data suggesting persistently subdued inflation pressures also had an impact. Looking at the day ahead, focus is on UK June inflation data while in the US, the NAHB housing index for July is due for release along with June import prices. On the US corporate front, Bank of America, Goldman Sachs and IBM are among the companies that will report Q2 earnings today.

GREECE: The Greek government is reportedly planning to postpone, possibly for a few days, the issuance of a 5-year bond to raise c. €2 - €3 billion. It is reminded that the last time Greece tapped the markets was in April 2014. This week the IMF is expected to release its updated debt sustainability analysis & P will issue on Friday its updated sovereign credit rating review for Greece.

SOUTH EASTERN EUROPE

CESEE MARKETS: The majority of emerging market assets retained a firm tone earlier on Tuesday as the US dollar weakened on the back of mounting doubts over whether the US administration will be able to push through its pre-election promises.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets retreated from recent highs, USD extended its recent losses and US government bond yields remained in a downward trend amid increased uncertainty over whether the US administration will manage to implement key election promises including tax reforms and sizable infrastructure spending. Two Republican Senators announced that they will not support the US government's revised healthcare bill aiming to repeal and replace parts of former President Barack Obama's healthcare law, leaving Republicans without enough votes to pass the bill in the 100-member Senate. With US President Donald Trump having failed to win any major legislative initiative in the first six months of his presidency, USD came under renewed selling pressure across the board. The DXY index was standing 0.3% lower on the day in European trade marking a fresh 10-month intraday low of 94.706. A downward reassessment in short-term Fed rate hike expectations following the more dovish than expected tone of US Fed Chair Janet Yellen at last week's semi-annual testimony and disappointing US inflation and retail sales data for June, also continued to weigh on market sentiment towards USD. Approaching a two-week intraday low of 2.28% recorded late last week, the 10-yr UST yield was hovering around 2.31% at the time of writing, not much changed on the day but lower from Monday's 2.37% intraday peak. Eurozone government bonds followed suit while euro area data suggesting persistently subdued inflation pressures also had an impact. According to the final estimate, headline CPI rose by 1.3%YoY in June from 1.4% in May, in line with the flash estimate and market consensus while core inflation which strips out energy and unprocessed food came in at 1.2%YoY from 1.0%YoY in May. Against this background, the 10-yr Bund yield retreated to 0.57% in European trade after ending at 0.58% in the prior session with the spread against its US counterpart hovering around 174bps at the time of writing, c. 1.5bps wider from year-to-date closing lows marked late last week. Looking at the day ahead, focus is on UK June inflation data while in the US, the NAHB housing index for July is due for release along with June import prices. On the US corporate front, Bank of America, Goldman Sachs and IBM are among the companies that will report Q2 earnings today.

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GREECE

The Greek government is reportedly planning to postpone, possibly for a few days, the issuance of a 5-year bond to raise c. €2 - €3 billion. It is reminded that the last time Greece tapped the markets was in April 2014. This week the IMF is expected to release its updated debt sustainability analysis for Greece, which will most likely deem anew Greece's public debt as unsustainable while the Fund's Governing Council is expected to decide on the participation of the IMF in Greece's programme at its meeting on July 20th. Meanwhile S&P will issue on Friday its updated sovereign credit rating review.

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July 18, 2017

Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2015	2016	2017f
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.9
Budget Balance/GDP*	-2.8	1.6	-1.4
Current Account/GDP	-0.1	4.2	2.0
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	2016	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.2	1.2
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

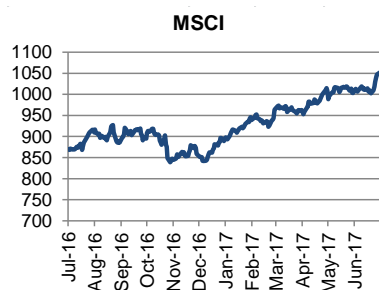
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2015	2016	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.4	1.1	3.3
Budget Balance/GDP	-3.7	-1.3	-0.5
Current Account/GDP	-4.7	-4.0	-4.0
EUR/RSD (eop)	121.38	123.40	122.0
	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

CESEE MARKETS

The majority of emerging market assets retained a firm tone earlier on Tuesday as the US dollar weakened on the back of mounting doubts over whether the US administration will be able to push through its pre-election promises. Against this backdrop, the MSCI Emerging Markets index stood in a modestly positive territory in European trade, hovering near a 27-month intraday high. Upbeat data from China, released yesterday, also continued to favor. At the same time, most bourses in the CESEE region were a tad weaker, with Poland's WIG and Romania's BET indices bucking the negative trend to post gains to the tune of 0.25-0.35% compared to the prior session's settlement. That said, in line with the trend in global bourses, most regional stock markets have amassed strong gains over the last few days as appetite towards risky assets improved amid recently scaled back expectations for Fed rate hikes ahead. During her semi-annual testimony to the Congress last week, Fed Chair Yellen echoed more dovish than expected. Additionally, June's inflation and retail sales data that were released on Friday disappointed market expectations, while doubts over US President Trump's ability to implement a pre-election agenda that includes tax cuts and increases in infrastructure spending have weighed on earlier optimism over the US economy's prospects.

In FX markets, most emerging market currencies firmed modestly against a weaker US dollar. In the CESEE space, the Romanian leu was flat, with the EUR/RON hovering around levels of 4.5580 at the time of writing, though standing just off yesterday's 2-week lows of 4.5540. News that the government scrapped on Monday earlier plans to replace a corporate tax on profit with a tax on turnover may have provided some support to the Romanian currency. Prime Minister Mihai Tudose added that the government is still mulling a solidarity tax on individuals and exploring additional ways to boost tax revenues, highlighting that the aim is for the budget deficit to remain under the 3.0% of GDP target by the end of the year. The leu has come under pressure over recent weeks on growing fiscal concerns, with a planned overhaul in the country's tax system having exacerbated these worries of late.

In the debt rates markets, Romania's finance ministry sold on Monday RON 479.6mn (~€105.18mn) of 2025 T-bonds, an amount slightly above initial plans of RON 400mn (~€87.73mn). The paper was sold at a price of 108.4776 and an average accepted yield of 3.46%. The latter is 24bps above the yield achieved at a prior tender of the same paper, when it was last offered in July 2016. The issue expires on February 24, 2025 and bears a coupon of 4.75%. The bid to cover ratio stood at 1.33 at yesterday's tender.

Looking into the remainder of the week, the key macroeconomic and events calendar in the CESEE region is quite light. The Central Bank of Hungary holds its monthly monetary policy meeting today, where it is expected to keep the key policy rate unchanged at the current record low level of 0.90% and maintain its dovish bias. Government bond auctions are due in Turkey (today) and Serbia (Thursday). On Friday, Fitch is expected to publish its review on Turkey's sovereign credit ratings. The agency currently rates Turkey's sovereign long-term debt at BB+ with stable outlook.

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July 18, 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	2459.14	0.0%	9.8%	EUR/USD	1.1526	0.4%	9.6%	UST - 10yr	2.31	-1	-14	GOLD	1237	0.2%	7.3%
Nikkei 225	19999.91	-0.6%	4.6%	GBP/USD	1.3103	0.4%	6.0%	Bund-10yr	0.57	-1	36	BRENT CRUDE	48	-0.2%	-14.9%
STOXX 600	385.10	-0.5%	6.6%	USD/JPY	112.28	0.3%	4.2%	JGB - 10yr	0.07	-1	3	LME X	2875	0.6%	8.1%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA							
Money Market				Money Market				Money Market							
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps				
T/N	2.96	-3	-4	O/N	0.48	-1	-8	LEONIA	0.01	1	1				
1-week	3.12	-2	-5	1-month	0.63	1	-13	1-month	-0.17	0	0				
1-month	3.30	-1	-5	3-month	0.87	0	-3	3-month	-0.08	0	-1				
3-month	3.54	1	7	6-month	1.03	0	-8	6-month	0.04	0	-4				
6-month	3.76	3	10	12-month	1.2	0	-5	12-month	0.41	0	1				
RS Local Bonds				RO Local Bonds				BG Local Bonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps				
3Y RSD	4.86	0	-17	3Y RON	1.29	0	-33	3Y BGN	-0.07	1	-23				
5Y RSD	5.22	0	-14	5Y RON	2.22	-1	-30	5Y BGN	0.17	3	-33				
7Y RSD	5.59	0	-4	10Y RON	3.44	-1	-21	10Y BGN	1.52	0	-39				
RS Eurobonds				RO Eurobonds				BG Eurobonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps				
USD Nov-17	1.80	-2	-52	EUR Oct-25	1.96	0	-18	EUR Mar-22	0.38	0	-49				
USD Nov-24	6.29	1	-13	USD Jan-24	3.25	#N/A	N/A	EUR Sep-24	1.29	6	-39				
CDS				CDS				CDS							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps				
5-year	148	2	-60	5-year	106	2	-3	5-year	111	0	-41				
10-year	196	2	-59	10-year	149	3	-4	10-year	162	1	-32				
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD				
BELEX15	710.3	-0.40%	-0.99%	BET	8179.3	0.29%	15.44%	SOFIX	710.8	-0.02%	21.20%				
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD				
EUR/RSD	120.38	-0.10%	2.56%	EUR/RON	4.5621	0.00%	-0.51%	USD/BGN	1.6971	0.41%	9.50%				

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 11:00 EEST

July 18, 2017

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