

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- July 01:
  - Markit Manufacturing PMI (Jun, F)
  - ISM Manufacturing (Jun)
  - Construction spending (May)
- July 02: Auto Sales (June)
- July 03:
  - ADP Employment Change (Jun)
  - Trade Balance (May)
  - Initial Jobless Claims (29/06)
  - Factory Orders (May)
  - ISM Non-Manufacturing (Jun)
  - Markit Services and Composite PMI (Jun, F)
- July 05: Non Farm Payrolls (Jun)

#### EUROZONE

- July 01:
  - Markit Eurozone Manufacturing PMI (Jun, F)
  - M3 Money Supply (May)
  - Unemployment Rate (May)
- July 03: Markit Services and Composite PMI (Jun, F)
- July 04: Retail Sales (May)

#### GREECE

- July 01: Markit Manufacturing PMI

#### SEE

##### CYPRUS:

- July 04: CPI (Jun)

##### ROMANIA:

- July 01: Unemployment Rate (May)
- July 04:
  - Retail Sales (May)
  - Key Policy Rate Meeting

##### TURKEY:

- July 01: Markit Manufacturing PMI (Jun)
- July 03: CPI (Jun)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Fixed income assets extended their recent gains in early European trade on Wednesday as investors remain concerned that last week's US/China agreement on the sidelines of the G20 meeting for resumption of trade talks does not indicate that the likelihood of a final deal has necessarily increased. Mounting global growth concerns following poor manufacturing confidence indexes from major global economies recently and reinforced expectations for further monetary easing around the world amid slowing global growth, also had a positive impact. 10-yr UST yields marked a fresh low of 1.94% earlier today, the lowest level since November 2016 and 10-yr Bund yields dropped to a fresh record low near -0.40%, also affected by news that IMF Managing Director Christine Lagarde, who is perceived as leaning to the dovish side of the spectrum, has been nominated by EU leaders to be the new European Central Bank President. In FX markets, the EUR weakened following the announcement of Christine Lagarde's nomination, marking a near two-week low of 1.1269 earlier today.

**GREECE:** Greek government bond yields are hitting new all-time lows at the time of writing, with the 10-year and 5-year GGB yields falling to 2.117% and 1.20% respectively while the 10-year Greek and German benchmark yield spread stands at 251.30 bps.

### SOUTH EASTERN EUROPE

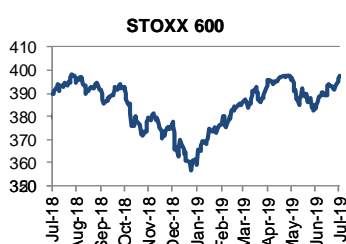
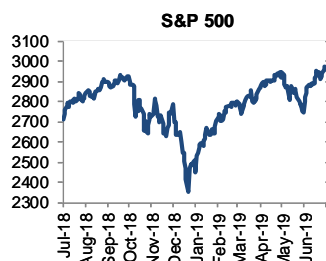
**CYPRUS:** According to the preliminary fiscal results, the general government in ESA2010 terms recorded a surplus of 2.4% of GDP in 5M-2019.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Fixed income assets extended their recent gains in early European trade on Wednesday as investors remain concerned that last week's US/China agreement on the sidelines of the G20 meeting for resumption of trade talks does not indicate that the likelihood of a final deal has necessarily increased. Mounting global growth concerns following poor manufacturing confidence indexes from major global economies recently, also had a positive impact. The global manufacturing confidence index extended its decline in June falling into contraction territory while an ongoing deceleration in the forward-looking new export orders component fueled market worries that manufacturing activity may not have reached the bottom yet. Country details revealed that the US ISM manufacturing index fell in June for the third month in a row coming in at 51.7, the lowest level since October 2016, while the respective figure for the euro area edged down to 47.6 from May's 47.8, remaining in contraction territory for five consecutive months. Also helped by dovish comments from BoE's Governor Mark Carney, which reinforced expectations for further monetary easing around the world amid slowing global growth, 10-yr UST yields marked a fresh low of 1.94% earlier today, the lowest level since November 2016, some 3.5bps lower on the day and 5bps lower so far this week. Along these lines, 10-yr Bund yields dropped to a fresh record low near -0.40% earlier today, also affected by news that IMF Managing Director Christine Lagarde, who is perceived as leaning to the dovish side of the spectrum, has been nominated by EU leaders to be the new European Central Bank President, succeeding to Mario Draghi whose term expires on 31 October. Favored by investors' appetite for positive yield in the ocean of negative-yielding European government bonds, EMU periphery bonds also retained a firm tone. Italy continued to outperform with the 10-yr BTP yield dropping to 1.76% in early European trade after falling below 1.80% earlier today for the first time since May 2018, having declined by a total of 80bps since early June and compressing its spread to Bunds by more than 60bps.

Meanwhile, the majority of equity markets in Asia edged lower today, US equity futures are slightly in negative territory whereas European bourses opened little changed on a daily basis. In FX markets, the EUR weakened following the announcement of Christine Lagarde's nomination, marking a near two-week low of 1.1269 earlier today, having retreated further from last week's peak of 1.1412. On the data front, today's major releases include the final June estimate for PMI services in the euro area, while, in the US, we expect the June's ADP employment survey ahead of Friday's non-farm payrolls data.

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### GREECE

Greek government bond yields are hitting new all-time lows at the time of writing, with the 10-year and 5-year GGB yields falling to 2.117% and 1.20% respectively while the 10-year Greek and German benchmark yield spread stands at 251.30 bps. On the privatisations front, according to press reports, the issuance of the Joint Ministerial Decision concerning the planning specifications for Hellinikon is being delayed due to a claim by the Ministry of Culture to include clauses with which the investor reportedly disagrees.

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## Latest economic & market developments in the CESEE region

### CYPRUS

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

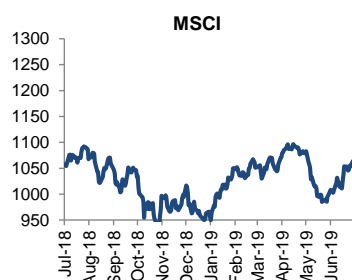
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

\* 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+

According to the preliminary fiscal results released by CYSTAT, the general government recorded a €517,7mn surplus in Jan-May 2019 compared to a €393,4mn surplus in Jan-May 2018. As a percentage of GDP, the general government surplus stood at 2.4% in 5M-2019 vs. a 1.8% surplus in 5M-2018. Total revenues improved by +7.4% YoY, driven by robust growth in taxes on income and wealth (+13.4% YoY), and social security contributions (+10.9% YoY). Taxes on production and imports recorded a -1.7% YoY decrease, of which net VAT was €819.4 mn (+0.3% YoY increase). On the other hand, total expenditure remained relatively contained, expanding by +4.9% YoY driven by higher spending on public wages (+5.9% YoY) and social benefits (3.3% YoY). Current transfers (+18.2% YoY) and intermediate consumption (+21.3% YoY) also appeared inflated in the first five months.

The state intervention in the banking system last year occurred at the expense of temporarily reversing the downward trend in public debt dynamics. The one-off banking system state injection pushed the projected public debt-to-GDP ratio temporarily up to 102.5% of GDP in 2018 from 95.8% in 2017 and a multi-year peak at 108.0% in 2015. This increase is not expected to reverse the overall downward trajectory of debt-to-GDP, provided fiscal policy remains prudent and nominal GDP growth remains robust. Under the latest projections in the Stability & Growth program of the Ministry of Finance, the public debt-to-GDP ratio is expected to decline to 95.7% in 2019 and further to 89.1% in 2020 and to 83% in 2021.

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Wednesday 03 July 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	2973.01	0.3%	18.6%	EUR/USD	1.1278	-0.1%	-1.7%	UST - 10yr	1.95	-2	-73	GOLD	1423	0.3%	11.0%
Nikkei 225	21638.16	-0.5%	8.1%	GBP/USD	1.2568	-0.2%	-1.5%	Bund-10yr	-0.39	-3	-64	BRENT CRUDE	62	-0.1%	15.9%
STOXX 600	391.59	0.6%	16.0%	USD/JPY	107.73	0.1%	1.8%	JGB - 10yr	-0.15	0	-15	LME X	2761	-1.2%	-1.4%

## SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.20	-2	-24
1-week	2.31	0	-25
1-month	2.52	-1	-21
3-month	2.92	-1	-11
6-month	3.05	-1	-13

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.84	-1	-28
5Y RSD	3.30	0	-31
7Y RSD	3.55	0	-61

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.77	-4	-123

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	90	0	-27
10-year	138	0	-24

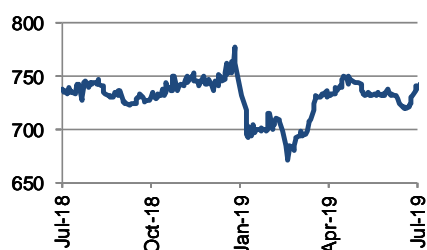
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.3	-0.07%	-2.81%

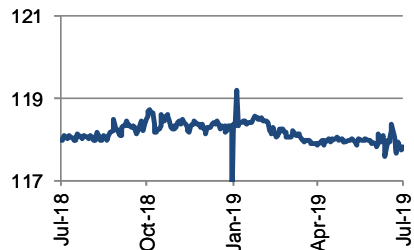
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.64	0.21%	0.51%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.39	-13	130
1-month	2.97	-3	110
3-month	3.23	0	118
6-month	3.36	-1	109
12-month	3.53	0	121

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.72	0	-31
5Y RON	4.17	0	-17
10Y RON	4.63	0	-18

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.83	#N/A N/A	-71
USD Jan-24	2.91	0	-133

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	89	0	-1
10-year	131	0	-2

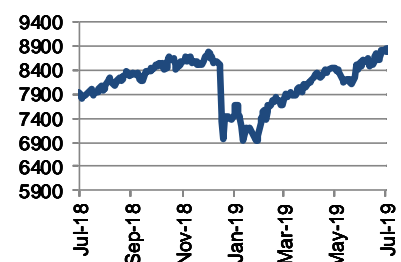
## STOCKS

	Last	ΔD	ΔYTD
BET	8852.5	0.90%	19.89%

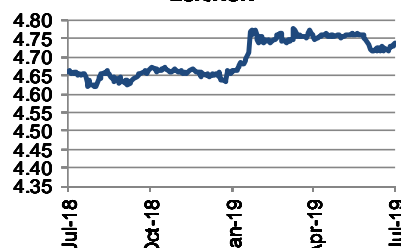
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7365	-0.04%	-1.74%

BET Index



EUR/RON



## 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	-0.25	-1	-19
5Y BGN	0.00	#N/A N/A	-12
10Y BGN	0.28	0	-47

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.18	-12	-16
EUR Sep-24	0.03	-4	-45

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-12

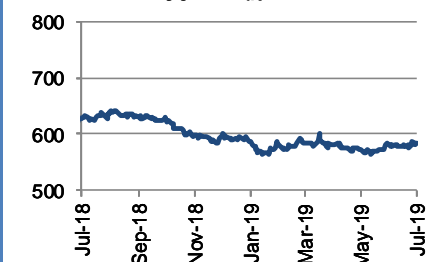
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	582.5	0.13%	-2.01%

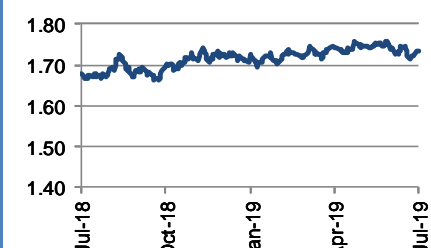
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7342	-0.08%	-1.65%

SOFIX Index



USD/BGN



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

Data updated as of 11:30 EEST

Wednesday 03 July 2019

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