

Monday 03 June 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- June 03:
 - Markit Manufacturing PMI (May, final)
 - ISM Manufacturing Index (May)
 - Construction Spending (Apr)
- June 04: Factory Orders (Apr)
- June 05:
 - Markit Services & Composite PMI (May, final)
 - ISM Non Manufacturing Index (May)
- June 6:
 - Trade Balance (Apr)
 - Initial Jobless Claims (Jun 1)
- June 7:
 - Change in Non Farm payrolls & Unemployment Rate (May)

EUROZONE

- June 03: Markit Manufacturing PMI (May, final)
- June 04:
 - Unemployment Rate (Apr)
 - CPI (May)
- June 05: Markit Services & Composite (May, final)
- June 06:
 - GDP (Q1, final)
 - ECB Key Policy Rate Meeting

GREECE

- June 03: Markit Manufacturing (May)
- June 04: GDP (Q1, provisional estimate)
- June 06: Unemployment Rate (Mar)

SEE

BULGARIA:

- Jun 06: GDP (Q1, final)
- Jun 07:
 - Industrial Production (Apr)
 - Retail Sales (Apr)

SERBIA

- June 6:
 - Key Policy Rate Meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Risk-off mode prevailed in early European trade on Monday as the US/China trade dispute continues to intensify, leaving no hopes for a resolution any time soon. Favored by their safe-haven appeal, the JPY and the CHF outperformed their major currency peers in FX markets. Elsewhere, US Treasuries extended recent gains with the 10-yr yield marking an intra-day low of 2.08% earlier today, the lowest since September 2017. Meanwhile, the 10-yr Bund yield recorded a fresh record low of -0.215% as US President Donald Trump's tariffs actions have fueled concerns that he may also increase tariffs on the European auto sector later this year. In addition, Brexit uncertainty prevails while there are mounting worries over a new confrontation between Italy and the European Commission with the latter expected to issue an updated assessment of the country's public finances on Wednesday, 5 June.

GREECE: The Euroworking group that convenes today is expected to discuss the macroeconomic and fiscal trajectory of Greece while the 3rd EPPS review will be released on June 5th, as planned. The review will likely incorporate an assessment of the fiscal impact of the recently adopted expansionary measures. According to the Hellenic Statistical Authority (ELSTAT), in March 2019 the overall volume index in retail trade s.a. rose by 4.0%YoY after two months of average annual contraction of 2.5%. According to INSETE Intelligence, in April 2019 international arrivals to Greece's main airports rose to 1.2 million, up by 18.7%YoY while for the period January to April 2019, they reached 2.5 million up by 13.0%YoY.

SOUTH EASTERN EUROPE

SERBIA: A plethora of data were released on Friday for Serbia. Inter alia, the Serbian Statistical Office slightly revised 1Q19 GDP estimate upward from 2.3% YoY to 2.5% YoY but still below 3.4% YoY in Q4-2018. This week's calendar is broadly filled with the Romanian GDP Q1-2019 final print on Thursday and Central Bank meetings in Poland and Serbia on Wednesday and Thursday respectively, where no surprises are anticipated.

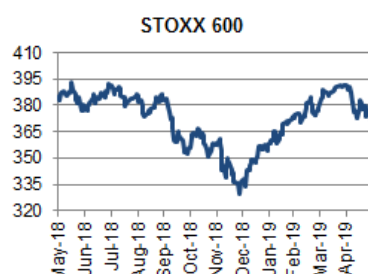
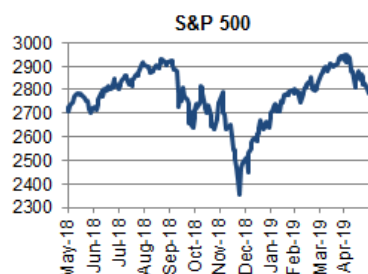
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Monday 03 June 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Risk-off mode prevailed in early European trade on Monday as the US/China trade dispute continues to intensify, leaving no hopes for a resolution any time soon. In retaliation against Huawei's placement on the US Commerce Department "Entity List" that effectively bans the sale of Huawei products in the US, China announced on Friday that it will create an "Unreliable Entity List" of foreign companies and individuals that it deems threaten the interest of Chinese firms. In addition, China issued a White Paper accusing the US for the collapse of trade talks while a senior Chinese official and trade negotiator refused to clarify whether China's President Xi Jinping and US President Donald Trump will meet at the G20 summit in Japan at the end of the month. Adding to trade jitters, US President Donald Trump issued a statement late last week threatening to increase tariffs on all goods imported from Mexico, starting on 10 June, unless Mexico takes swift measures to curtail the flows of illegal immigrants into the US. Favored by their safe-haven appeal amid rising global trade jitters, the JPY and the CHF outperformed their major currency peers in FX markets. Elsewhere, US Treasuries extended recent gains with the 10-yr yield marking an intra-day low of 2.08% earlier today, the lowest since September 2017, after falling by c. 24bps on a weekly basis, while the 2-yr paper was yielding levels around 1.87% at the time of writing, more than 60bps below the upper bound of the current range for the fed funds target rate. German Bunds also retained a firm tone with the 10-yr yield marking a fresh record low of -0.216% earlier today, favored by global trade war jitters with US President Donald Trump's tariffs actions fueling concerns that he may also increase tariffs on the European auto sector later this year. In addition, Brexit uncertainty prevails while there are mounting worries over a new confrontation between Italy and the European Commission with the latter expected to issue an updated assessment of the country's public finances on Wednesday, 5 June. Looking at today's calendar, the main highlights are the final May manufacturing PMIs in the Eurozone and the US ahead of Tuesday's May CPI report for the Euro area and Friday's May employment report in the US. In terms of events, all eyes are on the Fed research conference on "Monetary Policy Strategy, Tools, and Communications Practices" on Tuesday and Wednesday ahead of Thursday's ECB monetary policy.

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GREECE

The Euroworking group that convenes today is expected to discuss the macroeconomic and fiscal trajectory of Greece while the 3rd EPPS review will be released on June 5th, as planned. The review will likely incorporate an assessment of the fiscal impact of the recently adopted expansionary measures i.e. the VAT reduction in processed food, catering, electricity and natural gas, the reform of survivors' pensions, the special allowance for pensioners and the scheme for the settlement of debts to tax authorities and social security funds. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), in March 2019 the overall volume index in retail trade s.a. rose by 4.0%YoY after two months of average annual contraction of 2.5%. On an annual basis, the largest increases were recorded in books, stationery and other goods (+ 9.0%), automotive fuel (+ 8.2%) and super markets (+ 6.5%). On the contrary, the steepest annual decrease is recorded in department stores (-11.8%). On a monthly basis, the overall s.a. volume index in retail trade increased by 3.9%. Meanwhile, according to INSETE Intelligence, in April 2019 international arrivals to Greece's main airports rose to 1.2 million, up by 18.7%YoY while for the period January to April 2019, they reached 2.5 million up by 13.0%YoY. Focus this week will turn to the IHS Markit Manufacturing PMI for May today, the provisional data for Q1-2019 GDP tomorrow and the March unemployment rate on Thursday.

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Latest economic & market developments in the CESEE region

SERBIA

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

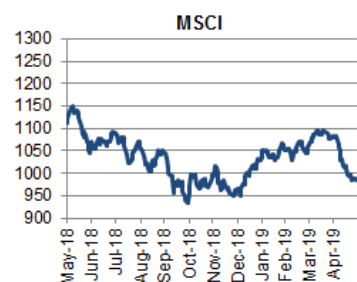
* ESA 2010

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+

The majority of emerging market assets posted modest gains in early European trade today despite the release of disappointing data in major emerging economies. The Chinese manufacturing PMI index for May came in at 49.4 from 50.1 in April, which is below the market estimate of 49.9. Moreover, Brazil's economic activity took its first dip since 2016 as GDP in Q1-2019 contracted by 0.2% QoQ, compared to a marginal growth of 0.1% QoQ in Q4-2018. That said, the MSCI Emerging Markets Equity Index concluded yesterday's session at 998 ca 1% higher for the day while the MSCI EM currency index and the EMBI PLUS for EM bonds rose by 0.21% and 0.23% respectively.

Elsewhere in the region, amid lack of market-driven economic news, markets were relatively quiet. The Polish Zloty firmed slightly against the Euro and, at the time of writing, continues to maintain a relatively positive momentum. The EUR/PLN is currently trading at 4.2875, down by ca 0.1%, with regional markets, presumably, having already discounted the expected positive reading in Poland's Q1 GDP growth due later within the day. The flash print released in mid-May pointed to 4.6% YoY GDP growth and today's figure is expected to come in at 4.7% YoY, slightly lower from Q4 2018, but still the highest within the CESEE region and the EU, after Hungary and Malta. In other news, in Serbia, the Minister of Finance, Mr. Sinisa Mali stated yesterday that the minimum wage will increase in September. He also expressed his belief that there will be room for another, significant increase of public sector wages and pensions. The minimum wage increased by 8.6% to RSD 27,000 as of January and President Aleksandar Vucic has recently said that it will grow further to RSD 30,000, translating to an 11.1% hike. Concluding, later today we anticipate Serbia's final GDP print for Q1-2019, following the flash estimate of 2.3% YoY released one month ago, much lower than 4.3% YoY GDP growth ratio in FY 2018, the highest since 2008.

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*We would like to thank Djordje Lucic from Eurobank Serbia for his valuable contribution in today's issue

Monday 03 June 2019

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	2786.62	0.1%	11.2%	EUR/USD	1.1139	0.1%	-2.9%	UST - 10yr	2.24	-2	-44	GOLD	1287	0.6%	0.4%
Nikkei 225	20942.53	-0.3%	4.6%	GBP/USD	1.2616	-0.1%	-1.1%	Bund-10yr	-0.18	0	-42	BRENT CRUDE	68	-2.6%	25.7%
STOXX 600	372.07	0.4%	10.2%	USD/JPY	109.67	-0.1%	0.0%	JGB - 10yr	-0.08	1	-8	LME X	2780	-1.1%	-0.8%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.25	-1	-19
1-week	2.34	-1	-22
1-month	2.58	0	-15
3-month	2.97	1	-6
6-month	3.11	2	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.99	-8	-7
5Y RSD	3.73	0	22
7Y RSD	3.96	0	-20

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.28	-1	-72

CDS

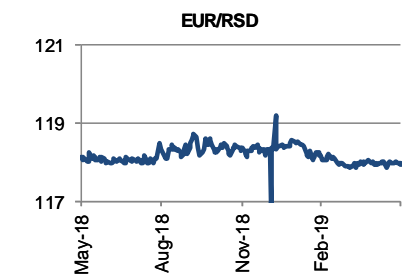
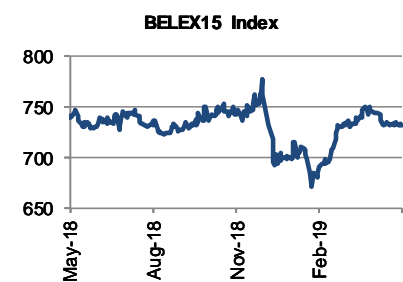
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-14
10-year	149	0	-14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.1	0.00%	-3.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.02	-0.20%	0.18%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.81	-4	172
1-month	3.11	0	124
3-month	3.25	-1	120
6-month	3.38	0	111
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.80	0	-23
5Y RON	4.39	0	5
10Y RON	4.86	0	5

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.32	-	-21
USD Jan-24	3.40	-2	-84

CDS

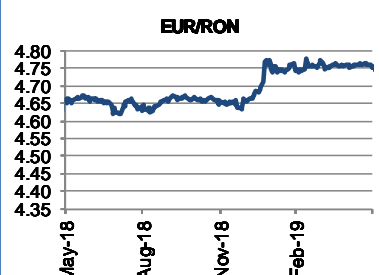
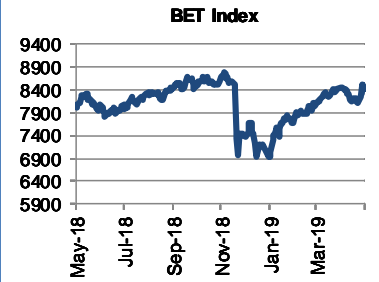
	Last	ΔDbps	ΔYTD bps
5-year	91	1	1
10-year	137	2	3

STOCKS

	Last	ΔD	ΔYTD
BET	8403.1	-0.86%	13.81%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7522	0.14%	-2.06%



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	-0.28	1	-22
5Y BGN	-0.02	-3	-14
10Y BGN	0.40	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.12	-3	-7
EUR Sep-24	0.15	-3	-33

CDS

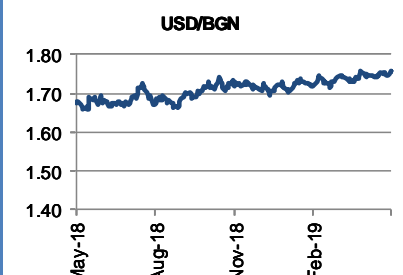
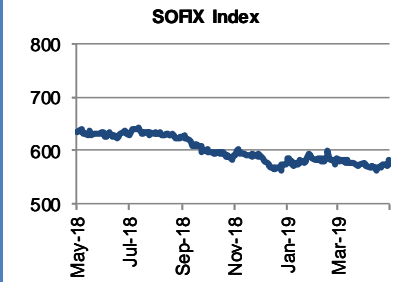
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	129	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	582.1	1.67%	-2.07%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.756	0.07%	-2.88%



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

Data updated as of 19:45 EEST of the previous session

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Monday, 13 June 2016

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- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
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