



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, July 26, 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:** Wall Street rose modestly overnight following stronger-than-expected corporate earnings and positive US data releases. Mirroring the positive momentum in Wall Street overnight, major equity indices in Asia and Europe traded higher on Wednesday, supported by higher oil prices and supportive earnings releases. In FX markets, the US dollar regained some ground following yesterday's positive macroeconomic data releases and ahead of the Fed's monetary policy decision later today. Nonetheless, the EUR/USD was hovering around levels of 1.1624 at the time of writing, after yesterday's two-year high of 1.1712, helped by a stronger-than-expected German business survey. Focus today centres on the FOMC meeting which concludes at 18:00 GMT.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** The majority of emerging market assets firmed in European trade on Wednesday, ahead of the conclusion of the FOMC meeting later today.

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July 26, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Wall Street rose modestly overnight following stronger-than-expected corporate earnings and positive US data releases. In more detail, the Conference Board's index of consumer confidence rose to 121.1 in July as the labour market differential rose to its highest level since August 2001. Furthermore, the Richmond Fed's manufacturing survey strengthened unexpectedly in July, marking the best reading since April 2017. Mirroring the positive momentum in Wall Street overnight, major equity indices in Asia and Europe traded higher on Wednesday, supported by higher oil prices and supportive earnings releases. In FX markets, the US dollar regained some ground following yesterday's positive macroeconomic data releases and ahead of the Fed's monetary policy decision later today. Along these lines, the DXY dollar index hovered around levels of 94.244 in European trade, having slightly pulled back from yesterday's fresh 13-month low of 93.638. Nevertheless, heightened political uncertainty is expected to continue weighing on the US dollar, as Republicans failed overnight by 43-57 to comprehensively repeal or replace elements of "Obamacare". Meanwhile, there are ongoing probes by congressional panels and US Justice Department's special counsel into Russian meddling in the 2016 presidential election. Elsewhere, the EUR/USD was hovering around levels of 1.1624 at the time of writing, after yesterday's two-year high of 1.1712, helped by a stronger-than-expected German business survey. In more detail, the July German IFO business climate indicator strengthened further by 0.8 point to 116.0, its highest reading on record, with a broad-based improvement across all sectors. Focus today centres on the FOMC meeting which concludes at 18:00 GMT. The market consensus expects no change today in the 1.00-1.25% fed funds rate target range, and there is neither a press conference nor updated US economic or interest rate projections. Federal funds futures currently imply an 8% probability of an interest rate hike in September and a 48% probability of a Fed's rated rate increase in December.

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Source: Reuters, Bloomberg, Eurobank Research

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## 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

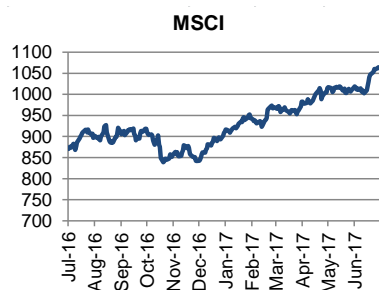
ROMANIA: Indicators	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP*	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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



L-T ccy	Credit Ratings		
	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 firmed in European trade on Wednesday, ahead of the conclusion of the FOMC meeting later today. In support of risk sentiment, the Fed is broadly expected to stay put on its monetary policy today, while an announcement on balance sheet normalization is unlikely to be made before the September meeting. Along these lines, the MSCI Emerging Markets index stood almost flat earlier on Wednesday, remaining though within distance from a 27-month high hit earlier in the week. Bourses in the CESEE region were mostly in the black, with Poland's main WIG index leading the gains. The index recorded a 0.5% advance in European trade compared to the prior session's settlement on optimism that the European Commission will not launch at its weekly meeting today infringement proceedings for violation of EU law after President Andrzej Duda vetoed earlier in the week two bills, part of disputed legislation to reform the judiciary. The said changes triggered street rallies and international criticism on concerns over potentially undermining the rule of law by weakening judicial independence. The bills rejected referred to the Supreme Court and National Judiciary Council and would provide the government and parliament the power to replace members in these courts. However, the President ratified a third bill, which allows the justice minister to appoint and dismiss judges in ordinary courts.

In FX markets, regional currencies were flat to firmer in European trade. With imminent EU legal action against Poland - over the judicial reforms - currently appearing to be rather unlikely, the Polish zloty posed amongst the region's outperformers earlier on Wednesday. Against this backdrop, the EUR/PLN hovered around levels of 4.2600 in European trade having dropped by 0.1% compared to Tuesday's close and remaining slightly below a 3-month high of 4.2705 hit earlier this week.

In the local debt markets, Serbia's finance ministry raised on Tuesday RSD 7.43bn (€0.22bn) of 7-year T-Notes, in a re-tap from July 19, 2016. The amount sold was less than initial plans of RSD 20bn. The paper was sold at an average price of 100.8385, while the average accepted yield came in at 5.6%, in line with the yield achieved at a prior auction of the same paper held in May. The issue carries an annual coupon of 5.75% and matures on July 21, 2023. The tender's bid to cover ratio came in at 1.04 yesterday.

In other news, Romania's fiscal deficit widened to -0.8% of GDP at 1H-2017 from -0.3% of GDP in the first five months of the year. Today's CESEE calendar of macroeconomic data releases and events is rather empty. The European Commission's weekly meeting lures market attention for any comments over the Rule of Law in Poland. Meanwhile, the conclusion of the Fed's meeting to likely set the tone for Emerging Market assets over the next few days.

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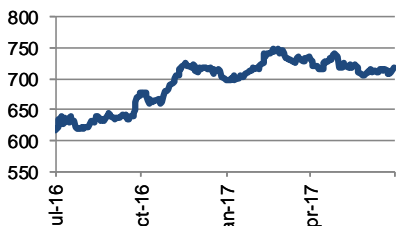
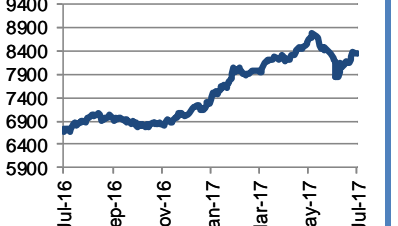
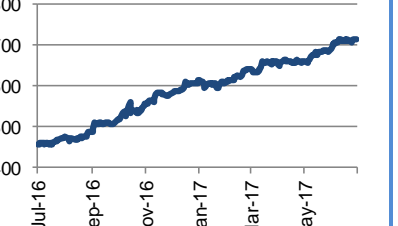
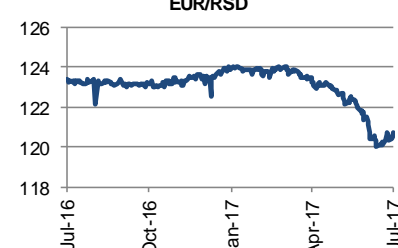
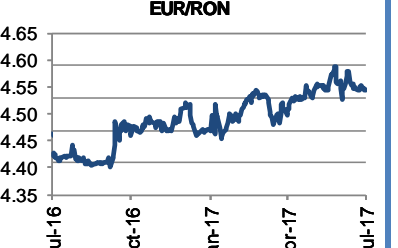
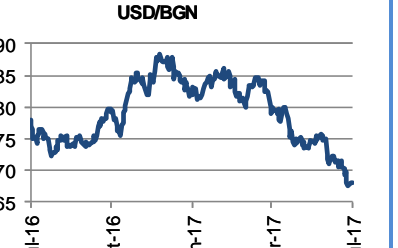
## GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2477.13	0.3%	10.6%	EUR/USD	1.1638	-0.1%	10.6%	UST - 10yr	2.32	-2	-13	GOLD	1246	-0.4%	8.1%
Nikkei 225	20050.16	0.5%	4.9%	GBP/USD	1.3018	-0.1%	5.3%	Bund-10yr	0.55	-1	35	BRENT CRUDE	51	1.0%	-10.8%
STOXX 600	381.98	0.3%	5.7%	USD/JPY	111.86	0.0%	4.6%	JGB - 10yr	0.08	0	3	LMEX	2948	2.4%	10.8%

## 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	3.03	3	3	O/N	0.58	0	2	LEONIA	0.01	0	1	
1-week	3.17	3	0	1-month	0.68	0	-8	1-month	-0.17	0	0	
1-month	3.32	0	-3	3-month	0.87	0	-3	3-month	-0.09	2	-2	
3-month	3.56	-1	9	6-month	1.03	0	-8	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	-20	3Y RON	1.31	0	-31	3Y BGN	-0.07	1	-23	
5Y RSD	5.21	0	-14	5Y RON	2.27	1	-25	5Y BGN	0.14	0	-36	
7Y RSD	5.60	0	-3	10Y RON	3.51	-1	-14	10Y BGN	1.53	0	-38	
RS Eurobonds				RO Eurobonds				BG Eurobonds				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
USD Nov-17	1.59	-2	-74	EUR Oct-25	1.93	0	-20	EUR Mar-22	0.42	0	-45	
USD Nov-24	6.25	-1	-16	USD Jan-24	3.25	#N/A	N/A	-60	EUR Sep-24	1.32	0	-36
CDS				CDS				CDS				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
5-year	144	-1	-64	5-year	104	0	-5	5-year	109	0	-43	
10-year	192	-1	-63	10-year	147	-1	-6	10-year	160	0	-34	
STOCKS				STOCKS				STOCKS				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
BELEX15	718.5	0.05%	0.16%	BET	8346.6	0.21%	17.81%	SOFIX	711.9	0.02%	21.39%	
FOREX				FOREX				FOREX				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
EUR/RSD	120.72	-0.41%	2.27%	EUR/RON	4.5616	0.06%	-0.50%	USD/BGN	1.6808	-0.10%	10.57%	

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 10:30 EEST

July 26, 2017

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