

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, July 20, 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: Market focus today is on the ECB monetary policy meeting where the Central Bank is widely expected to stay put on its monetary policy. At the post-meeting press conference, President Mario Draghi is not expected to attempt to alter market expectations about a tapering announcement in September or October at the latest. However, his tone is likely to err on the dovish side of expectations to avoid triggering –as was the case on June 27th when he spoke at the ECB Forum in Sintra - a renewed tightening of financial conditions.

GREECE: The Executive Board of the IMF is expected to convene later today to discuss the Fund's potential financial arrangement for Greece. The updated IMF Debt Sustainability Analysis (DSA) is also expected to be released today but is highly unlikely to have changed substantially compared to the last one (February 2017).

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets trod water earlier on Thursday amid caution ahead of the ECB monetary policy meeting which concludes later on the day.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market focus today is on the ECB monetary policy meeting where the Central Bank is widely expected to stay put on its monetary policy. At the post-meeting press conference, President Mario Draghi is not expected to attempt to alter market expectations about a tapering announcement in September or October at the latest. However, his tone is likely to err on the dovish side of expectations to avoid triggering –as was the case on June 27th when he spoke at the ECB Forum in Sintra - a renewed tightening of financial conditions. Awaiting the conclusion of the ECB meeting and the press conference that will follow, EUR retained a firm tone hovering around 1.1500 against USD at the time of writing in European trade, not far from a 14-month peak of 1.1580 marked earlier this week, maintaining gains of c. 3% since the speech of the ECB President in Sintra. Meanwhile, JPY lost some ground after the BoJ once again pushed back its projected timing for meeting the 2% inflation target supporting expectations that its massive stimulus will remain in place for longer than a number of G10 CBs. At its meeting earlier today, the BoJ stayed put on its monetary policy, as expected, maintaining the 10-yr yield target at about 0% and the policy rate at -0.1%. Its growth forecasts for the current and the next fiscal year were revised higher to 1.8%YoY and 1.4%YoY respectively from 1.6%YoY and 1.3%YoY previously. However, its inflation forecasts were reassessed lower to 1.1%YoY from 1.4%YoY for FY-2017 and to 1.5%YoY from 1.7%YoY for FY-2018 pushing back by one year the timeframe for the annual rate of change in the CPI reaching the inflation target to around FY-2019. Elsewhere, in spite of positive UK data, GBP remained under pressure amid lingering Brexit woes on the view that a less stable and likely less coherent government following the formation of a coalition government on a “confidence and supply” basis opens up a wide range of potential Brexit outcomes. GBP/USD was hovering around a multi-session low of 1.2970 at the time of writing, following a short-lived rise to 1.3035 earlier today on firmer than expected UK June retail sales. Turning to core government bonds, yields were little changed on the day hovering around recent multi-session lows with investors adopting a cautious stance ahead of the ECB monetary policy meeting. The 10-yr Bund/UST yield spread was hovering around 172bps, c. 2 wider from this week’s fresh year-to-date lows. In terms of data releases, US initial jobless claims and the Philly Fed’s manufacturing survey for July are of particular interest.

ppetropoulou@eurobank.gr

GREECE

The Executive Board of the IMF is expected to convene later today to discuss the Fund’s potential financial arrangement for Greece. Following the 15 June Eurogroup agreement and conclusion of the 2nd programme review as well as the letter of intent submitted to the IMF by the Greek government, the IMF management is expected to recommend to the Executive Board the Approval in Principle (AIP) of Greece’s request for a Standby Arrangement of c. €1.6 billion. The AIP is a procedure that will allow additional time for Greece and its creditors to reach an agreement on debt relief, which in the case of Greece is deemed necessary by the IMF as it regards the country’s debt unsustainable. Once this agreement has been reached, the IMF’s Executive Board will revisit the matter and decide on the release of the funds. Meanwhile, the updated IMF Debt Sustainability Analysis (DSA) is also expected to be released today but is highly unlikely to have changed substantially compared to the last one (February 2017).

andimitriadou@eurobank.gr

July 20, 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

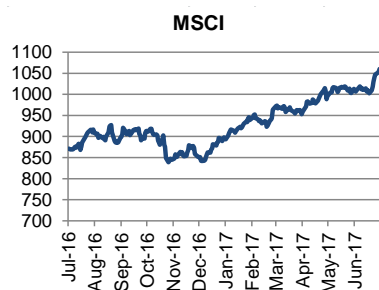
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

Emerging market assets trod water earlier on Thursday amid caution ahead of the ECB monetary policy meeting which concludes later on the day. Albeit the Governing Council is expected to stay put on its monetary policy today, market participants will closely scrutinize president Mario Draghi's comments for any hints about potential plans over a gradual unwinding of the stimulus program in the future.

Against this backdrop, the MSCI Emerging Markets index stood in a marginally negative territory in European trade, snapping an 8-session rising streak. That said, the index remains near a 27-month peak hit yesterday and stands 23% higher year-to-date as appetite towards risky assets was buoyed over the last few days on scaled back expectations for the Fed's rate hike trajectory. Bourses in the CESEE space were mixed earlier today. Romania's BET index outperformed its regional peers, rising by 0.6% on the day. Meanwhile, Serbia's BELEX15 led the losers' pack sliding by 0.3%.

In FX markets, the Hungarian forint weakened modestly against the euro compared to Wednesday's settlement, remaining however within distance from yesterday's 1-month high of 305.47 and an 8-month peak of 305.35 hit in mid-June. The currency largely shrugged off a dovish tone maintained by the Central Bank at the MPC's monthly meeting held earlier in the week, where it left the door open for further easing of monetary conditions, if needed, via the use of unconventional instruments.

Looking into today's CESEE calendar, among other, Serbia plans to sell EUR 75mn worth in 5-year 2.25% EUR-denominated T-Notes. Hungary is also scheduled to hold a T-bonds auction and Romania offers 196 day T-bills. Meanwhile, June's budget data is due for release in Poland.

gphoka@eurobank.gr

July 20, 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	2473.83	0.5%	10.5%	EUR/USD	1.1516	0.0%	9.5%	UST - 10yr	2.27	0	-18	GOLD	1239	-0.1%	7.6%
Nikkei 225	20144.59	0.6%	5.4%	GBP/USD	1.3016	0.0%	5.3%	Bund-10yr	0.55	1	34	BRENT CRUDE	50	-0.2%	-12.7%
STOXX 600	386.53	0.3%	6.9%	USD/JPY	112.14	-0.2%	4.3%	JGB - 10yr	0.08	0	3	LMEX	2857	-0.8%	7.4%

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	3.01	1	1	O/N	0.5	0	-6	LEONIA	0.01	0	1
1-week	3.15	1	-2	1-month	0.63	0	-13	1-month	-0.17	0	0
1-month	3.31	-1	-4	3-month	0.87	0	-3	3-month	-0.08	0	-1
3-month	3.55	-1	8	6-month	1.04	0	-7	6-month	0.04	0	-4
6-month	3.77	-1	11	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	4.83	-1	-20	3Y RON	1.28	0	-34	3Y BGN	-0.07	0	-23
5Y RSD	5.21	-1	-15	5Y RON	2.22	0	-30	5Y BGN	0.18	1	-33
7Y RSD	5.59	0	-5	10Y RON	3.43	0	-22	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	1.69	-8	-63	EUR Oct-25	1.93	0	-20	EUR Mar-22	0.42	-20	-45
USD Nov-24	6.29	1	-12	USD Jan-24	3.25	0	-60	EUR Sep-24	1.32	-18	-36
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	148	1	-59	5-year	106	2	-3	5-year	110	-1	-42
10-year	197	2	-59	10-year	149	2	-4	10-year	162	-1	-32
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	709.3	0.11%	-1.13%	BET	8286.4	0.21%	16.96%	SOFIX	711.6	0.11%	21.34%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.59	0.02%	2.38%	EUR/RON	4.5691	-0.02%	-0.66%	USD/BGN	1.6981	0.03%	9.44%

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 10:25 EEST

July 20, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research 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

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

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokrousos@eurobank.gr, + 30 210 37 18 903

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

Research Team

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

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

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

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

Mariana Papoutsaki
mpapoutsaki@eurobank.gr + 30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

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

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3337871

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

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