

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- July 10:
 - Wholesale Inventories (May, F)
 - FOMC Meeting Minutes
 - Fed Chair Jerome Powell testifies before the House Financial Services Committee
- July 11:
 - CPI (Jun)
 - Initial Jobless Claims (06/07)
 - Fed Chair Jerome Powell testifies before the Senate Banking Committee
- July 12: PPI (Jun)

EUROZONE

- July 8: Germany's industrial production (May)
- July 10: France's industrial production (May)
- July 11: ECB Meeting Minutes
- July 12
 - Industrial Production (May)
 - DBRS reviews Italy's sovereign rating

GREECE

- July 10:
 - CPI (Jun)
 - Industrial Production (May)
- July 11:
 - Unemployment rate (Apr)

SEE

BULGARIA:

- July 09:
 - Industrial Production (May)
 - Retail Sales (May)
- July 12: Trade Balance (May)

ROMANIA:

- July 08: GDP (Q1, F)
- July 10:
 - CPI (Jun)
 - Trade Balance (May)

SERBIA:

- July 11:
 - Key Interest Rate Policy Meeting
- July 12: CPI (Jun)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Overall, the US' June employment report which was released on Friday, suggests that although the pace of employment growth has slowed lately, it is still robust, but with no signs of major acceleration in wages, denting, thus, expectations for an aggressive 50bps Fed rate cut at the next policy meeting on July 30-31. Fed Funds futures are now assigning a probability of less than 10% for a 50bps rate cut later this month from around 25% before the release of the non-farm payrolls data while the odds of a 25bps rate cut are still seen at 100%. For further clues on the near term outlook of the Fed's monetary policy, focus this week is on Fed Chair Jerome Powell's semi-annual testimony before the House Financial Services Committee on 10 July and before the Senate Banking Committee the next day. Meanwhile, US Treasury yields were hovering below Friday's post-payrolls highs, while in FX markets, the USD retained a firm tone.

GREECE: Kyriakos Mitsotakis, the leader of center-right NEA DIMOKRATIA, the main opposition party, won y-day's election with a clear majority of 39.8%, securing 158 seats in the 300 seats parliament against 31.6% and 86 seats for the SYRIZA party of incumbent Prime Minister Alexis Tsipras.

SOUTH EASTERN EUROPE

BULGARIA: The Eurogroup which convenes today is expected to discuss, among others, Bulgaria's progress in its efforts to gain an ERM-II entry invitation.

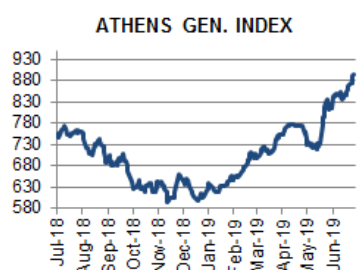
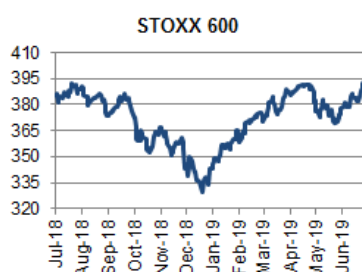
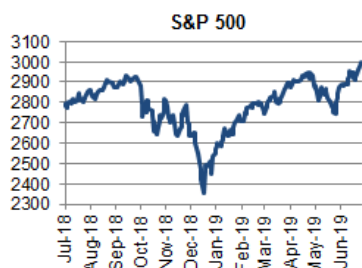
CESEE MACRO & MARKET DEVELOPMENTS: This week's calendar is broadly filled with June's inflation data for the Czech Republic, Hungary, Romania and Serbia. Today's focus in the region is on Turkey's President, Recep Tayyip Erdogan's decision to replace Turkey's central bank Governor over the weekend which fueled concerns that key interest rates will be lowered quicker than expected.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

According to US data released on Friday, non-farm payrolls rose by a higher than expected 224k in June, the highest in the last five months, following a gain of just 172k in the prior month while employment growth averaged 172k per month in the first half of this year, below an average of 223k per month in 2018 but above the roughly 100k new jobs needed to keep up with population growth. The unemployment rate rose slightly to 3.7% from 3.6% in May and average hourly earnings increased by just 0.2%MoM after gaining 0.3%MoM in May with the annual rate coming in at 3.1% for the second straight month, slower than a decade high of 3.4% recorded earlier this year. Overall, the June employment report suggests that although the pace of employment growth has slowed lately, it is still robust, but with no signs of major acceleration in wages, denting, thus, expectations for an aggressive 50bps Fed rate cut at the next policy meeting on July 30-31. Fed Funds futures are now assigning a probability of less than 10% for a 50bps rate cut later this month from around 25% before the release of the non-farm payrolls data while the odds of a 25bps rate cut are still seen at 100%. For further clues on the near term outlook of the Fed's monetary policy, focus this week is on Fed Chair Jerome Powell's semi-annual testimony before the House Financial Services Committee on 10 July and before the Senate Banking Committee the next day. Meanwhile, US Treasury yields were hovering below Friday's post-payrolls peak, probably due to the publication of the Monetary Policy Report late on Friday, on which Fed Chair Jerome Powell's testimony will be based, which made clear that the Fed will "act as appropriate to sustain the expansion." In FX markets, the USD retained a firm tone, holding most of the gains recorded on Friday after the release of the strong US employment data. Against this background, the EUR/USD was hovering around 1.1230/35 at the time of writing, 0.5% weaker on a weekly basis and not far from Friday's three-week low of 1.1205 as last week's poor data from Germany and recent dovish remarks by a number of ECB members, also weighed on the common currency. Besides the Fed Chair's testimony, focus this week will also be on the minutes from the latest FOMC policy meeting (Wednesday), US inflation data for June (Thursday), May's industrial production in the Eurozone (Friday) and the minutes from the June ECB meeting (Thursday).

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GREECE

Kyriakos Mitsotakis, the leader of center-right NEA DIMOKRATIA, the main opposition party, won y-day's election with a clear majority of 39.8% securing 158 seats in the 300 seats parliament against 31.6% and 86 seats for the SYRIZA party of incumbent Prime Minister Alexis Tsipras. The new government, will be the first in ten years supported by a single party majority. Mr. Mitsotakis is expected to be sworn in later in the day and his cabinet tomorrow. The markets expect a pro-reformist government that will push forward with the implementation of the needed structural reforms to boost economic activity in the country. According to the Greek Ministry of Interior (99.1% of the total vote counted), apart from NEA DIMOKRATIA and SYRIZA, the parties that passed the threshold of 3.0% and enter the Greek parliament include: KINAL with 8.1% (22 seats), the Communist Party of Greece with 5.3% (15 seats), Greek Solution with 3.7% (10 seats) and MeRA25 (9 seats), with 3.5%. In other news the Eurogroup today 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, the commitment of the country to the primary surplus target of 3.5% of GDP up to 2022 and the impact of the recent expansionary measures on the fiscal profile of the country for 2019 and beyond.

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

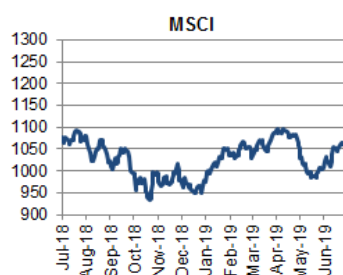
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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 Eurogroup which convenes today is expected to discuss, among others, Bulgaria's progress in its efforts to gain an ERM-II entry invitation. The media commented that Bulgaria's application was unexpectedly included in the meeting agenda by Eurogroup's President Mario Centeno. Finance Ministers are anticipated to focus on Bulgaria's progress on the macroprudential surveillance, the reform of the insolvency framework, anti-money laundering efforts, as well as on modernising the state-owned enterprises' management. The ECB has not announced yet the results from the asset quality review and the stress tests of the selected six Bulgarian banks. Therefore, Bulgaria's banking sector stability will likely remain aside from the agenda of today's Eurogroup meeting. A week earlier, Bulgaria's Finance Minister, Mr. Vladislav Goranov expressed confidence that Bulgaria's entry in ERM-II may take place by the end of 2019, pointing out that there were no impediments in this respect. Nevertheless, the upcoming change in the ECB's chairmanship might delay Bulgaria's entry in the preliminary mechanism. On the markets frontier, the main Bulgarian index SOFIX slid by 1.2% to 580.70 points over the week amid subdued volume of ca EUR1.2mn. External government yields also dropped for the most part ranging between 1-5 bps. Local yields on the other hand, managed to gain across the board, rising between 2-4 bps across the curve.

CESEE MACRO AND MARKET DEVELOPMENTS

This week's calendar is broadly filled with June's inflation data for the Czech Republic, Hungary, Romania and Serbia. Moreover, Serbia's Monetary Policy Committee will be held on Thursday with no changes anticipated. Last but not least, today's focus in the region is on Turkey's President, Recep Tayyip Erdogan's decision to replace Turkey's central bank Governor over the weekend which fueled concerns that key interest rates will be lowered quicker than expected. That said, at the time of writing the Turkish Lira stands at 5.7268 per dollar, more than 2.3% lower compared to Friday's closing session.

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**We would like to thank Ruslan Raychev from Eurobank Bulgaria for his valuable contribution in today's issue*

Monday 08 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	2990.41	-0.2%	19.3%	EUR/USD	1.1223	0.0%	-2.1%	UST - 10yr	2.01	-2	-67	GOLD	1406	0.5%	9.6%
Nikkei 225	21534.35	-1.0%	7.6%	GBP/USD	1.2517	-0.1%	-1.9%	Bund-10yr	-0.38	-2	-62	BRENT CRUDE	64	0.2%	19.7%
STOXX 600	390.11	-0.7%	15.5%	USD/JPY	108.31	0.2%	1.3%	JGB - 10yr	-0.15	1	-15	LMEX	2772	-0.2%	-1.0%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.21	0	-23
1-week	2.30	0	-26
1-month	2.53	0	-20
3-month	2.92	0	-11
6-month	3.05	0	-13

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.80	-1	-26
5Y RSD	3.26	0	-24
7Y RSD	3.55	0	-60

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.84	1	-116

CDS

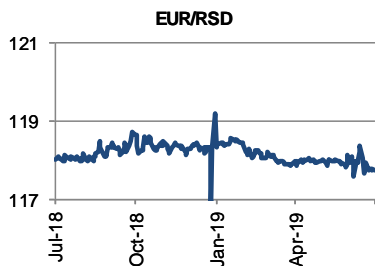
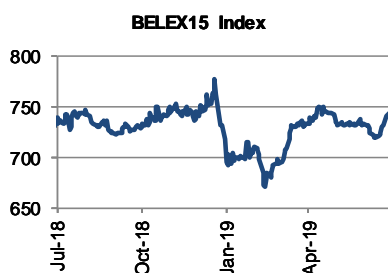
	Last	ΔDbps	ΔYTD bps
5-year	91	0	-27
10-year	138	0	-24

STOCKS

	Last	ΔD	ΔYTD
BELEX15	743.6	0.13%	-2.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.73	0.10%	0.43%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.92	0	83
1-month	2.93	0	106
3-month	3.18	0	113
6-month	3.34	0	107
12-month	3.52	0	120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.67	0	-36
5Y RON	4.13	0	-21
10Y RON	4.54	0	-27

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.71	-	-83
USD Jan-24	2.95	1	-129

CDS

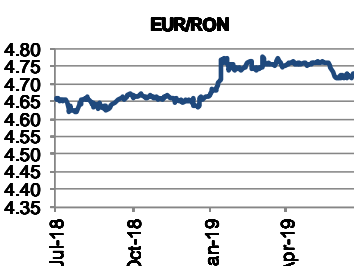
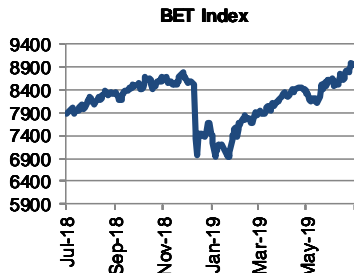
	Last	ΔDbps	ΔYTD bps
5-year	87	-1	-3
10-year	129	-1	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8943.7	-0.26%	21.13%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7242	-0.02%	-1.48%



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	-0.27	-1	-22
5Y BGN	0.02	0	-9
10Y BGN	0.26	0	-49

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.12	0	-8
EUR Sep-24	0.03	2	-46

CDS

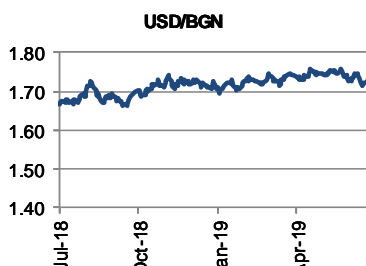
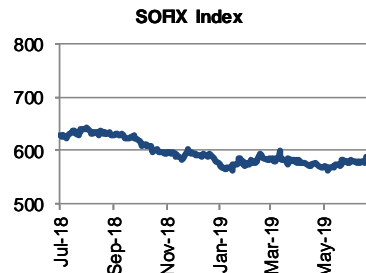
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-12

STOCKS

	Last	ΔD	ΔYTD
SOFIX	580.7	-0.27%	-2.31%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7428	-0.02%	-2.14%



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

Data updated as of 09:50 EEST

Monday 08 July 2019

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