



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, July 24, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- Jul 24: Existing home sales (Jun)
- Jul 25
  - Case-Shiller index (May)
  - CB consumer sentiment (Jul)
- Jul 26
  - New home sales (Jun)
  - FOMC meeting announcement
- Jul 27
  - Jobless claims (weekly)
  - Durable goods orders (Jun)
- Jul 28
  - GDP (Q2)
  - UoM Consumer Confidence (Aug)

#### EUROZONE

- Jul 24: PMI manufacturing & services (Jul)
- Jul 25: DE: Ifo business climate (Jul)
- Jul 26: DE: Gfk consumer confidence (Aug)
- Jul 28: ESI (Jul)

#### CYPRUS

- Jul 28: Sovereign credit rating review by Moody's

#### SEE

##### BULGARIA

- Jul 28: Gross external debt

##### ROMANIA

- Jul 24: 5.85% 2023 T-bonds auction
- Jul 27: 3.4% 2022 T-bonds auction

##### SERBIA

- Jul 25
  - T-Bonds auction
  - Real wages (Jun)
- Jul 28: Sovereign credit rating review by Moody's

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** USD remained under selling pressure in European trade on Monday amid heightened political jitters with DXY recording a fresh 13-month low earlier today and taking year-to-date cumulative losses close to 9%. Turning to US Treasuries, yields across the curve were hovering around recent multi-week lows as the more dovish than expected tone of FOMC Chair Janet Yellen at the congressional testimony earlier this month continued to have an impact. Along these lines, German Bund yields moved lower. EMU sovereign bonds were also firmer with 10-yr periphery/Bund spreads narrowing. Focus this week is on the FOMC policy announcement (Wednesday) and the US Q2 GDP report (Friday) while the euro area Composite PMI for June (Monday), Germany's IFO business climate index (Tuesday), UK Q2 GDP (Wednesday) and Japan's June CPI (Friday) will also be closely watched.

**GREECE:** According to the balance of payments data released on Friday by the Bank of Greece, the current account in May 2017 recorded a deficit of €581.6 million, increased by €124.3 million compared to May 2016. This deterioration is attributable to an increase in the deficit of the balance of goods (-€136.8 million), the primary income deficit (-€111.0 million) and the secondary income deficit (-€21.0 million), which offset the increase in the services balance surplus (+€144.6 million). S&P revised its outlook on Greece to positive from stable while affirming its 'B-' long-term foreign and local currency sovereign credit ratings.

### SOUTH EASTERN EUROPE

**BULGARIA:** The local equities market displayed a mixed performance last week, while yields on the local sovereign and Eurobond markets offset last week's increase returning to record low levels.

**SERBIA:** The EUR/RSD remained range-bound hovering around 120.50 last week.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

USD remained under selling pressure in European trade on Monday amid heightened political jitters following news that White House spokesman Sean Spicer resigned in opposition to President Donald Trump naming Wall Street financier Anthony Scaramucci as his top communications official. The DXY index extended recent losses recording a fresh 13-month low of 93.823 earlier today and taking year-to-date cumulative losses close to 9%. The prevailing market view that tax reform may be further delayed amid disagreement on key tax issues within the Republican party, also continued to weigh. In addition, amid persistently subdued US inflation pressures, the majority of market participants are of the view that the Fed may wait for longer than the June "dot plot" suggested before delivering additional rate tightening. Focus this week is on the FOMC policy announcement on Wednesday. The Committee is widely expected to leave the target range for the federal funds rate unchanged and stick to its plan for balance sheet unwinding later this year. No major changes are expected to the content of the accompanying statement, not least because the meeting is not associated with a press conference and updated Summary of Economic projections in which a change in communication could be declared. Should this be the case, this week's FOMC meeting is unlikely to negate the USD's current negative tone. This could potentially only happen if the consumption expenditure deflator –the Fed's preferred inflation gauge– published with the Q2 GDP data on Friday, surprises to the upside. Turning to US Treasuries, yields across the curve were hovering around recent multi-week lows as the more dovish than expected tone of Chair Janet Yellen at the congressional testimony earlier this month continued to have an impact. Along these lines, German Bund yields moved lower with the 10-yr Bund yield falling below 0.50% for the first time in around three weeks. EMU sovereign bonds were also firmer with 10-yr periphery/Bund spreads narrowing. Looking at this week's global calendar, besides the FOMC meeting and the US Q2 GDP report, the euro area Composite PMI for June (Monday), Germany's IFO business climate index (Tuesday), UK Q2 GDP (Wednesday) and Japan's June CPI (Friday) will also be closely watched.

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### GREECE

According to the balance of payments data released on Friday by the Bank of Greece, the current account in May 2017 recorded a deficit of €581.6 million, increased by €124.3 million compared to May 2016. This deterioration is attributable to an increase in the deficit of the balance of goods (-€136.8 million), the primary income deficit (-€111.0 million) and the secondary income deficit (-€21.0 million), which more than offset the increase in the services balance surplus (+€144.6 million). The balance of goods deterioration was mainly due to the increase in the deficit of ships (-€76.0 million) and to a lesser extent to that of goods excl. oil and ships (-€46.0 million) and of oil (-€14.8 million). On the other side, the services balance improved by €144.6 million with the surplus in travel services increasing by €22.7 million, in transport by €95.4 million and in other services by €26.5 million. In other news, S&P revised its outlook on Greece to positive from stable while affirming its 'B-' long-term foreign and local currency sovereign credit ratings. According to S&P's report, the outlook revision reflects the expectation that Greece's general government debt and debt servicing costs will gradually decline, supported by economic recovery, legislated fiscal measures through 2020, and a commitment from Greece's creditors, specifically from the Eurogroup, to further improve the sustainability of its sovereign debt burden.

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July 24, 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

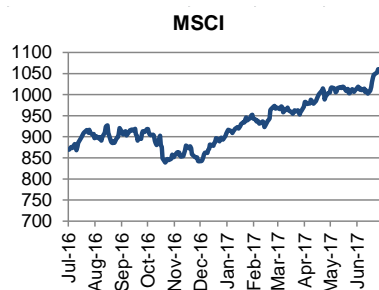
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

### BULGARIA

The local equities market displayed a mixed performance last week as institutional investors stepped aside, while retailers decided to take profit. Against this backdrop, the main SOFIX index snapped a two-month rising streak of weekly gains, closing 0.16% lower at 711.93 points. Meanwhile, yields on the local sovereign and Eurobond markets offset last week's increase returning to record low levels. In more detail, the long-end of the Eurobond curve moved 6-7 bps lower.

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### SERBIA

The EUR/RSD remained range-bound hovering around 120.50 last week. A bounce from a 1 ½ year low hit on July 14 just below 120.00 failed to gather momentum to break the key psychological 121.00 level. This is a second time in three weeks that the cross fails on leaping over 120.70 (we saw such an attempt on July 4<sup>th</sup> as well). Against this backdrop, we anticipate the pair to remain range-bound around 120.00 – 120.60 over the coming days. Trade volumes are likely to be very light in view of the summer lull and the possibility for a Central Bank intervention in a move below 120.0 is high. From a technical perspective, immediate resistance appears to be at 120.70, ahead of 120.25/45.

In other news, contrasting recent comments by Prime Minister Ana Brnabic, member of fiscal council Nikola Altiparmakov, argued that a new IMF agreement is crucial to further strengthen public finances, adding that a 10% planned increase in public sector wages will be damaging for the economy and would deplete the prospect of tax reductions. Separately, Prime Minister Ana Brnabic reached on Tuesday evening an agreement on evening with strikers in Fiat's Kragujevac plant to stop their strike, which incepted on June 27, and start negotiations. It is worth noting that manufacturing production of FIAT automobiles provide a considerable input to Serbia's real GDP growth. At a press conference after the meeting held in the City Assembly of Kragujevac, Brnabic thanked the workers and announced that the government will do "everything in its power" during the negotiations. Previously, the Prime Minister had signaled her strong intent to hold discussions with the factory's workers. However, she had highlighted that she "could not respond" to their demand to have a minimum wage of RSD 45,000 (EUR 373) per month.

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July 24, 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	2472.54	0.0%	10.4%	EUR/USD	1.1654	-0.1%	10.8%	UST - 10yr	2.23	-1	-21	GOLD	1256	0.1%	9.0%
Nikkei 225	19975.67	-0.6%	4.5%	GBP/USD	1.3043	0.4%	5.6%	Bund-10yr	0.49	-2	28	BRENT CRUDE	48	0.3%	-15.2%
STOXX 600	378.52	-0.4%	4.7%	USD/JPY	110.69	0.4%	5.7%	JGB - 10yr	0.07	1	3	LMEX	2866	0.6%	7.8%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	0	2
1-week	3.15	0	-2
1-month	3.32	0	-3
3-month	3.56	0	9
6-month	3.77	0	11

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.84	0	-24
5Y RSD	5.22	0	-14
7Y RSD	5.59	0	-4

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.66	-1	-66
USD Nov-24	6.29	1	-12

## CDS

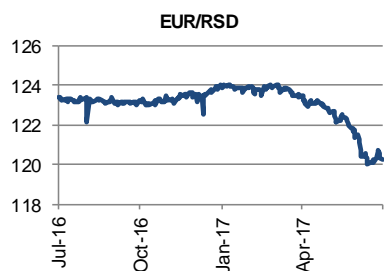
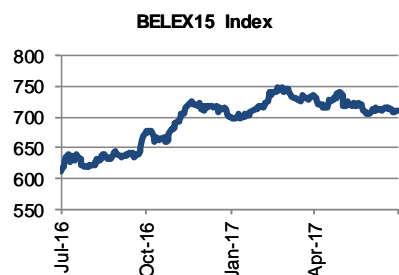
	Last	ΔDbps	ΔYTD bps
5-year	147	-1	-61
10-year	196	-1	-60

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	709.7	-0.21%	-1.07%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.19	0.10%	2.72%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	9	2
1-month	0.65	0	-11
3-month	0.87	0	-3
6-month	1.04	1	-7
12-month	1.2	0	-5

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.27	1	-35
5Y RON	2.23	0	-29
10Y RON	3.45	0	-20

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.93	0	-20
USD Jan-24	3.25	0	-60

## CDS

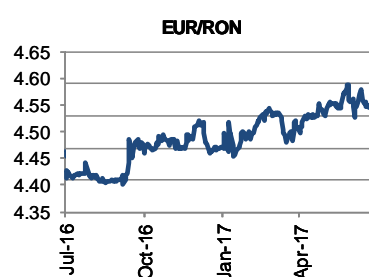
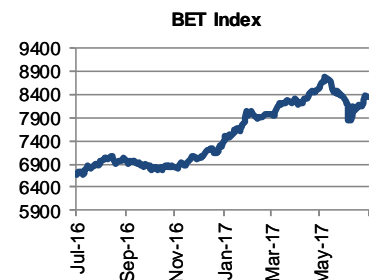
	Last	ΔDbps	ΔYTD bps
5-year	106	-1	-4
10-year	149	0	-3

## STOCKS

	Last	ΔD	ΔYTD
BET	8352.6	-0.26%	17.89%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.563	0.17%	-0.53%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.17	0	0
3-month	-0.10	-2	-3
6-month	0.04	0	-4
12-month	0.41	0	0

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.09	-2	-24
5Y BGN	0.14	0	-37
10Y BGN	1.51	0	-39

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.42	-21	-45
EUR Sep-24	1.32	-35	-36

## CDS

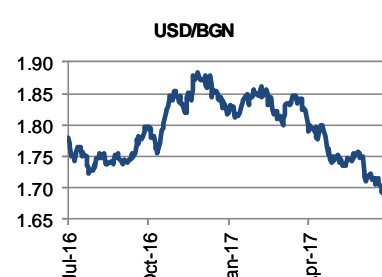
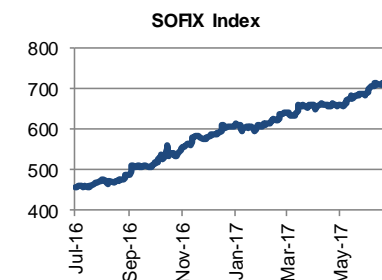
	Last	ΔDbps	ΔYTD bps
5-year	110	-1	-42
10-year	162	-1	-32

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	713.0	0.15%	21.58%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6784	-0.10%	10.72%



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

Data updated as of 12:15 EEST

July 24, 2017

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