

Monday 10 June 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- June 11:
 - NFIB Small Business Optimism (May)
 - PPI Final Demand (May)
- June 12:
 - CPI (May)
 - Monthly Budget Statement (May)
- June 13:
 - Initial Jobless Claims (08/06)
 - Continuing Claims (01/06)
 - Retail Sales Advance (May)
- June 14:
 - Industrial Production (May)
 - Capacity Utilisation (May)
 - U. of Michigan Sentiment (June)

EUROZONE

- June 11:
 - Sentix Investor Confidence (June)
- June 12:
 - Unemployment Rate (Apr)
 - CPI (May)
- June 13:
 - Industrial Production (April)

GREECE

- June 10:
 - CPI (May)
 - Industrial Production (Apr)
- June 13: Unemployment Rate (Q1)

SEE

BULGARIA:

- Jun 11: Trade Balance (Apr)
- Jun 14: CPI (May)

CYPRUS:

- Jun 14: CPI Harmonised (May)

ROMANIA:

- Jun 10: Trade Balance (Apr)
- Jun 12: CPI (May)
- Jun 13: Current Account (Apr)

SERBIA

- June 12: CPI (May)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of Asian equity markets gained in today's session, European bourses were standing in positive territory in early trade and US stock futures point to a higher opening, following the US' agreement to indefinitely suspend plans to impose tariffs on Mexican imports after the two countries reached a deal last Friday to curb migration. In a joint declaration, both countries said that Mexico agreed to immediately expand a program of taking back migrants from Central America crossing into the US from Mexico, while the US processes their asylum claims. The tentative improvement in risk sentiment pushed UST and Bund yields modestly higher, while in FX markets, the DXY index was 0.3% higher on the day.

GREECE: The Prime Minister Alexis Tsipras is expected to visit the President of the Hellenic Republic this afternoon to request the dissolution of the Parliament and the conduct of general elections on 7 July 2019.

SOUTH EASTERN EUROPE

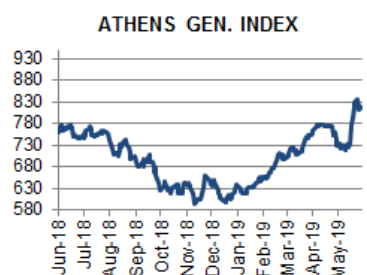
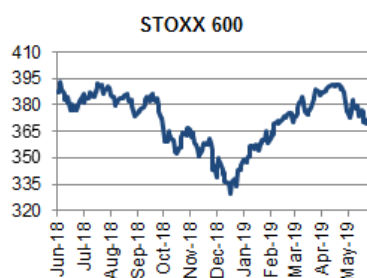
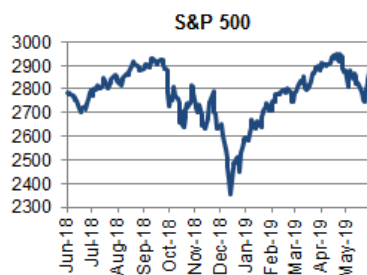
CESEE MACRO AND MARKET DEVELOPMENTS: The majority of emerging market assets concluded the week positively as hopes of policy easing in major economies culminated concerns over the US/Mexico and US/China trade frictions. Elsewhere in the region, the performance is, in general terms, mixed. This week's calendar is broadly filled with May's inflation prints in the region.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of Asian equity markets gained in today's session, European bourses were standing in positive territory in early trade and US stock futures point to a higher opening, following the US' agreement to indefinitely suspend plans to impose tariffs on Mexican imports after the two countries reached a deal last Friday to curb migration. In a joint declaration, both countries said that Mexico agreed to immediately expand a program of taking back migrants from Central America crossing into the US from Mexico, while the US processes their asylum claims. The tentative improvement in risk sentiment pushed UST and Bund yields modestly higher.

The 10-yr UST yield rose to 2.13% earlier today after falling to 2.05% on Friday, the lowest level since September 2017, following weaker than expected US non-farm payrolls data. The US economy generated 75k new jobs in April, much lower than 185k expected, while average hourly earnings rose 3.1%YoY, the lowest in six months, from 3.2%YoY in the prior month. In spite of today's upside move, the 10-yr yield remained more than 15bps lower so far this month amid prevailing US/China trade war jitters. Investors hope that the US President and his Chinese counterpart will meet on the sidelines of the G20 meeting on 28-29 June to seek a compromise on trade but nothing is officially confirmed yet. With ECB President Mario Draghi's dovish tone still in investors' ears, Bunds outperformed USTs, with the 10-yr Bund yield rising some 2bps on the day to stand at -0.235% in early European trade at the time of writing, close to Friday's new historical intraday low of -0.262%. Unlike in past episodes, EMU peripheral bonds are keeping pace with the Bunds' overall positive tone. Spain's 10-yr yield was hovering around 0.57% at the time of writing, within distance from last week's 0.53% all time low, while the 10-yr Italian paper has recovered fully its losses since the European election yielding levels around 2.40% in early European trade, despite the fact that the European Commission has stated that the opening of an excessive deficit procedure against Italy is warranted.

In FX markets, the tentative improvement in risk sentiment favored the USD against the JPY, with the DXY index standing at 96.892 at the time of writing, 0.3% higher on the day following last week's 1.2% losses. Looking at this week's calendar, major data releases include the euro area's April industrial production (Thursday), US inflation for May (Wednesday) and US May's retail sales (Friday) while in the UK, the first vote for the Conservative Party leadership contest is scheduled for Thursday, 13 June.

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GREECE

The Prime Minister Alexis Tsipras is expected to visit the President of the Hellenic Republic this afternoon to request the dissolution of the Parliament and the conduct of general elections on 7 July 2019. The tenure of the current government would expire in October 2019 and the decision to hold early elections comes on the back of poor results of the ruling party at the 26 May European Parliament elections. On the economic data front, this week's calendar includes the CPI and industrial output due to be released today and the unemployment rate for Q1 2019 to be released on Thursday.

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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

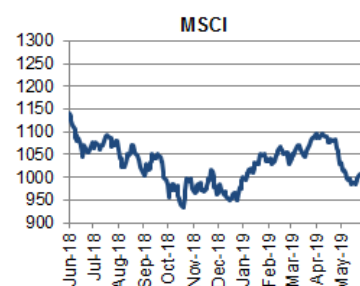
* ESA 2010

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 concluded the week positively as hopes of policy easing in major economies damped concerns over the US/Mexico and US/China trade frictions. Indeed, most emerging market currencies posted their third consecutive weekly gain with the MSCI Emerging Markets currency index concluding the week 0.4% higher while emerging market equities closed the week on positive grounds with the MSCI emerging Markets Equity Index advancing by 0.9% for a second week in a row. Bond performed favorably as well with the JP Morgan EMBI + Index posting modest gains of ca 0.3% on a weekly basis.

Elsewhere in the region, the markets' landscape is, in general terms, mixed. Polish and Hungarian bourses closed the week in the black by 0.8% and 0.4% respectively while in Romania the BET index slipped by 0.5%. In Bulgaria, the SOFIX Index dropped sharply, sliding ca 1% over the week, ending at 576.48 points amid strong weekly volume of EUR 3m. Regarding sovereign paper, external government yields slid across the board, ranging from 2 bps for the shorter end of the curve to 14 bps for the bond maturing in 2035. Local bonds on the other hand had a more mixed week with the 4- and 7-year tenor yields dropping between 4-6 bps, while the 3-, 5- and 6-year tenors saw modest yield up moves of 2-3 bps. In Serbia, the EUR/RSD pair preserved its strong selling tone, which was partially mitigated by NBS interventions, resulting in minor dinar depreciation momentum. The National Bank of Serbia (NBS) bought EUR350mn cumulatively in the last five consecutive sessions, resulting in the biggest intervention so far on a weekly frequency. Even so, the pair was barely affected moving within a weekly range from 117.80 to 118.10.

This week's calendar is broadly filled with May's inflation prints in the Czech Republic tomorrow, Romania and Serbia on Wednesday and Bulgaria and Croatia on Friday. Moreover, later today, April trade balance data in Bulgaria are due while April current account balance data in Romania will be released on Thursday.

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*We would like to thank Zoran Korac from Eurobank Beograd and Ruslan Raychev from Eurobank Bulgaria for their valuable contribution in today's issue.

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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	2873.34	1.0%	14.6%	EUR/USD	1.1312	-0.2%	-1.4%	UST - 10yr	2.13	5	-55	GOLD	1327	-1.1%	3.4%
Nikkei 225	21134.42	1.2%	5.6%	GBP/USD	1.271	-0.2%	-0.4%	Bund-10yr	-0.24	2	-48	BRENT CRUDE	64	0.5%	18.2%
STOXX 600	377.48	0.9%	11.8%	USD/JPY	108.66	-0.4%	1.0%	JGB - 10yr	-0.12	0	-12	LME X	2736	-0.5%	-2.3%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.21	0	-23
1-week	2.33	0	-23
1-month	2.55	0	-18
3-month	2.98	0	-5
6-month	3.11	0	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.04	-1	-3
5Y RSD	3.51	0	1
7Y RSD	3.83	0	-32

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.09	-1	-91

CDS

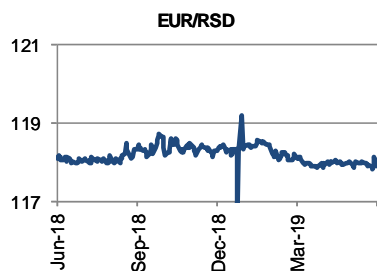
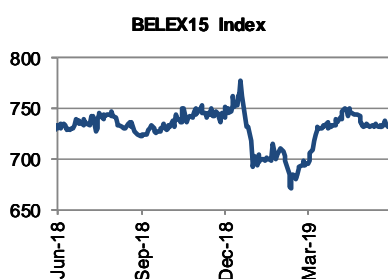
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-15
10-year	148	0	-14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.6	0.15%	-3.82%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.79	0.57%	0.38%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.64	0	155
1-month	3.1	0	123
3-month	3.25	0	120
6-month	3.38	0	111
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.76	0	-27
5Y RON	4.27	0	-7
10Y RON	4.61	0	-21

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.22	-	-32
USD Jan-24	3.03	0	-120

CDS

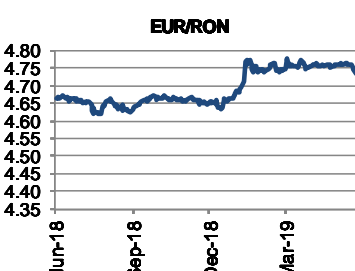
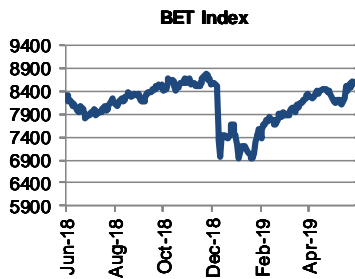
	Last	ΔDbps	ΔYTD bps
5-year	88	1	-2
10-year	132	1	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8575.8	-0.55%	16.14%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.719	0.01%	-1.38%



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	-0.35	-1	-29
5Y BGN	-0.07	0	-18
10Y BGN	0.41	0	-34

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.13	0	-9
EUR Sep-24	0.11	0	-37

CDS

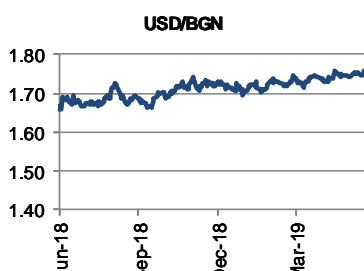
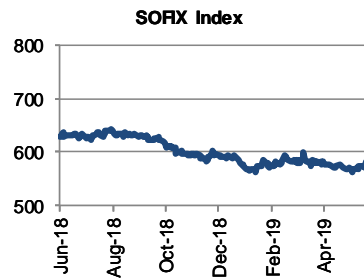
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-16
10-year	129	0	-12

STOCKS

	Last	ΔD	ΔYTD
SOFIX	576.5	-0.59%	-3.02%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7293	-0.21%	-1.38%



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

Data updated as of 9:40 EEST

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