



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, July 31, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jul 31
 - Chicago PMI (Jul)
 - Pending home sales (Jun)
- Aug 1
 - Case-Shiller index (May)
 - CB consumer sentiment (Jul)
- Jul 26
 - Pers inc & spending (Jun)
 - Core PCE deflator (Jun)
 - ISM manufacturing (Jul)
 - Auto sales (Jul)
- Aug 2: ADP employment (Jul)
- Aug 3
 - Initial claims (Jul 29)
 - ISM non-manuf (Jul)
- Aug 4: Nonfarm payroll report (Jul)

EUROZONE

- Jul 31
 - HICP flash estimate (Jul)
 - Unemployment rate (Jun)
- Aug 1
 - PMI manufacturing (Jul, f)
 - Q2 GDP (1st estimate)
- Aug 3: PMI services (Jul, f)

GREECE

- Jul 31: Retail Sales (May)
- Aug 1: PMI manufacturing (Jul)

CYPRUS

- Aug 3: CPI (Jul)

SEE

BULGARIA

- Jul 31: Budget execution (Cash basis, Jun)

ROMANIA

- Jul 31: Unemployment (ILO, Jun)
- Aug 1: International Reserves (Jul)
- Aug 2: PPI (Jun)
- Aug 3: Retail Sales (Jun)
- Aug 4: MPC Meeting (Aug)

SERBIA

- July 31:
 - Industrial Production (Jun)
 - Trade Balance (Jun)
 - Retail Sales (Jun)
 - GDP NSA (2Q)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of global equity indices traded higher on Monday, shrugging off North Korea's latest missile test late on Friday and the US response that followed on Sunday flying two supersonic bombers over the Korean Peninsula. In FX markets, the DXY dollar index fell 0.6% on Friday after slightly softer than expected GDP and labour data. Trimming some losses on Monday morning, the DXY dollar index was trading around levels of 93.500 at the time of writing, within distance from Thursday's 13-month low of 93.152, with political uncertainty continuing to weigh on the US dollar. Along these lines, the EUR/USD was hovering around 1.1732 in European trade on Monday, not far from a 2.5 year-high of 1.7777 hit on Thursday. Looking at this week's calendar, the main focus is the US nonfarm payroll report for July on Friday, with the market discounting a monthly employment increase of ca. 180k from 222k in June.

GREECE: According to press reports, the Greek government considers as a potential starting point for the 3rd programme review the informal Eurogroup of September 15 at Tallinn and expresses the intention to close this review as swiftly as possible so that it can proceed with further bond issuances in the first months of 2018. On the same wavelength, Greek FinMin Euclid Tsikalotos stated in an interview yesterday that the implementation of the programme is the responsibility not only of the cabinet but also of the whole "political organisation" of SYRIZA, meaning party members and SYRIZA MPs alike.

SOUTH EASTERN EUROPE

CYPRUS: Moody's upgraded the long-term sovereign rating of Cyprus by one notch to Ba3 with a positive outlook.

BULGARIA: Bulgarian equities and bond markets remained broadly unchanged in the past week.

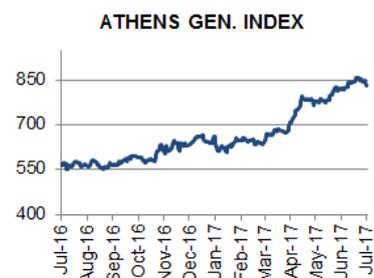
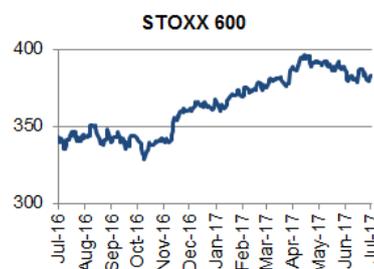
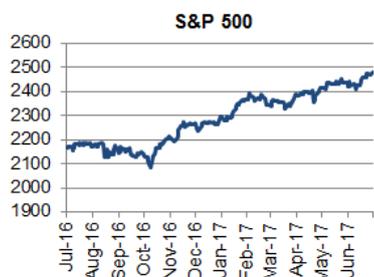
SERBIA: The EURRSD remained bound within a 120.05 – 120.80 trading range in the past week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of global equity indices traded higher on Monday, shrugging off North Korea's latest missile test late on Friday and the US response that followed on Sunday flying two supersonic bombers over the Korean Peninsula. In FX markets, the DXY dollar index fell 0.6% on Friday after slightly softer than expected GDP and labour data. In more detail, real GDP growth increased by 2.6% QoQ saar, against consensus estimates for a rise of 2.7%, while Q1 real GDP growth was revised downwards to 1.2% QoQ saar from 1.4% previously. Meanwhile, labour cost decelerated to 0.5%QoQ saar in Q2 from 0.8% in Q1, adding to concerns that inflationary pressures will remain subdued. Trimming some losses on Monday morning, the DXY dollar index was trading around levels of 93.500 at the time of writing, within distance from Thursday's 13-month low of 93.152. Political uncertainty continues to weigh on the US dollar, with US President Donald Trump replacing on Friday his White House Chief of Staff, Reince Priebus, with General John Kelly. Along these lines, the EUR/USD was hovering around 1.1732 in European trade on Monday, not far from a 2.5 year-high of 1.7777 hit on Thursday. Looking at this week's calendar, the main focus is the US nonfarm payroll report for July on Friday with the market discounting a monthly employment increase of ca. 180k from 222k in June. The BoE MPC hold their policy meeting on Thursday, with market consensus expecting no change in UK interest rates at the moment, although in recent months a growing minority on the MPC has expressed their willingness to tighten monetary policy. Turing to the euro area, inflation (July) and unemployment data (June) are due on Monday, Q2 GDP data are expected on Tuesday, while PMI services (final July reading) will come out on Thursday. In the US, apart from the long-awaited US non-farm report, personal income data (June) and ISM manufacturing index (July) on Tuesday, ADP employment report (July) on Wednesday, weekly initial claims (July 29) and ISM non-manufacturing index (July) are also expected to lure market attention.

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GREECE

According to press reports, the Greek government considers as a potential starting point for the 3rd programme review the informal Eurogroup of September 15 at Tallinn and expresses the intention to close this review as swiftly as possible so that it can proceed with further bond issuances in the first months of 2018. On the same wavelength, Greek FinMin Euclid Tsakalotos stated in an interview yesterday that the implementation of the programme is the responsibility not only of the cabinet but also of the whole "political organisation" of SYRIZA, meaning party members and SYRIZA MPs alike. He added that delaying the implementation of the programme does nothing but maintain uncertainty missing thus the opportunity for alliances. As regards the IMF, the Greek FinMin argued that the Greek government can work either with or without it but in any case the Fund needs to make a decision about its participation by the end of 2017. With regard to the IMF's proposal that Greek banks undergo an Asset Quality Review and stress tests, Mr. Tsakalotos claimed that stress tests have been scheduled by the European Banking Authority (EBA) and the Single Supervisory Mechanism (SSM) for 2018 while there is no provision for an AQR. He added that Greek banks should focus on dealing with NPLs and by doing that we can be optimistic that there will be no need for capital injection.

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July 31, 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

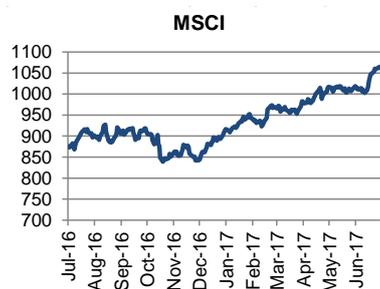
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP*	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CYPRUS

On last Friday evening, Moody's upgraded the long term sovereign rating of Cyprus by one notch to Ba3 from B1. At the same time, Moody's maintained the outlook positive. According to Moody's, the decision reflects two main drivers. Firstly, improvements in economic resilience that have occurred over the past two years and that seem likely to continue in the medium term. Secondly, the consistent fiscal outperformance and continuing favourable fiscal outlook for Cyprus. The decision to maintain a positive outlook on the rating of Cyprus reflects Moody's view that improvements in economic resilience and continuing fiscal outperformance are likely to be sustained, with a reduction in the debt-to-GDP ratio as well as a fall in the stock of non-performing loans held by the banks. Moody's decision came on top of the recent upgrade by DBRS by two notches (from B to BB low). Finally, despite rating agencies' recent upgrading, Cypriot government bonds still have not reached investment grade status.

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BULGARIA

Local equities posted mixed results last week as stock market slid into summer doldrums. The major index SOFIX closed nearly flat at 710.98 points. Weekly turnover stood at EUR 2.1mn lifted mainly by block deals. In fact, speculators and retails moved the market without significant volume. Meanwhile, both the local sovereign and Eurobond markets remained pretty quiet. Shifts were insignificant of 1-2 bps on both curves. There is still no information for upcoming treasury auctions.

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SERBIA

The EUR/RSD retreated from 120.70 for a third time this month forming a respectful resistance just below the 121.0 threshold. Looking into weekly chart, dinar bullishness remained substantial as the pair fell to 120.05 without struggle. To prevent market from overheating, NBS reacted accordingly, intervening and clearing out offers till 120.45. Central bank bought 30mn thought single intervention that took place on Friday. Once again, Central bank indicates that it won't tolerate much stronger dinar. Another failure to conquer higher ground, has fortified our view that cross will remain range locked between 120.0 and 120.70 during August.

Moreover, speaking at the presentation of the Annual Financial Stability Report for 2016, the Central Bank governor said that appreciation pressure is expected to prolong through August after which seasonality effects will drag dinar lower. Also, Mrs. Tabakovic praised country's financial system as it remains highly capitalized, highly solvent and stable, both in 2016 and 2017 despite the risk that resulted from developments in the Eurozone and the divergence of ECB and FED monetary policies.

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July 31, 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	2472.10	-0.1%	10.4%	EUR/USD	1.1735	-0.1%	11.5%	UST - 10yr	2.29	0	-15	GOLD	1268	-0.2%	10.0%
Nikkei 225	19925.18	-0.2%	4.2%	GBP/USD	1.3111	-0.2%	6.1%	Bund-10yr	0.55	1	35	BRENT CRUDE	53	0.1%	-7.4%
STOXX 600	379.57	0.3%	5.0%	USD/JPY	110.55	0.1%	5.8%	JGB - 10yr	0.08	1	4	LMEX	2961	-0.5%	11.3%

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	3.02	-1	2	O/N	0.6	-2	4	LEONIA	0.01	0	1		
1-week	3.15	-1	-2	1-month	0.69	-2	-7	1-month	-0.17	0	0		
1-month	3.32	-1	-3	3-month	0.87	0	-3	3-month	-0.09	0	-2		
3-month	3.56	-1	9	6-month	1.04	0	-7	6-month	0.04	0	-3		
6-month	3.77	-1	11	12-month	1.21	1	-4	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	0	-34	3Y BGN	-0.08	0	-24		
5Y RSD	5.22	0	-14	5Y RON	2.26	0	-26	5Y BGN	0.14	0	-37		
7Y RSD	5.60	0	-3	10Y RON	3.54	2	-11	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	1.65	4	-68	EUR Oct-25	1.93	0	-21	EUR Mar-22	0.27	64	-60		
USD Nov-24	6.22	-2	-19	USD Jan-24	3.12	-5	-73	EUR Sep-24	1.24	2	-44		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	143	0	-64	5-year	103	0	-6	5-year	107	0	-45		
10-year	191	0	-65	10-year	145	-1	-7	10-year	157	0	-37		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	725.1	-0.51%	1.08%	BET	8365.1	0.75%	18.07%	SOFIX	713.7	0.38%	21.70%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.02	0.11%	2.86%	EUR/RON	4.5603	0.00%	-0.47%	USD/BGN	1.6667	-0.14%	11.50%		

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 13:00 EEST

July 31, 2017

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