



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, July 25, 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: The US dollar remained under pressure in European trade on Tuesday, with the DXY dollar index hovering around 93.970 at the time of writing within distance from a fresh 13-month low of 93.815 hit earlier today. Heightened political risk continues to weigh on the USD, given the ongoing probes by congressional panels and U.S. Justice Department's special counsel into Russian attempts to sway the 2016 presidential election. In the rates markets, U.S. Treasury yields rose on Tuesday ahead of Wednesday's conclusion of the Fed's July monetary policy meeting, with investors waiting for hints concerning the timing of the beginning of the Fed's balance sheet reduction and the next interest rate hike. On the data front, focus today is on the US Case-Shiller index for May and Conference Board consumer sentiment for July, while, in the euro area, German Ifo business climate for July will likely take centre stage.

GREECE: The Hellenic Republic announced yesterday an invitation to holders of its outstanding 4.75 percent notes due 2019 for purchase for cash at a cash purchase price equal to 102.6 percent of the nominal amount of such existing notes. Additionally, it announced its intention to offer new euro-denominated fixed rate notes due 2022 for cash. According to the balance of travel services released yesterday by the Bank of Greece, in May 2017 travel arrivals amounted to almost 2 million (+1.5%YoY) while travel receipts excl. cruises reached €1.036 million (+1.6%YoY) and receipts from cruises were €58 million (+4.4%YoY).

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets trod water earlier on Tuesday, as caution prevailed ahead of the FOMC meeting announcement tomorrow.

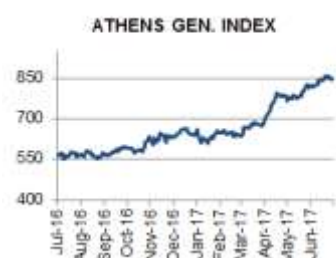
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July 25, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The US dollar remained under pressure in European trade on Tuesday, with the DXY dollar index hovering around 93.970 at the time of writing within distance from a fresh 13-month low of 93.815 hit earlier today. Stronger-than-expected July preliminary reading for US Markit PMI manufacturing index, which rose to 53.2 from 52.0 in June, was not enough to smooth investors' concerns over Fed's cautious approach to monetary policy tightening ahead amid persistently subdued inflationary pressures. Furthermore, heightened political risk continues to weigh on the USD, given the ongoing probes by congressional panels and U.S. Justice Department's special counsel into Russian attempts to sway the 2016 presidential election. Meanwhile, uncertainty related to Obamacare repeal prevails, with US President Donald Trump warning Senate Republicans that anyone who votes not to take up debate of the bill today is like saying they are in favor of the Obamacare bill. In the rates markets, U.S. Treasury yields rose on Tuesday ahead of Wednesday's conclusion of the Fed's July monetary policy meeting, with investors waiting for hints concerning the timing of the beginning of the Fed's balance sheet reduction and the next interest rate hike. Against this background, the 10-yr Treasury yield rose to a week-high of 2.2765% earlier today, following Friday's three-week low of 2.2234%. Along these lines, German Bund yields moved higher with the 10-yr Bund yield rising to 0.524% after marking a three-week low below 0.50% in the prior session. On the data front, focus today is on the US Case-Shiller index for May and Conference Board consumer sentiment for July, while, in the euro area, German Ifo business climate for July will likely take centre stage.

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GREECE

Marking its first attempt to tap wholesale funding markets since 2014, the Hellenic Republic announced yesterday an invitation to holders of its outstanding 4.75 percent notes due 2019 for purchase for cash at a cash purchase price equal to 102.6 percent of the nominal amount of such existing notes (Switch and Tender Offer). Additionally, it announced its intention to offer new euro-denominated fixed rate notes due 2022 for cash (New Notes Offering). Pricing of the new notes offering is expected to occur today subject to market conditions, with settlement expected to occur on 1 August 2017. The paper will be issued under English law and according to press reports, the issue will stand at €3bn and the yield at around 4.70-4.75%. In other news, according to the balance of travel services released yesterday by the Bank of Greece, in May 2017 travel arrivals amounted to almost 2 million (+1.5%YoY) while travel receipts excl. cruises reached €1.036 million (+1.6%YoY) and receipts from cruises were €58 million (+4.4%YoY). Average non-resident expenditure per trip remained at €522, recording no change compared to May 2016. For the period January to May 2017, travel arrivals reached 4.6 million (+2.4%YoY), travel receipts excluding cruises €1.973.2 million (+0.9%YoY) and receipts from cruises €93.5 million (-0.8%YoY). Average non-resident expenditure per trip was at €430.4 (-1.5%YoY).

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July 25, 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

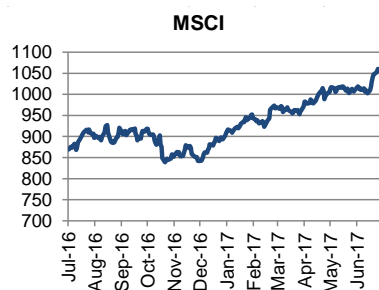
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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 Tuesday, as caution prevailed ahead of the FOMC meeting announcement tomorrow. In FX markets, the Polish zloty recovered some ground outperforming its regional peers on a daily basis, following news that President Andrzej Duda vetoed a disputed legislation to reform the judiciary, which triggered street rallies and international criticism. The President said yesterday he would veto two of three judicial reform bills that passed parliament last week, in order to ensure they conform to the country's constitution. The bills rejected referred to the Supreme Court and National Judiciary Council and would provide parliament the power to appoint members in these courts. However, he signed the third earlier on Tuesday, which encompasses regional courts. His decision was largely unexpected as he is considered to be a close ally of the ruling Law and Justice party (PiS) - which backed the planned legislative changes - being the party's candidate in the 2015 presidential elections. Importantly, it cannot be reversed by the government as the ruling PiS has 234 MPs in the 460-seat lower house of Parliament, well short of the 276 (or 60%) votes required to overturn a presidential veto. EU executives warned last week that the planned changes undermine the rule of law by weakening judicial independence. In this context, the European Commission gave on Wednesday Poland a week to wave the changes or possibly face legal action, including fines and/or the initiation of the procedure laid down in Article 7. The government supports its position by arguing that they will make courts accountable and serve all Poles. With political uncertainty appearing to have somewhat eased - at least in the short-term - the EUR/PLN hovered around levels of 4.2560 in European trade having pulled back from yesterday's 3-month high of 4.2705.

In the local debt markets, Romania's finance ministry sold on Monday a planned amount of RON 1bn (€0.22bn) of 12-month T-bills, which mature on July 2018, and RON 700mn (€151.51mn) worth of 2023 T-Notes. On the former tender, the average accepted yield came in at 0.79%, in line with that achieved at a prior tender of similar maturity paper held in early June. The auction's bid to cover ratio stood at 1.51. On the latter, the T-Note was sold at an average price and accepted yield of 114.876 and 2.99%, respectively. This compares with a yield of 3.18% achieved when the issue was last sold in October 2015. The said paper carries a coupon of 5.85% and matures on April 26, 2023, while the bid to cover ratio came in at 1.16 at yesterday's tender.

Looking into the remainder of the week, focus is on Turkey's MPC meeting on Thursday, where the market's consensus is that the Central Bank will hold all policy rates stable. Government bond auctions in Serbia today and Hungary and Romania on Thursday also lure investor attention. Meanwhile, a review on Serbia's sovereign credit ratings by Moody's takes centre stage on Friday. The agency currently rates the country's long-term foreign currency debt at Ba3 with stable outlook. In a previous review in March, it upgraded the country's rating by one notch citing significant fiscal consolidation over the last couple of years and recent implementation of structural reforms that increase the resilience of the domestic economy.

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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	2468.32	-0.2%	10.3%	EUR/USD	1.1638	-0.2%	10.6%	UST - 10yr	2.24	1	-20	GOLD	1257	0.1%	9.1%
Nikkei 225	19975.67	-0.6%	4.5%	GBP/USD	1.3034	0.3%	5.5%	Bund-10yr	0.50	-1	29	BRENT CRUDE	49	1.0%	-14.6%
STOXX 600	379.40	-0.2%	5.0%	USD/JPY	110.91	0.2%	5.5%	JGB - 10yr	0.07	1	3	LMEX	2866	0.6%	7.8%

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	3.00	-2	0	O/N	0.58	9	2	LEONIA	0.01	0	1
1-week	3.14	-1	-3	1-month	0.65	0	-11	1-month	-0.17	0	0
1-month	3.32	0	-3	3-month	0.87	0	-3	3-month	-0.10	-2	-3
3-month	3.57	1	10	6-month	1.04	1	-7	6-month	0.04	0	-4
6-month	3.77	0	11	12-month	1.2	0	-5	12-month	0.41	0	0
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	4.84	0	-24	3Y RON	1.28	2	-34	3Y BGN	-0.09	-2	-24
5Y RSD	5.22	0	-14	5Y RON	2.24	1	-28	5Y BGN	0.14	0	-37
7Y RSD	5.59	0	-4	10Y RON	3.45	1	-20	10Y BGN	1.51	0	-40
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.67	-1	-66	EUR Oct-25	1.93	0	-20	EUR Mar-22	0.42	-21	-45
USD Nov-24	6.29	1	-12	USD Jan-24	3.25	0	-60	EUR Sep-24	1.32	-35	-36
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	147	-1	-61	5-year	106	-1	-4	5-year	110	-1	-42
10-year	196	-1	-60	10-year	149	0	-3	10-year	162	-1	-32
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	718.1	0.97%	0.10%	BET	8336.4	-0.46%	17.66%	SOFIX	712.8	0.13%	21.55%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.38	-0.05%	2.56%	EUR/RON	4.563	0.17%	-0.53%	USD/BGN	1.6805	-0.22%	10.59%

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 17:00 EEST of previous session

July 25, 2017

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