

### 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:** All eyes today are on the Fed Chairman who will deliver his semi-annual testimony before the House Financial Services Committee at 16:00 CET, as investors anxiously wait to hear whether Chair Jerome Powell will confirm or refute expectations for policy easing at the upcoming 30-31 July FOMC meeting. Meanwhile, according to US money market forwards, the odds of a 50bps rate cut at the July meeting have shrunk from around 25% before the release of last Friday's strong US June non-farm payrolls to almost zero. Yet, the probability of a 25bps rate cut is still seen close to 100%. Amidst muted trading activity ahead of the Fed Chair's testimony and the release of the minutes from the June FOMC meeting later in the day, yields of USTs and core EGBs were somewhat higher in early European trade. In FX markets, the USD retained a firm tone, preserving most of its post-payrolls gains.

**GREECE:** The new cabinet will convene for the first time this morning and will reportedly set the priorities for each Ministry and the Key Performance Indicators against which the performance of each cabinet member will be assessed in the first six months of the administration. Among the priorities of the new government will reportedly be addressing the dire financial situation of the Public Power Corporation, introducing medium-term changes in the tax policy, issuing outstanding pensions and facilitating the progress in the privatisation project of Hellinikon.

### SOUTH EASTERN EUROPE

**BULGARIA:** According to the European Council's 2019 country-specific recommendations which were released yesterday, Bulgaria will be able to comply with the provisions of the 2019-2020 Stability and Growth Pact and is projected to fulfil its Convergence Programme targets. Regarding Bulgaria's application for joining the ERM-II, the entry will be postponed until October at the earliest and a final conclusion on Bulgaria's progress cannot be reached before the ECB publishes the results from the Assets Quality Review (AQR) on Bulgaria's banking sector.

**SERBIA:** According to recent statements by the Minister of Finance, Mr. Sinisa Mali, the Ministry of Finance is working on the 2020 draft budget, which envisages increased public investments in road and railway infrastructure.

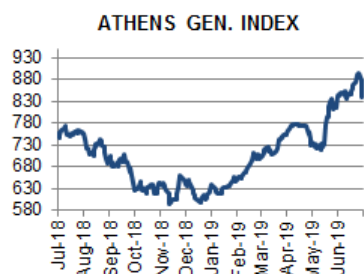
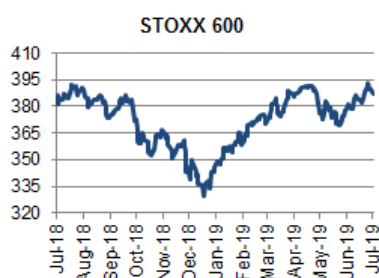
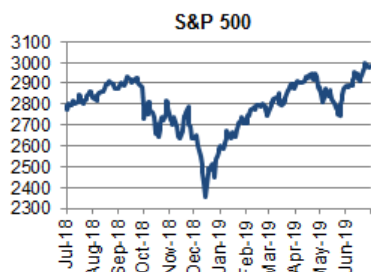
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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank  
Research

All eyes today are on the Fed Chairman who will deliver his semi-annual testimony before the House Financial Services Committee at 16:00 CET, as investors anxiously wait to hear whether Chair Jerome Powell will confirm or refute expectations for policy easing at the upcoming 30-31 July FOMC meeting. Meanwhile, according to US money market forwards, the odds of a 50bps rate cut at the July meeting have shrunk from around 25% before the release of last Friday's strong US June non-farm payrolls to almost zero. Yet, the probability of a 25bps rate cut is still seen close to 100%, on the back of relatively subdued US inflation pressures and a string of poor US data releases over the last few weeks, including weak housing and business investment data, which point to slowing US economic activity following an annual GDP growth rate of 3.1% in Q1, the highest since Q2 2018. The text of the Monetary Policy Report, on which Fed Chair Jerome Powell's testimony will be based, was published last Friday and reiterated that the Fed will "act as appropriate to sustain the expansion". Amidst muted trading activity ahead of the Fed Chair's testimony and the release of the minutes from the June FOMC meeting later in the day, yields of USTs and core EGBs were somewhat higher in early European trade on the back of reduced expectations for a more aggressive 50bps rate cut by the Fed at the July meeting. The 10-yr US yield was hovering around 2.09% at the time of writing, 4bps higher on the day and up more than 5bps so far this week, while the 10-yr Bund yield was standing at -0.31%, near 10bps higher from last week's record lows. Meanwhile, EMU peripheral bond markets outperformed core EGBs, led by Greece and Spain, with the 10-yr SPGB/Bund spread narrowing close to 74bps earlier today, the lowest so far this year, even though the country is still stuck in political deadlock as party talks for the formation of a government following the inconclusive outcome of the April's general elections, have yet to bear fruits. In FX markets, the USD retained a firm tone, preserving most of its post-payrolls gains. Against this background, the EUR/USD was hovering around 1.1220/25 at the time of writing, not far from yesterday's three-week low of 1.1190, while the tone Fed Chairman Jerome Powell will adopt today, is expected to have a significant impact on the pair's short-term direction.

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### GREECE

The new cabinet will convene for the first time this morning and will reportedly set the priorities for each Ministry and the Key Performance Indicators against which the performance of each cabinet member will be assessed in the first six months of the administration. Among the priorities of the new government will reportedly be addressing the dire financial situation of the Public Power Corporation, introducing medium-term changes in the tax policy, issuing outstanding pensions and facilitating the progress in the privatisation project of Hellinikon. Meanwhile, the report on Greece in the context of the European Semester, stresses the importance of tackling macroeconomic imbalances by staying on the reform path as agreed under the European Post Programme Surveillance. The report also urges Greece to pursue investments in a number of sectors such as sustainable transportation, environmental protection, energy efficiency and renewable energy sources, and digital technologies. With respect to the labour market, it is noted that long-term and youth unemployment still runs at unacceptably high levels while women participation in the labour force remains low. On reforms, emphasis is given to the improvements in the judicial system where in spite of the progress, efficiency is still low.

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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

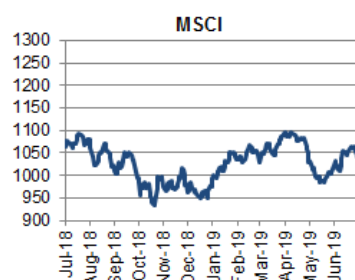
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

\* 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+

Yesterday the European Council adopted its 2019 recommendations and opinions on the member states' economic, employment and fiscal policies. The overall objective of the recommendations is to encourage member states to increase their growth potential by modernising their economies and further strengthen their resilience. Specifically, Bulgaria will be able to comply with the provisions of the 2019-2020 Stability and Growth Pact and is projected to fulfil its Convergence Programme targets. Bulgaria will be able to reach a structural budget surplus of 0.7% of GDP in 2019 and 0.6% of GDP in 2020. Nevertheless, the European Council, following ECOFIN's suggestions, came up with several recommendations for Bulgaria in 2019 and 2020, such as improvements in tax collection and banking sector supervision. Regarding Bulgaria's application for joining the ERM-II, the entry will be postponed until October at the earliest, as Eurogroup's discussion on the country's progress on Monday was very brief. Moreover, a final conclusion on Bulgaria's progress cannot be reached before the ECB publishes the results from the Assets Quality Review (AQR) on Bulgaria's banking sector.

### SERBIA

According to recent statements by the Minister of Finance, Mr. Sinisa Mali, the Minister of Finance is working on the 2020 draft budget, which envisages increased public investments in road and railway infrastructure. Mr. Mali noted that the main challenges for the Serbian government is to find new sources of economic growth, given that the milestone of fiscal discipline has been reached. In the budget for 2020, inter alia, election expenditures will be incorporated as those are scheduled to be held, timely, next spring. Moreover, minimum wages will encounter an additional increase in September, with one more hike budgeted but not defined as to when it will be realized. On the market front, the Ministry of Finance raised RSD 23.0bn in 7-year bonds yesterday, at the reopening of January 9, 2019 bond issue. The initial target of the auction was RSD59.9bn but it was finally capped to RSD15bn as investors placed bids for RSD27.7bn. The notes bear an annual coupon of 4.50% and were sold at an average yield of 3.59%, which is lower than the yield of 4.37% achieved at the June 4 auction of dinar securities with the same maturity. The bonds sold yesterday mature on January 11, 2026.

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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	2979.63	0.1%	18.9%	EUR/USD	1.1215	0.1%	-2.2%	UST - 10yr	2.10	3	-59	GOLD	1393	-0.3%	8.6%
Nikkei 225	21533.48	-0.1%	7.6%	GBP/USD	1.2454	-0.1%	-2.4%	Bund-10yr	-0.31	5	-55	BRENT CRUDE	65	1.2%	20.7%
STOXX 600	387.03	-0.2%	14.6%	USD/JPY	108.96	-0.1%	0.7%	JGB - 10yr	-0.12	2	-12	LME X	2760	-0.5%	-1.5%

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.22	2	-22
1-week	2.30	0	-26
1-month	2.54	0	-19
3-month	2.91	1	-12
6-month	3.04	0	-14

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.77	-1	-29
5Y RSD	3.16	-3	-35
7Y RSD	3.30	0	-85

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.88	-1	-112

#### CDS

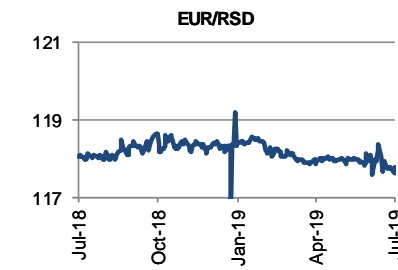
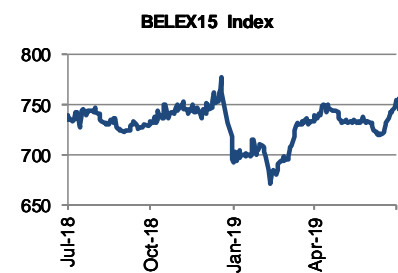
	Last	ΔDbps	ΔYTD bps
5-year	91	-1	-27
10-year	139	-1	-23

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	755.2	1.12%	-0.85%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.82	-0.07%	0.35%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.32	#VALUE!	114
1-month	2.93	#VALUE!	104
3-month	3.18	#VALUE!	113
6-month	3.37	#VALUE!	109
12-month	3.52	#VALUE!	120

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.67	0	-36
5Y RON	4.17	0	-18
10Y RON	4.60	0	-21

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.76	-	-78
USD Jan-24	2.98	2	-125

#### CDS

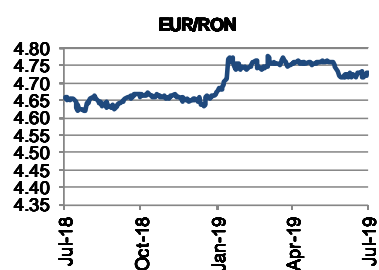
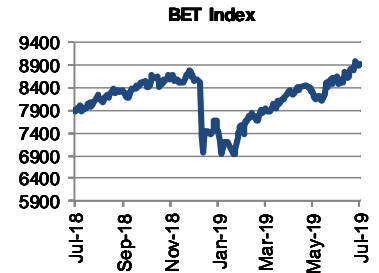
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	129	0	-5

#### STOCKS

	Last	ΔD	ΔYTD
BET	8911.5	0.03%	20.69%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7303	-0.05%	-1.61%



### 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	-0.28	-1	-23
5Y BGN	0.05	0	-6
10Y BGN	0.29	0	-46

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.14	2	-10
EUR Sep-24	0.03	0	-46

#### CDS

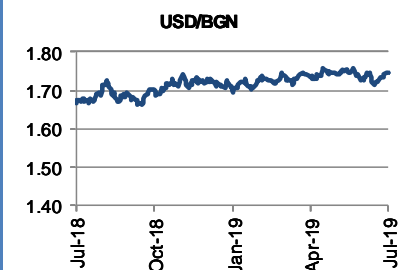
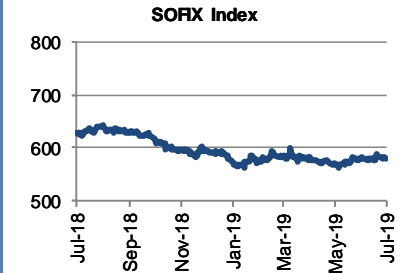
	Last	ΔDbps	ΔYTD bps
5-year	79	-1	-17
10-year	128	-1	-13

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	579.0	0.06%	-2.60%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.744	0.06%	-2.21%



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

Data updated as of 09:50 EEST

Wednesday 10 July 2019

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