



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 04 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: Depressed market mood towards risk assets prevailed in early European trade on Tuesday amid rising worries over the global growth outlook on the back of the escalating US/China trade war. Poor US data showing that the manufacturing ISM index slowed further in May from 52.8 to 52.1, the lowest level in more than 2½ years had also had an impact. In reaction to the above, USTs remained well supported, while dovish comments from St. Louis Fed President James Bullard yesterday also favored. In FX markets, risk-off mode continued to support both the JPY and the CHF. Elsewhere, the EUR/USD gained some ground for the third session in a row, showing resilience to mounting political jitters in Italy and lingering worries over the Eurozone's growth outlook. Looking at today's calendar, focus is on the flash Euro area HICP figures for May.

GREECE: On Monday GGB prices rose further and yields fell to new record lows in the domestic electronic secondary bond market. The 10-yr Greek benchmark bond yielded 2.90% from 2.99% on Friday, while at the time of writing it stands at 2.866%. The 5-yr bond yield fell to 1.71% on Monday from 1.78% last week while currently it trades at 1.709%. According to HIS Markit Manufacturing PMI, the health of the Greek manufacturing sector continued to improve in May 2019 with the index registering 54.2, down from April's 56.6 reading but still above the 50 units' threshold, signaling a solid improvement in operating conditions.

SOUTH EASTERN EUROPE

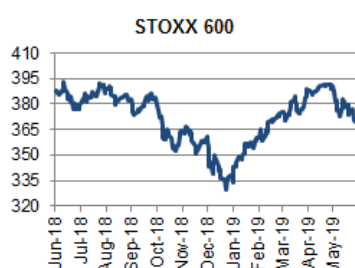
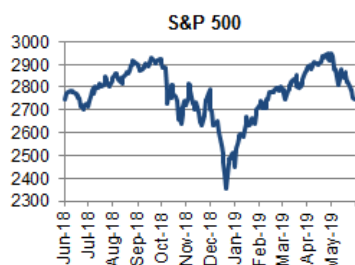
CESEE MACRO & MARKETS DEVELOPMENTS: The majority of emerging equity markets and currencies picked up as the Chinese Manufacturing PMI data released yesterday showed that factory activity remains stable, confounding market expectations for further slowdown.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Depressed market mood towards risk assets prevailed in early European trade on Tuesday amid rising worries over the global growth outlook on the back of the escalating US/China trade war. Poor US data showing that the manufacturing ISM index slowed further in May from 52.8 to 52.1, the lowest level in more than 2½-years, had also had an impact. In reaction to the above, USTs remained well supported with the 10-yr yield hovering around 2.09% at the time of writing, close to yesterday's 2.06% intraday trough, the lowest level since September 2017. Dovish comments from St. Louis Fed President James Bullard yesterday also favored US sovereign paper. Lending support to market expectations for lower Fed interest rates in the coming months, the Fed official said that lowering the Central Bank's short-term rate target "may be warranted soon" arguing that inflation and inflation expectations remain below target while the economy may slow sharper than expected due to ongoing trade tensions. Along these lines, the 10-yr Bund yield was standing close to -0.206% in early European trade, within distance from yesterday's -0.213% fresh record low. Turning to the EMU sovereign paper, the 10-yr BTP-Bund yield spread undertook some tightening to around 277bps, the lowest level since the European Parliament election, on market hopes that the European Commission will likely postpone a decision on an Excessive Deficit Procedure until the autumn when the 2020 draft budget plan will be assessed. In a press conference yesterday on the first anniversary of the creation of the current government, Italy's Prime Minister Giuseppe Conte acknowledged that the balance of power between the two coalition partners has changed after the European election and threatened to resign if the two parties fail to settle their differences. In FX markets, risk-off mode continued to favor both the JPY and the CHF. Elsewhere, the EUR/USD gained some ground for the third session in a row, hovering around 1.1260/65 at the time of writing and showing resilience to mounting political jitters in Italy and lingering worries over the Eurozone's growth outlook. Looking at today's calendar, focus is on the flash Euro area HICP figures for May, which are expected to show a drop in both the headline and core to 1.4%YoY and 1.0%YoY, respectively, from 1.7%YoY and 1.3%YoY in April, mainly due to technical factors.

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GREECE

On Monday GGB prices rose further and yields fell to new record lows in the domestic electronic secondary bond market. The 10-yr Greek benchmark bond yielded 2.90% from 2.99% on Friday, while at the time of writing it stands at 2.866%. The 5-yr bond yield fell to 1.71% on Monday from 1.78% last week while currently it trades at 1.709%. The yield spread between the 10-year Greek and German benchmark bonds shrank to 307.5bps at the time of writing. Meanwhile, according to HIS Markit Manufacturing PMI, the health of the Greek manufacturing sector continued to improve in May 2019. The PMI registered 54.2 in May, down from April's 56.6 reading but still above the 50 units' threshold, signaling a solid improvement in operating conditions. According to the Markit report, anecdotal evidence suggested that the sustained upturn is driven by stronger domestic and foreign demand while panelists also stated that export orders are increasing strongly and for the 20th consecutive month. Consequently, employment in the manufacturing sector rose further in May while inventories contracted as they were used to supplement production. Business confidence among manufacturers remained strong. In other news, focus today turns to the provisional data for Q1 2019 GDP to be announced at noon, local time.

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Latest economic & market developments in the CESEE region

CESEE MACRO & MARKETS DEVELOPMENTS

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

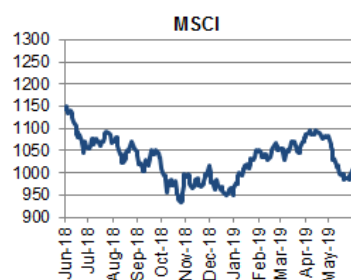
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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 equity markets and currencies picked up yesterday as the Chinese Manufacturing PMI data released yesterday showed that factory activity remains stable, confounding market expectations for a mild slowdown. The print for May came in at 50.2, unchanged compared to that for April, supporting both the MSCI Emerging Markets Equity and Currency indices to rise by 1.1% and 0.4% respectively in yesterday's session, continuing their three day winning streak.

Elsewhere in the region, the Czech crown holds a positive tone with the EURCZK standing close to recent 25.765 one month low (25 April) at the time of writing, shrugging off yesterday's data which showed a further drop in Markit Manufacturing PMI for May close to six and a half year lows. Moving on to Serbia, yesterday, the Ministry of Finance redeemed prior to its maturity date (Feb 5, 2022) RSD5bn in 7-year bonds. The offered redemption volume was RSD15b, while the volume of the submitted bids stood at RSD 8.75bn. The bonds that bear a 10.0% annual coupon were redeemed at a rate of 3.51%.

Later today, the inflation print for May is due in Poland expected to rise slightly to 2.4% YoY vs 2.2% YoY in April ahead of the release tomorrow of the Caixin Services and Composite Index data for May in China. The key event for the day, that has the potential to be a market driver, is a speech on monetary policy by the Fed Chair, Mr. Jerome Powell at the Chicago Fed's Conference.

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Tuesday 04 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	2744.45	-0.3%	9.5%	EUR/USD	1.1269	0.2%	-1.7%	UST - 10yr	2.08	1	-60	GOLD	1327	0.1%	3.5%
Nikkei 225	20408.54	0.0%	2.0%	GBP/USD	1.2685	0.2%	-0.6%	Bund-10yr	-0.21	-1	-45	BRENT CRUDE	61	-0.6%	13.2%
STOXX 600	370.49	0.4%	9.7%	USD/JPY	107.86	0.2%	1.7%	JGB - 10yr	-0.11	-1	-11	LME X	2754	-0.3%	-1.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.23	-1	-21
1-week	2.33	0	-23
1-month	2.56	-1	-17
3-month	2.97	1	-6
6-month	3.11	1	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.05	-1	-1
5Y RSD	3.73	0	22
7Y RSD	3.96	0	-20

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.26	-1	-73

CDS

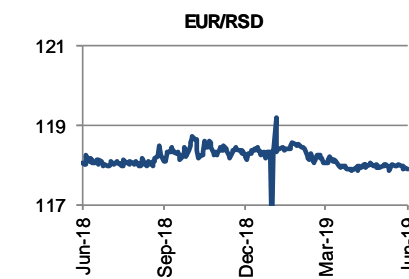
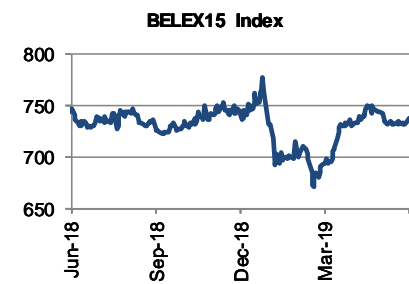
	Last	ΔDbps	ΔYTD bps
5-year	101	1	-17
10-year	145	2	-17

STOCKS

	Last	ΔD	ΔYTD
BELEX15	737.2	0.52%	-3.22%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.89	0.03%	0.30%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.64	0	155
1-month	3.1	0	123
3-month	3.24	0	119
6-month	3.38	0	111
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.76	0	-27
5Y RON	4.31	0	-3
10Y RON	4.73	0	-9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.30	-	-24
USD Jan-24	3.35	0	-89

CDS

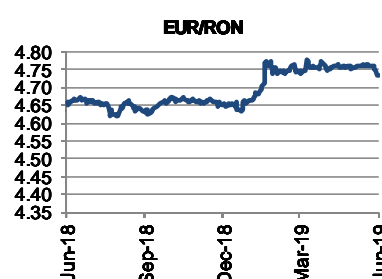
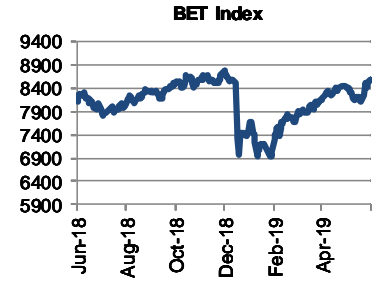
	Last	ΔDbps	ΔYTD bps
5-year	89	1	-1
10-year	134	2	0

STOCKS

	Last	ΔD	ΔYTD
BET	8582.2	1.05%	16.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7354	-0.07%	-1.72%



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	-0.07	0	-18
10Y BGN	0.32	0	-43

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.12	0	-7
EUR Sep-24	0.14	0	-34

CDS

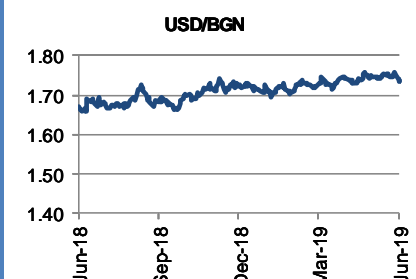
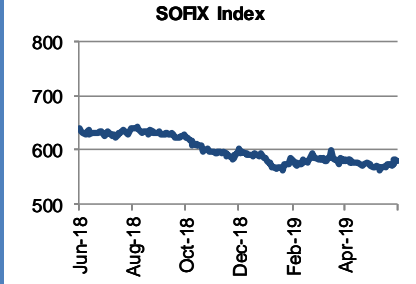
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	580.4	-0.36%	-2.37%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7356	0.25%	-1.73%



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

Data updated as of 9:35 EEST

Tuesday 04 June 2019

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