



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, July 28, 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 majority of global equity indices traded lower on Friday, as technology shares retreated from their recent rally over the past month. In FX markets, the US dollar continues to be pressured, while the Swiss franc weakened against its major currency peers on expectations that the Swiss Central Bank may keep monetary policy accommodative for longer even as the ECB may gradually taper its QE program. Looking at today's calendar, market focus centres on the advance Q2 GDP report, with consensus estimates expecting GDP growth to bounce back to ca. 2.7%QoQ saar from 1.4% QoQ saar in Q1.

**GREECE:** As of yesterday, the law that requires that most categories of freelancers and other businesses install Point-of-Sale (POS) equipment has come into force. On the data front, according to the Bank of Greece, in June 2017 on a monthly basis credit to the private sector contracted by €1.5 billion while private sector deposits increased by €1.0 billion.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets were mixed earlier on Friday, with this week's post-FOMC rally appearing to be running out of steam.

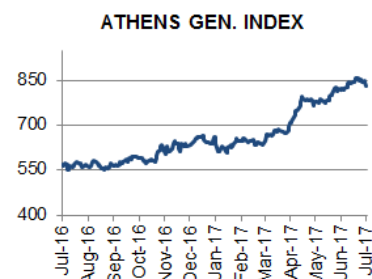
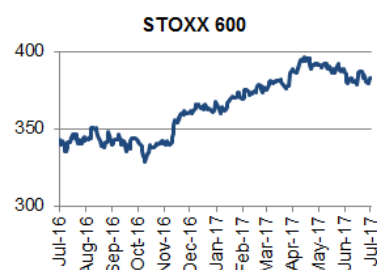
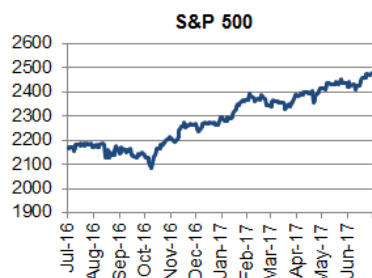
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July 28, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of global equity indices traded lower on Friday, as technology shares retreated from their recent rally over the past month. In FX markets, the US dollar continues to be pressured by heightened political uncertainty, with the DXY dollar index trading around levels of 93.763 in European trade at the time of writing, not far from yesterday's 13-month low of 93.152. Republicans' effort to pass health care legislation collapsed earlier today, after Senator John McCain joined Republicans Susan Collins of Maine and Lisa Murkowski of Alaska to block the Obamacare repeal bill. The Republican effort was defeated with 49 voting in favor and 51 against, falling marginally short of the 50 votes needed to pass the repeal. Elsewhere, Republican leaders commented that due to uncertainty associated with the border adjusted tax, the latter will not be part of negotiations on how to reform the US tax system. Elsewhere in the FX market, the Swiss franc weakened against its major currency peers on expectations that the Swiss Central Bank may keep monetary policy accommodative for longer even as the ECB may gradually taper its QE program. Against this background, the EUR/CHF rose to 1.1380, its highest since January 2015 that the Swiss central Bank abandoned the peg of the CHF to the EUR. Looking at today's calendar, market focus centres on the advance Q2 GDP report, with consensus estimates expecting GDP growth to bounce back to ca. 2.7%QoQ saar from 1.4% QoQ saar in Q1. Adding to this, Atlanta Fed's GDP Nowcast model, which has proved to be a good predictor for GDP growth, looks for 2.8% growth in Q2 2017.

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### GREECE

As of yesterday, the law that requires that most categories of freelancers and other businesses install Point-of-Sale (POS) equipment has come into force. The measure was adopted as a prior action to the 2<sup>nd</sup> programme review to boost efforts against tax-evasion but also facilitate transactions so long as capital controls are still in place. On the data front, according to the Bank of Greece, in June 2017 on a monthly basis credit to the private sector contracted by €1.5 billion while private sector deposits increased by €1.0 billion. On a year to date basis credit to the private sector decreased by €4.4 billion while private sector deposits decreased by €0.96 billion. Finally, on an annual basis credit to the private sector contracted by €11.2 billion while private sector deposits decreased by €2.3 billion.

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## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Emerging market assets were mixed earlier on Friday, with this week's post-FOMC rally appearing to be running out of steam. Against this backdrop, the MSCI Emerging Markets index slid by ca 0.9% in European trade compared to the prior session's settlement. Albeit the index appears poised to end the week flat after erasing earlier gains recorded, it remains within distance from a new near 3-year peak hit on Thursday thanks to scaled back expectations for a Fed rate hike ahead.

In the CESEE space, Polish assets remained under pressure after the European Commission unveiled on Wednesday actions in order to preserve the Rule of Law in the country amid concerns over government-backed reforms envisioning changes in the judiciary. Along these lines, the Polish zloty fell by ca. 0.3% on the day to trade around 4.2590/€ at the time of writing, approaching anew a 3-month low of 4.2705 hit on Monday. Elsewhere, the Turkish lira lost some ground earlier on Friday, with the USD/TRY having pulled back to 3.5330 in European trade from a multi-session low of 3.5150 hit ahead of the monthly Central Bank monetary policy meeting. In line with the market's and our expectations, Turkey's Central Bank (CBT) stayed put on its monetary policy maintaining all policy rates stable as well as its tight stance. Namely, the benchmark 1-week repo rate at 8.00%, the overnight lending and borrowing rates at 9.25% and 7.25%, respectively, and the late liquidity lending rate at 12.25%. The accompanying statement was broadly in line with that released in June. The main difference regards the economic outlook. The CBT highlighted this month that recently released data suggest "an ongoing recovery in the economic activity" compared to "the recovery in the economic activity has gained pace" in the prior month's statement. Additionally, the MPC expressed yesterday belief that "economic activity is expected to maintain its strength", toning down its rhetoric from June, where it envisioned that economic activity was "expected to further accelerate". The view on inflation was largely unchanged, with CBT reiterating that "recent improvements in cost factors and expected partial correction in food prices will contribute to disinflation", but "current elevated levels of inflation pose risks on the pricing behavior". In spite of a small drop to a 4-month trough of 10.72%YoY in June from a multi-year high of 11.87%YoY in April, the retreat was mostly attributed to base effects and headline consumer inflation remains more than double the 5% medium-term target while it has yet to show a sustainable improvement. In this context, the Central Bank repeated that the tight monetary policy stance will be maintained until a significant improvement is evidenced in inflation dynamics, leaving the door open for further tightening if needed.

In the local debt markets, Romania's finance ministry sold on Thursday a planned amount of RON 300mn (€65.8mn) of 2022 T-Notes. The paper was sold at an average price of 103.6648, and the average accepted yield came in at 2.54%, 9bps higher compared to the yield achieved at a prior auction of similar maturity paper held earlier this month. The issue carries an annual coupon of 3.40% and matures on March 8, 2022. Reflecting healthy investor demand, the tender's bid to cover ratio came in at 2.45 yesterday. Today's focus is on a review on Serbia's sovereign credit ratings by Moody's. 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. A sovereign credit rating review by Moody's on Cyprus is also due today. Currently the agency rates Cyprus at B1, the lowest compared to the other two major rating agencies and four grades below investment.

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

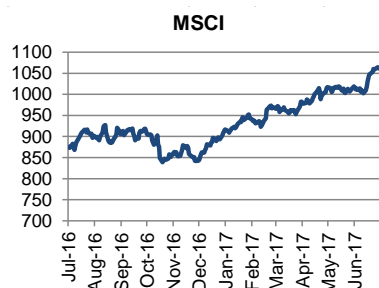
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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-

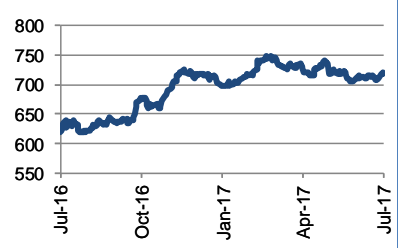
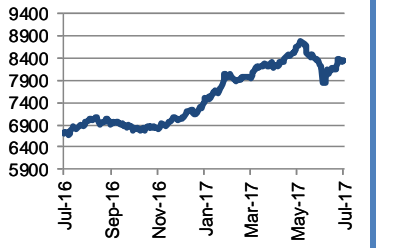
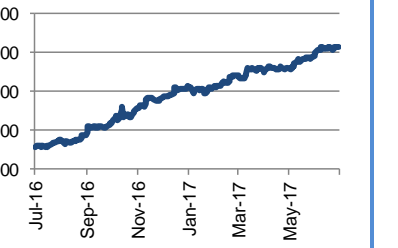
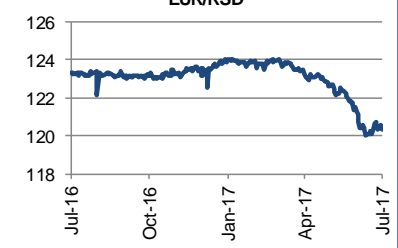
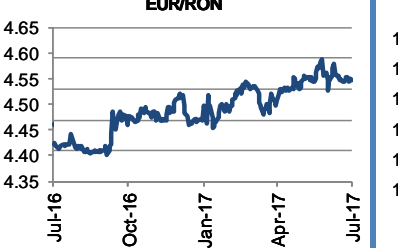
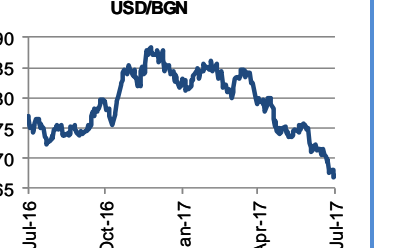
Source: Reuters, Bloomberg, Eurobank Research

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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	2481.12	0.1%	10.8%	EUR/USD	1.1702	-0.3%	11.2%	UST - 10yr	2.30	2	-14	GOLD	1262	0.1%	9.6%
Nikkei 225	20079.64	0.1%	5.0%	GBP/USD	1.3126	0.0%	6.2%	Bund-10yr	0.53	-3	32	BRENT CRUDE	51	0.1%	-10.2%
STOXX 600	382.40	-0.1%	5.8%	USD/JPY	111.31	-0.1%	5.1%	JGB - 10yr	0.07	-1	3	LME X	2974	0.9%	11.8%

## CESEE MARKETS

SERBIA				ROMANIA				BULGARIA							
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>							
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>LEONIA</b>	Last	ΔDbps	ΔYTD bps
T/N	3.03	1	3	O/N	0.63	2	7	1-month	0.01	0	1	1-month	-0.17	0	0
1-week	3.18	5	1	1-month	0.71	1	-5	3-month	-0.09	0	-2	3-month	-0.09	0	-2
1-month	3.32	2	-3	3-month	0.87	0	-3	6-month	0.04	0	-4	6-month	0.04	0	-4
3-month	3.56	1	9	6-month	1.04	-1	-7	12-month	0.41	0	0	12-month	0.41	0	0
6-month	3.77	-4	11	12-month	1.2	-1	-5	<b>BG Local Bonds</b>							
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps	3Y BGN	-0.08	-1	-24
3Y RSD	4.83	#N/A	N/A	3Y RON	1.29	-1	-33	5Y BGN	0.14	-1	-37	10Y BGN	1.52	0	-39
5Y RSD	5.22	0	-14	5Y RON	2.26	-1	-26	<b>BG Eurobonds</b>							
7Y RSD	5.60	1	-3	10Y RON	3.50	-1	-15		Last	ΔDbps	ΔYTD bps	EUR Mar-22	0.41	3	-46
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	EUR Sep-24	1.25	45	-43	<b>CDS</b>			
USD Nov-17	1.52	-15	-80	EUR Oct-25	1.93	0	-20	5-year	108	-1	-44	5-year	145	1	-63
USD Nov-24	6.24	-4	-17	USD Jan-24	3.17	0	-68	10-year	159	-1	-35	10-year	193	1	-62
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	<b>FOREX</b>			
BELEX15	721.3	0.63%	0.55%	BET	8334.0	0.13%	17.63%	SOFIX	711.6	-0.41%	21.35%	<b>EUR/RSD</b>			
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	EUR/RSD	120.21	0.01%	2.70%
EUR/RSD	120.21	0.01%	2.70%	EUR/RON	4.5643	0.06%	-0.55%	USD/BGN	1.6716	-0.28%	11.17%	<b>BELEX15 Index</b>			
<b>BELEX15 Index</b>				<b>BET Index</b>				<b>SOFIX Index</b>							
															
<b>EUR/RSD</b>				<b>EUR/RON</b>				<b>USD/BGN</b>							
															

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

Data updated as of 17:00 EEST of previous session

July 28, 2017

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