

### 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:** In a speech yesterday that focused on broader monetary policy issues, Fed Chair Jerome Powell dropped his standard reference to the Fed being “patient” on future rate moves, saying instead that policymakers are closely monitoring the implications of the trade war on the US economic outlook and will act “as appropriate” to sustain economic expansion. The above comments that followed St. Louis Fed President James Bullard’s remarks earlier this week that lower short-term rates “may be warranted soon” on the view that inflation and inflation expectations remain below target and the economy may slow sharper than expected due to ongoing trade tensions, provided further support to the prevailing view for lower Fed interest rates in the coming months. Fed fund futures are currently assigning a probability of around 93% for a 25bps rate cut by September 2019 compared to c. 26% a month earlier, before the latest escalation in the US/China trade war. In reaction to the Fed Chair’s dovish comments, Asian bourses gained in today’s session and European equity markets opened slightly higher, while in FX markets, the USD came under pressure with the DXY marking a seven-week low of 96.961 earlier today. Meanwhile, the 10-yr Bund yield marked a fresh record low of -0.229% in reaction to the flash Euro area HICP figures for May released yesterday, which showed a bigger than expected drop in both headline and core CPI to 1.2%YoY and 0.8%YoY, respectively.

**GREECE:** According to ELSTAT’s 2019Q1 national accounts, the annual real GDP growth in Greece decelerated to 1.3 YoY% in 2019Q1 from 1.5 YoY% in the former quarter. On a quarterly basis, growth was positive at 0.2 QoQ% in 2019Q1 from -0.1 QoQ% in 2018Q4. Greece’s aggregate economic performance in 2019Q1 raises concerns over the accomplishment of the Government’s target for a FY-2019 real GDP growth rate of 2.3% (the same holds for the official forecasts of the EC at 2.2% and the IMF at 2.4%).

### SOUTH EASTERN EUROPE

**SERBIA:** According to data released yesterday by the Ministry of Finance, the central government debt increased by EUR27.9mn or 0.1% MoM to EUR 23.4bn in April. The public debt accounted for 51.1% of GDP, down from 53.8% of GDP in the end of 2018 while the budget run a RSD10.3bn deficit compared to a RSD 0.1bn surplus YoY in the same month a year earlier. The 2019 budget envisions a central government budget deficit of RSD22.9bn (0.4% of projected GDP) while the general government budget targets towards a deficit of RSD 28.7bn (0.5% of projected GDP).

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In a speech yesterday that focused on broader monetary policy issues, Fed Chair Jerome Powell dropped his standard reference to the Fed being “patient” on future rate moves, saying instead that policymakers are closely monitoring the implications of the trade war on the US economic outlook and will act “as appropriate” to sustain economic expansion. The above comments that followed St. Louis Fed President James Bullard’s remarks earlier this week that lower short-term rates “may be warranted soon” on the view that inflation and inflation expectations remain below target and the economy may slow sharper than expected due to ongoing trade tensions, provided further support to the prevailing view for lower Fed interest rates in the coming months. Fed fund futures are currently assigning a probability of around 93% for a 25bps rate cut by September 2019 compared to c. 26% a month earlier, before the latest escalation in the US/China trade war. In reaction to the Fed Chair’s dovish comments, Asian bourses gained in today’s session and European equity markets opened slightly higher, taking their cue from US equity markets which rose more than 2.0% overnight. In FX markets, the USD came under pressure with the DXY marking a seven-week low of 96.961 earlier today, 0.7% lower so far this week and down 1.3% from a more than two-year high marked on 23 May. Favored by a broader weaker US currency, the EUR/USD retained a positive tone for the fourth consecutive session, hovering around yesterday’s seven-week intraday high of 1.1277, in spite of lingering Eurozone growth concerns and fears over a renewed confrontation between Italy and the European Commission. As part of the European Union’s regular budget monitoring process, the European Commission is expected to deliver today its opinion on Italy’s 2019 Stability Program and will assess whether there are factors that justify the launch of an excessive deficit procedure on the grounds that the government has not made sufficient progress towards compliance with the budgetary rules in 2018. Turning to fixed income markets, USTs remained well supported with the 10-yr yield hovering around 2.12% at the time of writing, not far from Monday’s 21-month low of 2.06% and well below a recent peak of 2.44% (21 May). Meanwhile, the 10-yr Bund yield marked a fresh record low of -0.229% earlier today in reaction to the flash Euro area HICP figures for May released yesterday, which showed a bigger than expected drop in both headline and core CPI to 1.2%YoY and 0.8%YoY, respectively, from 1.7%YoY and 1.3%YoY in the prior month, mainly due to technical factors. Looking at today’s calendar, the highlights include the US ISM non-manufacturing index and the ADP employment report both for May as well as the final estimates for the May composite and services PMI indices from a number of major euro area economies.

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### GREECE

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All in all, Greece’s aggregate economic performance in 2019Q1 raises concerns over the accomplishment of the Government’s target for a FY-2019 real GDP growth rate of 2.3% (the same holds for the official forecasts of the EC at 2.2% and the IMF at 2.4%). Given the current seasonally adjusted real GDP series, a 2.3% FY-2019 real GDP growth is consistent with a constant growth of 1.09 QoQ% in 2019Q2-2019Q4.

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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

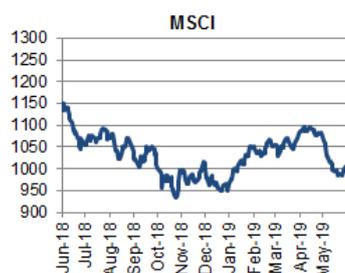
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

\* 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+

Yesterday, the Ministry of Finance raised RSD26.7bn in 7-year bonds, at the reopening of January 9, 2019 bond issue. The initial target of the auction was RSD86.6bn but the Ministry capped the issuance up to RSD 10bn. Investors placed bids for RSD38.6bn. The notes that bear a 4.50% annual coupon were sold at an average yield of 4.37%, down from 4.50% achieved at the May 7 auction of dinar securities with the same maturity. The notes sold yesterday mature on Jan 11, 2026. The next auction is planned for June 11, when the Ministry of Finance will reopen the January 15, 2019 issue offering 3-year bonds for RSD8bn.

In other news, the central government debt increased by EUR27.9mn or 0.1% MoM to EUR 23.4bn in April, according to the latest figures released yesterday by the Serbian Ministry of Finance. The debt stock accounted for 51.1% of GDP, down from 53.8% of GDP in the end of 2018. The mild increase of the debt in April is attributed to higher domestic borrowing and indirect debt, which were partly offset by decreased external debt. The share of EUR-denominated debt in Serbia's central government debt in April stood at 39.8%, the USD-denominated debt at 26.7% and the share of debt denominated in local currency was 26.1%. The fiscal strategy of the government for 2019 and 2020 aims at stabilising the general government budget deficit at 0.5% of GDP, following surpluses in 2017 and 2018 equal to 1.2% and 0.6% of GDP respectively. Moreover, an additional target on the grounds of cementing further the country's fiscal discipline is to reduce the public debt below 47% of GDP by the end of 2020 from 50.9% in March and 53.8 of GDP in FY 2018.

Concluding, according to additional data released yesterday by the Ministry of Finance, the central government budget surplus decreased by 16.1% YoY to RSD5.5bn in January-April. Budget revenues increased by 12.7% YoY to RSD403.4bn while expenditures expanded by 13.3% YoY to RSD397.9bn. In April, the budget run a RSD10.3bn deficit compared to a RSD 0.1bn surplus YoY in the same month a year earlier. The 2019 budget aims at a central government budget deficit of RSD22.9bn (0.4% of projected GDP) while the general government budget targets towards a deficit of RSD 28.7bn (0.5% of projected GDP).

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Wednesday 05 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	2803.27	2.1%	11.8%	EUR/USD	1.1263	0.1%	-1.8%	UST - 10yr	2.10	-3	-59	GOLD	1335	0.8%	4.1%
Nikkei 225	20776.10	1.8%	3.8%	GBP/USD	1.2705	0.0%	-0.4%	Bund-10yr	-0.22	-2	-46	BRENT CRUDE	61	-0.8%	14.3%
STOXX 600	372.67	0.6%	10.4%	USD/JPY	108.13	0.0%	1.5%	JGB - 10yr	-0.12	-2	-13	LMEX	2768	0.5%	-1.2%

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.22	-1	-22
1-week	2.32	-1	-24
1-month	2.55	-1	-18
3-month	2.96	-1	-7
6-month	3.09	-2	-9

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.01	-1	-5
5Y RSD	3.73	0	22
7Y RSD	3.96	0	-20

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.23	1	-77

## CDS

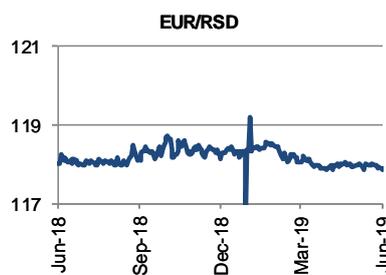
	Last	ΔDbps	ΔYTD bps
5-year	104	3	-14
10-year	149	4	-14

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.5	-0.50%	-3.70%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.89	-0.03%	0.30%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.51	0	142
1-month	3.08	0	121
3-month	3.24	0	119
6-month	3.37	0	110
12-month	3.54	0	122

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.75	0	-28
5Y RON	4.28	0	-6
10Y RON	4.70	0	-12

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.27	-	-27
USD Jan-24	3.23	1	-101

## CDS

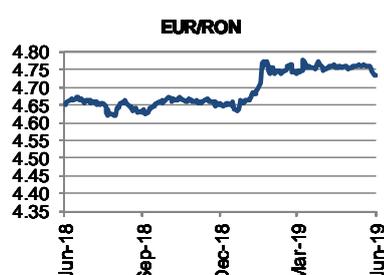
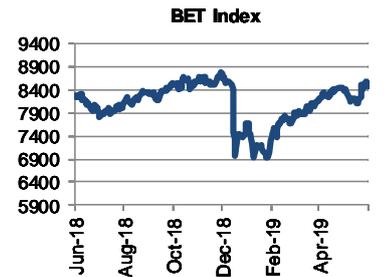
	Last	ΔDbps	ΔYTD bps
5-year	89	0	-1
10-year	134	0	0

## STOCKS

	Last	ΔD	ΔYTD
BET	8492.5	0.23%	15.02%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7344	-0.06%	-1.70%



## 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	-0.03	0	-14
10Y BGN	0.35	0	-40

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.10	0	-8
EUR Sep-24	0.12	0	-35

## CDS

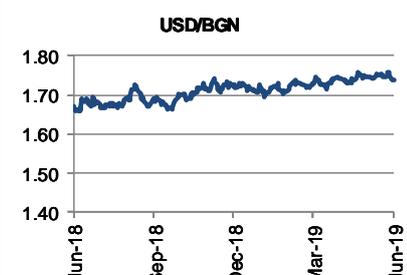
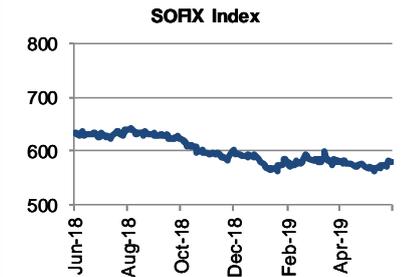
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-12

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	580.1	-0.05%	-2.41%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7365	0.10%	-1.79%



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

Data updated as of 10:05 EEST

Wednesday 05 June 2019

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