

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: USTs ended higher overnight — US markets are closed for the observance of Independence Day— and European bond markets remained well supported in early European trade today, favored by increased expectations for further monetary policy easing by major central banks very soon amid slowing global growth. Favored by investors' appetite for positive yield in the ocean of negative-yielding European government bonds, EMU periphery bonds continued to perform well. Italy remained among the main outperformers also favored by the EU Commission's decision that an excessive deficit procedure was no longer warranted. In FX markets, the EUR/USD was trading slightly below the 1.1300 handle with markets awaiting Friday's US non-farm payrolls data ahead of Fed Chairman Jerome Powell's semi-annual testimony before the US Congress next week.

GREECE: Greek government bonds continue their rally with the 10-year GGB yield reaching 2.028% and the 5-year GGB yield reaching 1.010% at the time of writing. On the privatisations front, the concessionaire of Hellinikon, Lamda Development, announced that the Joint Ministerial Decision that was issued yesterday and concerns the metropolitan park contains provisions that put at risk the investment.

SOUTH EASTERN EUROPE

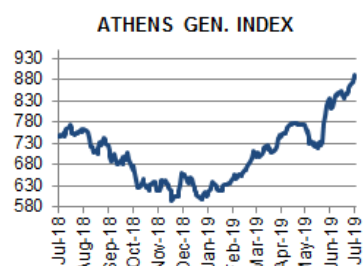
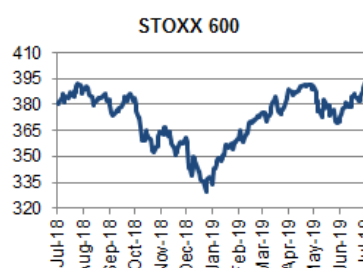
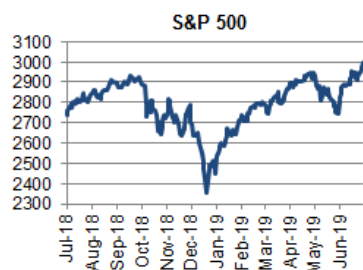
TURKEY: Inflation reading surprised to the downside in June for a third consecutive month.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

USTs ended higher overnight — US markets are closed for the observance of Independence Day— and European bond markets remained well supported in early European trade today, favored by increased expectations for further monetary policy easing by major central banks amid slowing global growth. Fed Funds futures continue to imply a probability of 100% for a 25bps rate cut by the Fed at its next meeting on 31 July, while the implied probability of rate cut by the ECB at the 25 July meeting is currently around 30%. Adding to the view for lower Fed interest rates in the coming months, a string of data releases yesterday came in weaker than expected, adding to the view that US economic growth has probably lost momentum in Q2 following an annualized growth rate of 3.1% in Q1. The ISM non-manufacturing index fell in June for the third time in the last four months coming in at 55.1, the lowest reading since July 2017, down from May's 56.9. The breakdown of the report was as gloomy as the headline, showing that new orders declined to the lowest level since December 2017 while employment also moved lower, fueling worries that the slowing trend in the manufacturing sector is spilling over to the services industries. In addition, according to the ADP National Employment Report, private payrolls increased by a lower than expected 102k in June while the US trade deficit rose by 8.4%MoM in May to \$55.5bn as imports rose by 4.0%MoM, overshadowing a 2.8%MoM increase in exports. Furthermore, new factory orders decreased by 0.7%MoM in May, the second consecutive monthly drop. The 10-yr UST yield ended at 1.953% yesterday, close to a fresh 2-½-year low of 1.939% marked earlier in the session, while the 10-yr Bund yield was hovering around -0.390% at the time of writing, within distance from yesterday's new record low of -0.399%, supported by market perception that, under Christine Lagarde, the ECB's dovish stance will likely be continued. Favored by investors' appetite for positive yield in the ocean of negative-yielding European government bonds, EMU periphery bonds continued to perform well. Italy remained among the main outperformers, also favored by the EU Commission's decision that an excessive deficit procedure was no longer warranted after the Italian government adopted its mid-year budget for 2019 which envisions a lower deficit target from 2.4% of GDP to 2.05% of GDP. In FX markets, the EUR/USD was trading slightly below the 1.1300 handle with markets awaiting Friday's US non-farm payrolls data ahead of Fed Chairman Jerome Powell's semi-annual testimony before the US Congress next week.

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GREECE

Greek government bonds continue their rally with the 10-year GGB yield reaching 2.028% and the 5-year GGB yield reaching 1.010% at the time of writing. On the privatisations front, following the issuance of the Joint Ministerial Decision concerning the metropolitan park, the concessionaire of Hellinikon, Lamda Development, announced yesterday that "the JMD endorses the position of the Ministry of Culture, which creates obstacles to both the commencement and the evolution of the project, without taking into account neither the special investment law (L.4062/12) and the SPA provisions that have been ratified by the Parliament (L.4422/17) nor the Presidential Decree in accordance to which the design of the project has been approved". Among others, the concessionaire also claims that the said interventions contradict the spirit of the latest consultations in the Central Administration Council putting at risk the investment itself.

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Thursday 04, July 2019

Latest economic & market developments in the CESEE region

TURKEY

Headline inflation declined to 15.7% YoY in June - down to a twelve-month low - down from 18.7% YoY in May compared to 19.5% YoY in April down from 19.7% YoY in March coming again below analysts' consensus expectations (Actual: +0.03% MoM vs Bloomberg: +0.20% MoM). Weak domestic demand dynamics, the appreciation trend of the lira since late May, which continued in June and favorable base effects in the food prices segment have supported the ongoing disinflation process in H2-2018. Among the movers of the month, food prices have started normalizing while the decline in energy prices allowed for goods inflation to decline. The food & non-alcoholic beverages component declined further down to -1.7% MoM /+19.2% YoY in June compared to -1.2% MoM/+28.4% YoY in May vs. +1.4% MoM/+31.9% YoY in April. Headline inflation has retreated from its historic highs in recent months ending at 20.3% YoY in December down from 21.6% YoY in November and 25.2% YoY in October 2018. Despite lira renewed depreciation pressures in early May, core inflation (which excludes food, alcohol, tobacco, energy and gold prices) eased further to 14.9% in June at the lowest level since June 2018, down from 15.9% YoY in May, compared to 16.3% YoY in April vs. 17.5% YoY in March down from 19.5% YoY in December. The improvement in the inflation outlook allows for optimism that the Central Bank of Turkey (CBRT) may deliver the first rate cut later in July, instead of the beginning of Q3. Recall that CBRT remained put on rates in mid-June, yet its communique was widely seen as looking for a window of opportunity in the next months to deliver the first rate cut, provided that global & domestic economic conditions are conducive to it. On the other hand, markets' concerns over the predictability & efficiency of the government policy and renewed tensions with the US due to the S-400 missile purchases from Russia coupled with investors' concerns over the Central Bank independence could put the lira under pressure again in the near future thus increasing the disinflation process downside risks. Recall that currently the key policy rate (KPR) – the 1-week repo as of late May 2018 – stands at 24.00% and the Overnight and Late liquidity window lending rates stand at 25.5% and 27% respectively.

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

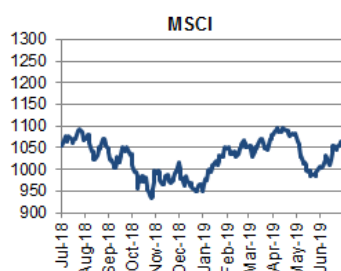
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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+

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Thursday 04 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	2995.82	0.8%	19.5%	EUR/USD	1.1283	0.0%	-1.6%	UST - 10yr	1.95	0	-73	GOLD	1411	-0.5%	10.0%
Nikkei 225	21702.45	0.3%	8.4%	GBP/USD	1.2577	0.1%	-1.4%	Bund-10yr	-0.39	-1	-63	BRENT CRUDE	63	-1.0%	17.4%
STOXX 600	392.66	0.0%	16.3%	USD/JPY	107.81	0.0%	1.8%	JGB - 10yr	-0.15	0	-16	LMEX	2776	0.5%	-0.9%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.22	2	-22
1-week	2.31	0	-25
1-month	2.54	2	-19
3-month	2.93	1	-10
6-month	3.07	2	-11

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.81	0	-25
5Y RSD	3.27	0	-24
7Y RSD	3.55	0	-60

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.76	0	-124

CDS

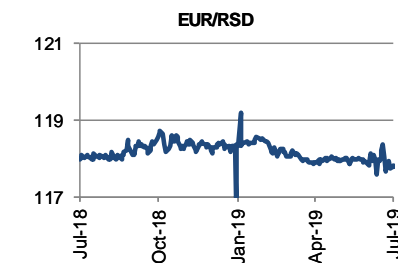
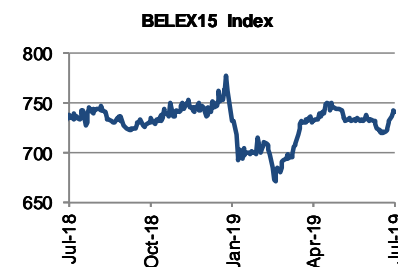
	Last	ΔDbps	ΔYTD bps
5-year	91	0	-27
10-year	138	0	-24

STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.7	-0.16%	-2.76%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.82	0.01%	0.36%



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.70	0	-33
5Y RON	4.13	0	-21
10Y RON	4.55	0	-27

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.83	-	-71
USD Jan-24	2.86	0	-138

CDS

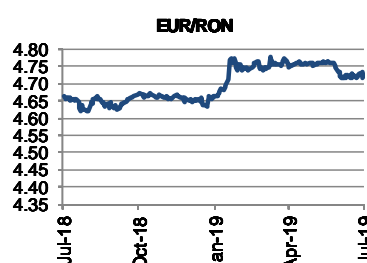
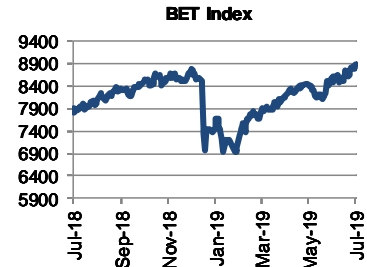
	Last	ΔDbps	ΔYTD bps
5-year	87	-2	-3
10-year	129	-2	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8861.4	0.18%	20.01%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7245	-0.14%	-1.49%



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	-25
5Y BGN	0.06	6	-6
10Y BGN	0.27	0	-49

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.18	0	-16
EUR Sep-24	0.03	0	-45

CDS

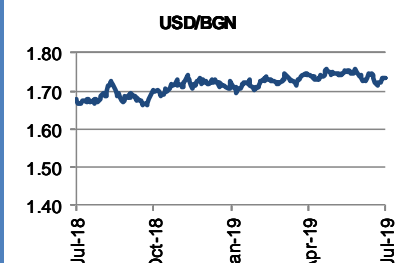
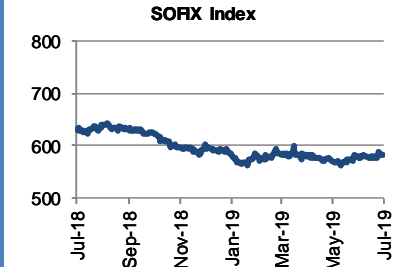
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-12

STOCKS

	Last	ΔD	ΔYTD
SOFIX	581.5	0.00%	-2.18%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7336	0.03%	-1.62%



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

Data updated as of 10:30 EEST

Thursday 04 July 2019

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