

### 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:** At its policy meeting yesterday, the ECB Governing Council reached unanimously two important policy decisions: (i) extended the forward guidance by six months to envisage unchanged interest rates “at least through H1 2020” from “at least through the end of 2019” previously; and (ii) announced further details about TLTRO-III that were less generous than those of TLTRO-II. Importantly, the ECB President’s overall tone appeared to suggest a shift in the Central Bank’s stance towards an easing bias. Meanwhile, European bourses opened slightly higher today on the view that additional accommodation may be needed by major CBs if escalating trade disputes weigh further on the global economy. In FX markets, the USD remained under pressure in early European trade with the DXY index standing 0.7% weaker so far this week amid increased expectations for lower Fed interest rates ahead following the latest escalation in the US/China trade dispute. With the ECB meeting out of the way, focus today is on US non-farm payrolls, which are expected to show another hefty rise of 185k in May.

**GREECE:** According to the Hellenic Statistical Authority (ELSTAT), in March 2019 the seasonally adjusted unemployment rate was 18.1% compared to 20.2% in March 2018 and the downward revised 18.4% in February 2019. Meanwhile, according to the Bank of Greece provisional data, in 2018 nominal prime office prices increased on average by 7.0% relative to 2017 for the country as a whole, against an increase of 1.8% in 2017 while nominal prime retail prices increased on average by 4.3% relative to 2017 for the country as a whole, against an increase of 1.7% in 2017.

### SOUTH EASTERN EUROPE

**BULGARIA:** According to the revised estimate, real GDP growth accelerated to 1.2% QoQ/3.5% YoY in Q1-2019 up from 0.8% QoQ/3.2% YoY in Q4-2018.

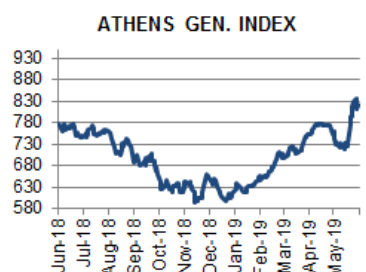
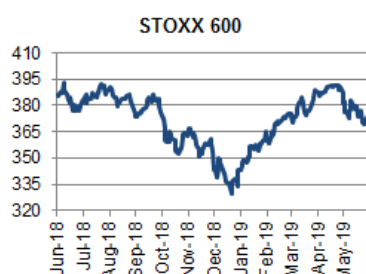
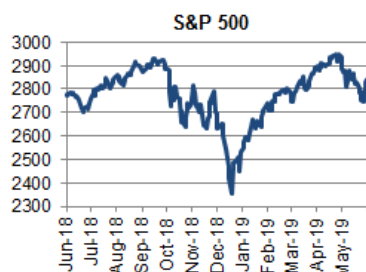
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Friday 07 June 2019

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank  
Research

At its policy meeting yesterday, the ECB Governing Council reached unanimously two important policy decisions: (i) extended the forward guidance by six months to envisage unchanged interest rates "at least through H1 2020" from "at least through the end of 2019" previously. Responding to a relevant question in the post-meeting press conference, ECB President Mario Draghi clarified that the reason behind that decision was the fact that uncertainty related to protectionism, Brexit and the vulnerabilities of certain emerging markets are more persistent than the Governing Council thought to be the case at the March policy meeting; and (ii) announced further details about TLTRO-III that were less generous than those of TLTRO-II. While the ECB had already announced that the maturity would be limited to 2 years vs. 4 years for TLTRO-II, the pricing was less generous as the maximum interest rate was set at MRO+10bps rather than simply the MRO rate and the lowest possible rate was set at deposit rate +10bps instead of the deposit rate. Importantly, the ECB President's overall tone appeared to suggest a shift in the Central Bank's stance towards an easing bias. Among others, Mario Draghi reiterated that the Governing Council stands ready to act and use all the instruments in the toolbox in case adverse contingencies materialize and said publicly that several members in the meeting discussed the possibility of future additional policy measure such as a further extension in the forward guidance, further rate cuts and resumption of the asset purchase programme. Meanwhile, European bourses opened slightly higher today on the view that additional accommodation may be needed by major CBs if escalating trade disputes weigh further on the global economy. In FX markets, the USD remained under some pressure in early European trade with the DXY index standing 0.7% weaker so far this week amid increased expectations for lower Fed interest rates ahead following the latest escalation in the US/China trade dispute. The EUR/USD was hovering around 1.1260/65 at the time of writing after failing to break above 1.1300/10 yesterday, having recovered c. 1.5% from two-year highs marked in late May. With the ECB meeting out of the way, focus today is on US non-farm payrolls, which are expected to show another hefty rise of 185k in May.

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### GREECE

According to the Hellenic Statistical Authority (ELSTAT), in March 2019 the seasonally adjusted unemployment rate was 18.1% compared to 20.2% in March 2018 and the downward revised 18.4% in February 2019. On an annual basis, the number of employed persons increased by 77,947 (+2.1%YoY) while the number of unemployed persons decreased by 103,615 (-10.9%YoY). Meanwhile, according to the Bank of Greece provisional data, in 2018 nominal prime office prices increased on average by 7.0% relative to 2017 for the country as a whole, against an increase of 1.8% in 2017. Broken down by region, in 2018 nominal prime office prices increased by 9.0% in Athens, 5.4% in Thessaloniki and 5.1% in the rest of Greece. Office rents for the entire country increased on average by 1.9% in nominal terms (provisional data). The corresponding average annual rates of increase were 1.8% in Athens and 2.6% in the rest of Greece, whereas in Thessaloniki a marginal decrease of 0.3% was recorded. As regards nominal prime retail prices, in 2018 they increased on average by 4.3% relative to 2017 for the country as a whole, against an increase of 1.7% in 2017. Broken down by region, in 2018 nominal prime retail prices increased by 7.4% in Athens, 0.3% in Thessaloniki and 0.8% in the rest of Greece. Retail rents for the entire country declined on average by 0.5% in nominal terms (provisional data). The corresponding average annual rates of decline were 0.2% in Athens, 1.9% in Thessaloniki and 0.5% in the rest of Greece.

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## Latest economic & market developments in the CESEE region

### BULGARIA

#### 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

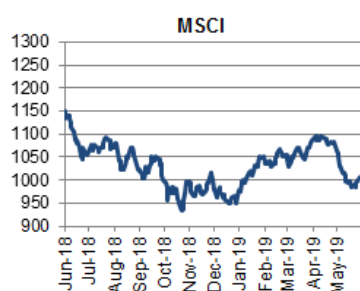
\* ESA 2010

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 seasonally adjusted Q1-2019 revised GDP growth estimate was raised by 0.1ppts on an annual basis from a flash reading, with economic activity coming in at 1.1% QoQ/3.5% YoY in Q1-2019 up from 0.8% QoQ/3.2% YoY in Q4-2018 and 0.7% QoQ/3.1% YoY in Q3-2018. As usual, the national accounts revised release had some revisions or reallocations within the individual growth drivers' components. As things stand, net exports made a positive contribution against an unfavorable external backdrop (exports: 1.9% QoQ/+5.1% YoY vs imports: 1.5% QoQ/+3.9% YoY). Final consumption had a still very strong, yet smaller than in previous quarters positive contribution (0.3% QoQ/3.5% YoY in Q1-2019 vs -0.1% QoQ/5.0% YoY in Q4-2018), which would have been even smaller notwithstanding the acceleration of public consumption in the same quarter. The tightening of the labor market conditions plus the rise of the minimum and average wages remain very supportive of private consumption yet the spike in inflation (from a monthly average of 2.0% in Q1-2018 to 3.3% YoY in Q1-2019) erodes some of these spending gains. Investments appeared to be losing momentum in Q1-2019 despite wide expectations for the opposite (0.2% QoQ/2.6% YoY in Q1-2019 vs. 2.8% QoQ/6.6% YoY in Q4-2018).

In our view, solid growth momentum is expected to continue in 2019 – our forecast stands at 3.5% unrevised since last year – driven by sound domestic demand dynamics. Private consumption will be in the driver's seat, receiving support from a tighter labor market, relatively low energy prices, convergence of wages towards EU average, a vibrant manufacturing sector despite the increasing world trade tensions and increased tourism flows. Investment, especially public investment which has not been impressive in the last two years, will receive a boost from improved EU funds' absorption (which will hopefully become visible in H2-2019). With the end of the 2014-2020 programming period approaching, the government will need to step up spending for a number of mature projects. Moreover, domestic credit conditions have turned more growth supportive. Credit activity expanded by a still strong rate of 6.9% YoY in April down from 7.8% in March not very far from 8.7% YoY in February – the highest rate since June 2009 – compared to 8.5% YoY in January. Appetite for credit will increase further on the back of sentiment improvement and better economic fundamentals matched by banking sector abundant liquidity.

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Friday 07 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	2843.49	0.6%	13.4%	EUR/USD	1.1262	-0.1%	-1.8%	UST - 10yr	2.12	1	-56	GOLD	1331	-0.3%	3.8%
Nikkei 225	20884.71	0.5%	4.3%	GBP/USD	1.2701	0.0%	-0.5%	Bund-10yr	-0.23	1	-48	BRENT CRUDE	62	1.2%	16.1%
STOXX 600	374.01	0.0%	10.8%	USD/JPY	108.48	-0.1%	1.1%	JGB - 10yr	-0.12	0	-12	LME X	2751	0.3%	-1.8%

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.21	0	-23
1-week	2.31	-1	-25
1-month	2.55	0	-18
3-month	2.96	-1	-7
6-month	3.09	-2	-9

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.04	-1	-2
5Y RSD	3.54	0	4
7Y RSD	3.83	0	-32

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.13	-1	-86

#### CDS

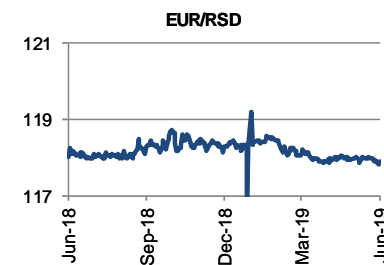
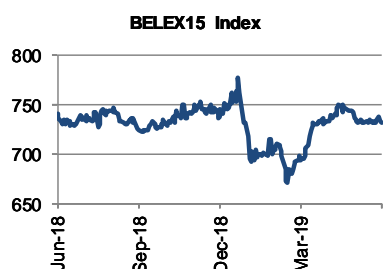
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-14
10-year	148	0	-14

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	731.5	-0.20%	-3.96%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.81	0.07%	0.36%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.66	0	157
1-month	3.1	0	123
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	3.77	0	-27
5Y RON	4.29	0	-5
10Y RON	4.67	0	-14

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.25	-	-29
USD Jan-24	3.09	0	-115

#### CDS

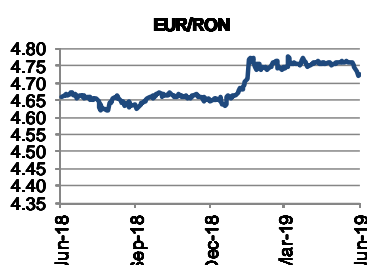
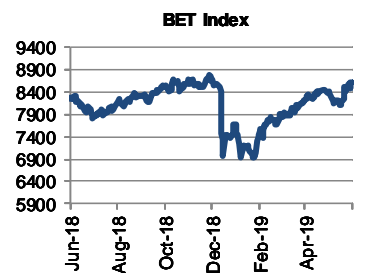
	Last	ΔDbps	ΔYTD bps
5-year	87	-2	-3
10-year	131	-1	-3

#### STOCKS

	Last	ΔD	ΔYTD
BET	8623.0	0.09%	16.78%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7237	-0.04%	-1.47%



### 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	-0.34	-1	-28
5Y BGN	-0.05	0	-16
10Y BGN	0.35	#N/A	N/A

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.13	0	-8
EUR Sep-24	0.12	0	-36

#### CDS

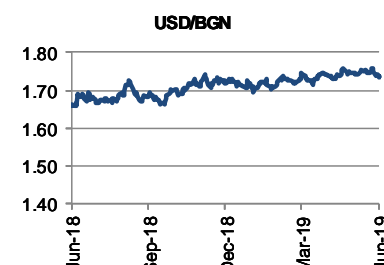
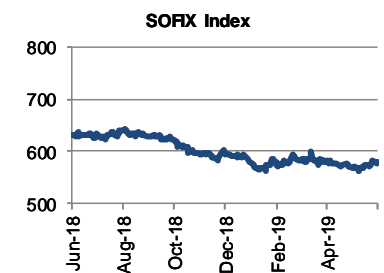
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-16
10-year	129	0	-13

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	579.9	0.39%	-2.45%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7367	-0.13%	-1.80%



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

Data updated as of 9:30 EEST

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Friday, 07 June 2013

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