



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday 01 August 2019

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- July 30:
  - Personal Spending (Jun)
  - Personal Income (Jun)
  - PCE Core Deflator (Jun)
  - Conference Board Consumer Confidence (Jul)
- July 31:
  - ADP Employment (Jul)
  - FOMC Rate Decision
- August 01:
  - ISM Manufacturing (Jul)
  - Construction spending (Jun)
  - Total Vehicles Sales (Jul)
- August 02:
  - Change in Nonfarm Payrolls (Jul)
  - Unemployment Rate (Jul)
  - Average Weekly Hours (Jul)

#### EUROZONE

- July 30:
  - European Commission Economic Confidence (Jul)
  - Consumer Confidence (Jul, F)
- July 31:
  - Unemployment Rate (Jun)
  - Real GDP (Q2)
  - CPI (Jul)
- August 01:
  - Markit Manufacturing PMI (Jul)
- August 02: Retail Sales (Jun)

#### GREECE

August 2: Sovereign Debt to be rated by Fitch

#### SEE

##### BULGARIA:

- July 29: Gross External Debt (May)
- July 30: PPI (Jun)
- July 31:
  - Budget Balance (Jun)
  - MPC Meeting

##### SERBIA:

- July 31:
  - Industrial Output (Jun)
  - GDP (Q2)
  - Retail Sales (Jun)
  - Trade Balance (Jun)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Mirroring the negative tone in Wall Street overnight, Asian equity markets traded in the red following July's FOMC's meeting, which toned down market expectations of a prolonged easing cycle. As widely expected, the Fed reduced the target range for the fed funds rate by 25bp to 2.0-2.25%. Nevertheless, slightly tilted to the hawkish side, Fed Chairman Jerome Powell noted that he does not see the rate cut as "a mid-cycle adjustment to policy", highlighting that it was not "the beginning of a lengthy cutting cycle." In response, the 2yr10yr yield curve flattened at 14bps, the lowest level since May, with shorter-dated Treasury yields rising on Wednesday as investors scaled back expectations on future rate cuts and longer-dated Treasury yields falling on the Fed's muted inflation outlook and the stop of its balance sheet normalization two months earlier. In FX markets, dragged down by the US dollar's strength, the EUR/USD plunged to 1.1032, its lowest level since mid-May, before paring losses to trade around 1.1045 in European trade at the time of writing.

**GREECE:** According to the Hellenic Statistical Authority, the overall volume index in retail trade in May 2019 decreased by 2.4%YoY, while the seasonally adjusted overall volume index increased by 0.3%MoM. Meanwhile, the seasonally adjusted IHS Markit Manufacturing Purchasing Managers' Index (PMI) rose to a 3-month high of 54.6 in July from 52.4 in June, signaling a substantial improvement in the health of the sector and extending the current sequence of expansion to 26 months.

### SOUTH EASTERN EUROPE

**CYPRUS:** The Economic Sentiment Index (ESI) declined in July to the lowest level of the last twelve months.

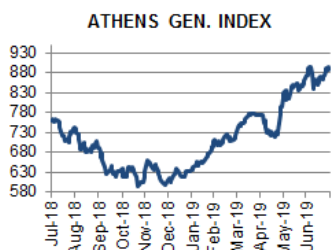
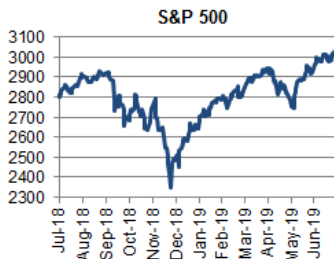
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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Mirroring the negative tone in Wall Street overnight (S&P500 -1.1%, the worst performance in two months), Asian equity markets traded in the red (with the exception of Japanese stocks, which advanced modestly on a weaker JPY) following July's FOMC's meeting, which toned down market expectations of a prolonged easing cycle. As widely expected, the Fed reduced the target range for the fed funds rate by 25bp to 2.0-2.25%, deciding to end the balance sheet runoff on August 1, a couple of months earlier than previously announced, on higher trade policy uncertainty, slower global growth and headline and muted inflation pressures. Nevertheless, slightly tilted to the hawkish side, Fed Chairman Jerome Powell noted that he does not see the rate cut as "a mid-cycle adjustment to policy", highlighting that it was not "the beginning of a lengthy cutting cycle." In response, shorter-dated Treasury yields rose on Wednesday as investors scaled back expectations on future rate cuts (2yr at a two-month high of 1.968% before retreating modestly to 1.898% at the time of writing on Thursday), while longer-dated Treasury yields fell on the Fed's muted inflation outlook and the stop of its balance sheet normalization two months earlier. As a result, the 2yr10yr yield curve flattened at 14bps, the lowest level since May. In FX markets, the DXY dollar index rose to a two-year high of 98.932 in Asian trade on Thursday. Dragged down by the US dollar's strength, the EUR/USD plunged to 1.1032, its lowest level since mid-May, before paring losses to trade around 1.1045 in European trade at the time of writing. Eurozone's Q2 GDP growth that confirmed the ongoing economic slowdown (+ 0.2%QoQ down from 0.4%QoQ in Q1, bringing the annual growth rate to 1.1%, its lowest level since Q4 2013) may have also had an impact. Looking at today's calendar, the Bank of England's MPC is expected to announce its latest monetary policy decision, with Governor Carney giving a press conference afterwards. On the data front, the manufacturing PMIs for the Eurozone and the US (July, final) will take centre stage, while the US ISM manufacturing index (July) as well as construction spending (June) are also due later in the day.

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### GREECE

According to the Hellenic Statistical Authority, the overall volume index in retail trade in May 2019 decreased by 2.4%YoY mainly due to the annual rates of change in the following store categories: supermarkets -2.4%, pharmaceutical products and cosmetics -2.4%, automotive fuel -2.3%, clothing and footwear +4.2% and books stationery and other goods +6.3%. The seasonally adjusted overall volume index in retail trade in May 2019 increased by 0.3%MoM. Meanwhile, the seasonally adjusted IHS Markit Manufacturing Purchasing Managers' Index (PMI) rose to a 3-month high of 54.6 in July from 52.4 in June, signaling a substantial improvement in the health of the sector and extending the current sequence of expansion to 26 months. New orders recorded a sharp monthly rise, while new export business also increased albeit to a lesser extent than total new work. Output growth led to a marked rise in employment and purchasing activity, while sentiment was the strongest recorded since the series began in July 2012.

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## Latest economic & market developments in the CESEE region

### BULGARIA: Indicators 2017 2018 2019F

Real GDP growth %	3.8	3.1	3.5
CPI (pa, yoy %)	1.2	2.6	2.8
Fiscal Balance/GDP*	0.8	0.1	-0.5
Current Account/GDP	3.1	4.6	1.0

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

### CYPRUS: Indicators 2017 2018 2019F

Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

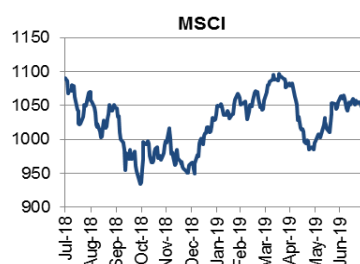
\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

### SERBIA: Indicators 2017 2018 2019F

Real GDP growth %	2.0	4.3	3.5
CPI (pa, yoy %)	3.2	2.0	2.6
Fiscal Balance/GDP	1.1	0.6	-0.5
Current Account/GDP	-5.2	-5.2	-5.3

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	BBB-	BBB
CYPRUS	Ba2	BBB-	BB+

### CYPRUS

The Economic Sentiment Index (ESI) remained on a declining trend in the beginning of Q3-2019 retrenching back to comparable levels recorded in autumn 2018. Having registered a small rebound in March and April, the ESI index remained range-bound in May and June but declined again in July. In more detail, the ESI posted a decrease of 2.0 points in July to 108.2, after a small increase of 1.2 points in June to 110.2, after a small decline of 1.8 points in May to 109, down from 110.8 in April, 109.2 in March, up from 107.8 in February, compared to 111.4 in January. All sub – indices, except consumer sentiment, continued declining in July. Specifically, having jumped by 10.7 points in May, the highest rise in the last twelve months, construction declined by 4.1 points in June and further in July by 2.6 points. Services declined by 4.7 points to the lowest level. Industry and retail trade declined by 4.2 and 4.7 points respectively. In contrast, consumer sentiment improved by 1.7 points. Overall, the ESI index decline in synchronized with that of the Euro area in this month. Yet, the ESI reading of July provides further evidence that the soft landing has already begun and the economy is now past the peak of the economic cycle.

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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	2980.38	-1.1%	18.9%	EUR/USD	1.1047	-0.3%	-3.7%	UST - 10yr	2.06	4	-63	GOLD	1405	-0.6%	9.6%
Nikkei 225	21540.99	0.1%	7.6%	GBP/USD	1.2117	-0.4%	-5.0%	Bund-10yr	-0.42	2	-66	BRENT CRUDE	64	-1.4%	19.2%
STOXX 600	386.00	0.1%	14.3%	USD/JPY	109.08	-0.3%	0.6%	JGB - 10yr	-0.13	2	-13	LME X	2814	-0.3%	0.4%

### SERBIA

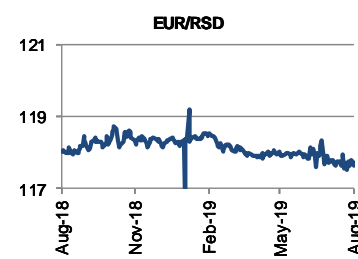
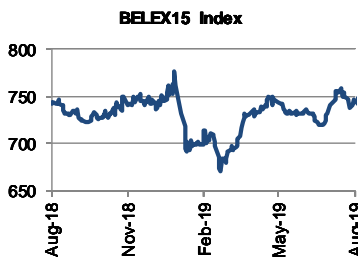
Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	1.78	0	-66
1-week	1.90	0	-66
1-month	2.15	-1	-58
3-month	2.41	-1	-62
6-month	2.61	-1	-57

RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	2.58	-1	-48
5Y RSD	3.12	0	-38
7Y RSD	3.27	-1	-89

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.76	-1	-124

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	743.9	-0.48%	-2.33%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	117.58	-0.42%	0.56%



### ROMANIA

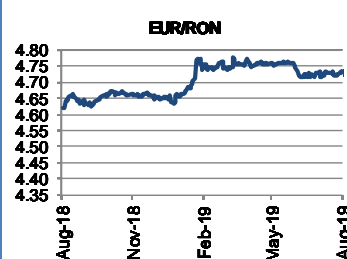
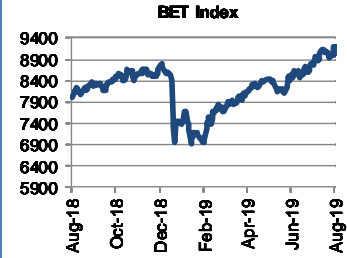
Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.61	1	152
1-month	2.77	-1	90
3-month	3.04	-1	99
6-month	3.19	-1	92
12-month	3.34	-1	102

RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.44	0	-60
5Y RON	3.92	0	-42
10Y RON	4.34	0	-48

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.75	-	-79
USD Jan-24	2.96	4	-128

STOCKS			
	Last	ΔD	ΔYTD
BET	9191.7	-0.14%	24.49%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.7333	-0.09%	-1.67%



### BULGARIA

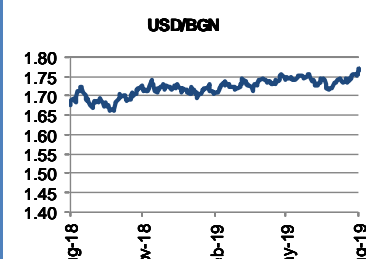
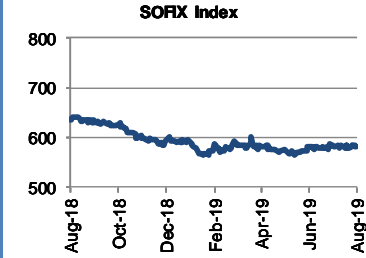
Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	8	3
3-month	-0.14	9	4
6-month	-0.02	10	3
12-month	0.36	14	4

BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.30	-2	-24
5Y BGN	-0.10	-1	-22
10Y BGN	0.24	0	-51

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.21	0	-19
EUR Sep-24	-0.02	0	-50

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	581.0	0.06%	-2.26%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7708	-0.28%	-3.69%



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

Data updated as of 12:00 EEST

Thursday 01 August 2019

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