

### 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:** According to data released earlier today, new orders in the German manufacturing sector dropped by a higher than expected 2.2%MoM in May after rises of 0.4%MoM and 0.7%MoM in April and March, respectively, pointing to further industrial weakness in early H2 and adding to the prevailing market view for further monetary policy easing by the ECB in the coming months. European government bonds remained well supported with the 10-yr Bund yield hovering around -0.39% in early European trade at the time of writing, within distance from yesterday's fresh record low close to -0.41%. In FX markets, the EUR moved lower against the USD, hovering around 1.1260/65 at the time of writing, 0.2% lower on the day and poised for a weekly drop of 0.9%, the biggest since mid-June, on the view that under Christine Lagarde, the ECB's dovish stance will likely be continued. Focus today is on US non-farm payrolls for June.

**GREECE:** According to the European Commission, Greece will be in the agenda of the next Eurogroup that will take place next Monday (8 July 2019). one day after the general elections in the country (7 July 2019).

### SOUTH EASTERN EUROPE

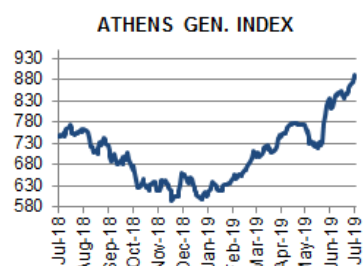
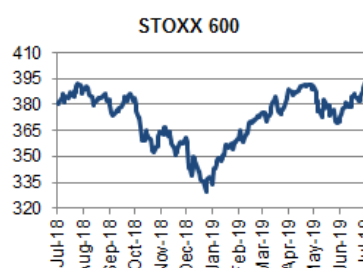
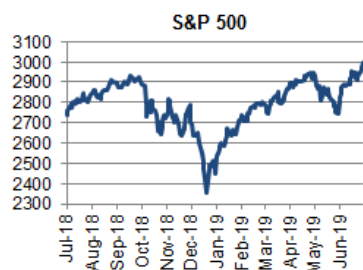
**CESEE MACRO AND MARKET DEVELOPMENTS:** The majority of emerging market assets ended in the black yesterday after two negative sessions. Elsewhere in the region, Central European currencies were broadly unchanged and regional equity markets kept moving adrift. In Romania's central bank meeting that took place yesterday, the key policy rate was kept unchanged at 2.5%, in line with market expectations.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

According to data released earlier today, new orders in the German manufacturing sector dropped by a higher than expected 2.2%MoM in May after rises of 0.4%MoM and 0.7%MoM in April and March, respectively, pointing to further industrial weakness in early H2 and adding to the prevailing market view for further monetary policy easing by the ECB in the coming months. Following a higher than expected 0.4%QoQ growth rate in Q1 2019, the first positive quarterly growth rate after stagnation in Q4 2018 and a 0.2%QoQ contraction in Q3 2018, expectations are for stagnation or even a small contraction in Q2 2019 with the German government projecting a growth rate of 0.5% for 2019, sharply lower compared to 1.4% in 2018 and an average growth rate of 1.9% over the last five years. Against this background, European government bonds remained well supported with the 10-yr Bund yield hovering around -0.39% in early European trade at the time of writing, within distance from yesterday's fresh record low close to -0.41%, slightly below the ECB's deposit rate for the first time ever. Turning to EMU sovereign bond markets, Italy remained among the main outperformers, also favored by the EU Commission's decision earlier this week 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. The 10-yr BTP yield was hovering around 1.64% at the time of writing, not far from yesterday's trough of 1.58%, the lowest level in around two years, poised for a weekly drop of 55bps, the biggest since June 2018, with the spread against its German counterpart trading around 200bps, the tightest in over a year. Along these lines, USTs retained a positive tone amid expectations for lower interest rates by the Fed in the near future, with the 10-yr yield dropping to a 2-½-year low of 1.94% on Wednesday before rising modestly to levels around 1.95% in early European trade today, ahead of June's non-farm payrolls later in the day (US markets were closed on Thursday for the observance of Independence Day). Market consensus is for a rise of 190k following May's poor gain of 75k and an unchanged unemployment rate at a five-decade low of 3.6% while the annual rate of average hourly earnings is likely to rise modestly to 3.2% from 3.1%. Meanwhile, 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 and a probability of 25% for a more aggressive rate easing of 50bps. In FX markets, the EUR moved lower against the USD, hovering around 1.1260/65 at the time of writing, 0.2% lower on the day and poised for a weekly drop of 0.9%, the biggest since mid-June, on the view that under Christine Lagarde, the ECB's dovish stance will likely be continued.

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### GREECE

According to the European Commission, Greece will be in the agenda of the next Eurogroup that will take place next Monday (8 July 2019). One day after the general elections in the country (7 July 2019). The Eurogroup is expected to assess the progress made so far by the Greek authorities in the context of the 3rd review of the Enhanced Post Programme Surveillance, including among others, the implementation of structural reforms and the impact of the recent expansionary measures on the fiscal profile of the country for 2019 and beyond. On the general elections front, according to the most recent published polls, ND, the current main opposition party is expected to win with a clear margin. The latter development together with the signals for a new expansionary package by the ECB led to a continuation of the rally on Greek government bonds with yields of 5Y and 10Y GGBs standing at 2.075% and 1.109% at the time of writing.

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## Latest economic & market developments in the CESEE region

### CESEE MACRO AND MARKET 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

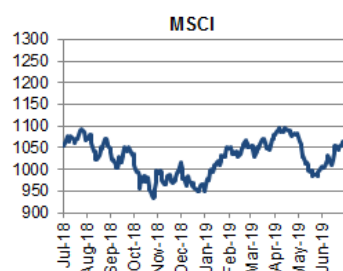
\* ESA 2010

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 market assets ended in the black yesterday after two negative sessions.. The MSCI Emerging Market Equity Index concluded yesterday's session up by 0.5% while the respective currency index was up by 0.3%.

Elsewhere in the region, Central European currencies were broadly steady and regional equity markets kept moving adrift, seeking for direction. At the time of writing, the image is, more or less, identical. Apparently, Romania's central bank meeting that took place yesterday did not lead to any market movements as the maintenance of the key policy rate at 2.5% was in line with market expectations. Despite the inflationary pressures in many regional economies, the easing bias of the Fed and the ECB has granted the regional central banks with some time and allows them to adopt a wait and see stance before deciding on whether some policy tightening is required; a slowdown in the Eurozone may result in prices decline that could dampen the rising inflation in the CESEE region via the imports channel. Concluding, in line with the announced time schedule, Croatia's Finance Minister Mr. Zdravko Maric and Central Bank Governor Mr. Boris Vujcic were given the green light at the National Council on Wednesday to send a Letter of Intent (LoI) to the ECB expressing Croatia's promptness to implement reforms so as to enter into the European Exchange Rate Mechanism Two (ERM II).

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Friday 05 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	1.1264	-0.2%	-1.8%	UST - 10yr	1.96	1	-72	GOLD	1414	-0.1%	10.3%
Nikkei 225	21746.38	0.2%	8.7%	GBP/USD	1.2558	-0.2%	-1.6%	Bund-10yr	-0.39	1	-63	BRENT CRUDE	63	-0.1%	17.6%
STOXX 600	391.58	-0.3%	16.0%	USD/JPY	108.03	-0.2%	1.5%	JGB - 10yr	-0.16	0	-16	LMEX	2778	0.1%	-0.8%

## SERBIA

### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.21	0	-23
1-week	2.30	0	-26
1-month	2.52	0	-21
3-month	2.91	0	-12
6-month	3.04	0	-14

### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.80	-1	-26
5Y RSD	3.27	0	-24
7Y RSD	3.55	0	-60

### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.76	#N/A N/A	-124

### CDS

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

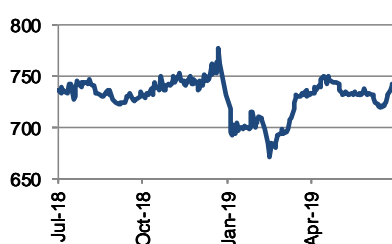
### STOCKS

	Last	ΔD	ΔYTD
BELEX15	745.4	0.38%	-2.14%

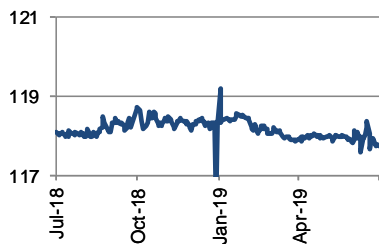
### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.69	0.08%	0.47%

BELEX15 Index



EUR/RSD



## ROMANIA

### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.92	-12	83
1-month	2.93	-1	106
3-month	3.18	-3	113
6-month	3.34	-2	107
12-month	3.52	-1	120

### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.68	0	-35
5Y RON	4.13	0	-21
10Y RON	4.53	0	-28

### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.70	-	-84
USD Jan-24	2.86	0	-138

### CDS

	Last	ΔDbps	ΔYTD bps
5-year	88	1	-2
10-year	130	1	-3

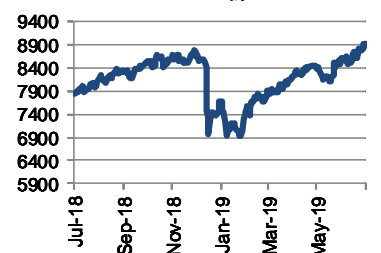
### STOCKS

	Last	ΔD	ΔYTD
BET	8895.1	-0.25%	20.47%

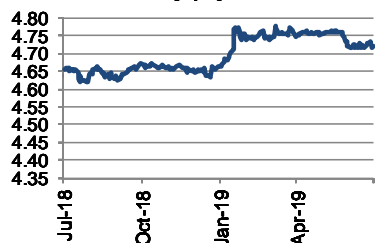
### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7238	-0.17%	-1.48%

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	-0.30	-1	-24
5Y BGN	0.05	0	-6
10Y BGN	0.26	0	-49

### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.13	-15	-8
EUR Sep-24	0.04	-9	-44

### CDS

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

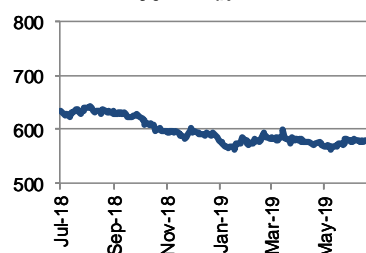
### STOCKS

	Last	ΔD	ΔYTD
SOFIX	581.5	-0.13%	-2.17%

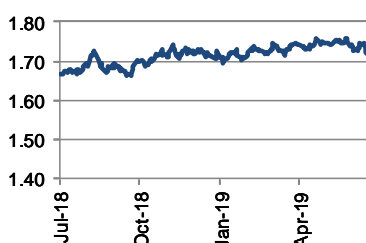
### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7366	-0.20%	-1.79%

SOFIX Index



USD/BGN



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

Data updated as of 10:30 EEST

Friday 05 July 2019

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