

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday 12 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: Investors adopted a cautious stance against risk assets early today amid renewed trade woes with European bourses opening in the red, following modest losses in the majority of Asian equity markets. Fueling worries over a protracted US/China trade war, US President Donald Trump tweeted yesterday that he is "holding up" a trade deal with China and has no interest in moving ahead unless China agrees again on four or five "major points" that he did not however specify. Favored by renewed trade war jitters, USTs gained and German Bunds followed suit with the 2/10-yr yield curve undertaking anew some bull flattening. In FX markets, the EUR/USD was standing close to 1.1335/40 at the time of writing, just short of last week's three-month high of 1.1347 favored by growing speculation of a Fed rate cut in the not too distant future. In terms of data releases, today's highlight is US CPI for May, while in the euro area, we expect a lot of ECB speeches, most notably from ECB President Draghi who will deliver the welcome address at the 8th ECB conference on Central, Eastern and South-eastern Europe in Frankfurt (10:15 CET).

GREECE: The Bank of Greece Governor Yiannis Stournaras argued in a speech that the reduction of the primary surplus target from the current 3.5% of GDP by 2022, does not imply a higher public debt ratio but a possibly lower one on the grounds that the increased fiscal space may allow tax and social security contributions reductions which, if coupled with reforms and privatisations, may in turn lead to higher GDP growth. Meanwhile, the Greek 10-year benchmark yield ended yesterday's session at a new all-time low of 2.787%. On the economic data front, according to the Bank of Greece, in Q1 2019 nominal apartment prices are estimated to have increased on average by 4.0%YoY.

SOUTH EASTERN EUROPE

CESEE MACRO & MARKET DEVELOPMENTS: While most emerging markets assets concluded yesterday's session on positive ground, at the time of writing their performance is mixed as investors are assessing US President Donald Trump's comments that he is holding up a deal with China and he will not back down unless China agrees to make concessions that were already accepted at prior stages of negotiations. Particularly, Asian emerging markets are currently under some additional pressure as Chinese inflation data for May released earlier today revealed substantial inflationary pressures that have resulted in prices increase from 1.5% YoY in February to a 15-month high of 2.7% YoY in May.

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Latest world economic & market developments

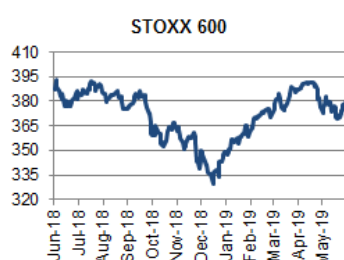
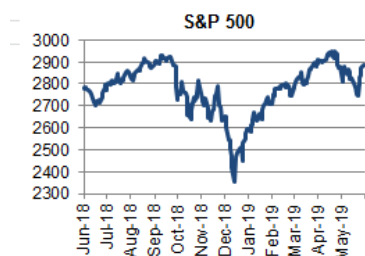
GLOBAL MARKETS

Investors adopted a cautious stance against risk assets early today amid renewed trade woes with European bourses opening in the red, following modest losses in the majority of Asian equity markets. Fueling worries over a protracted US/China trade war, US President Donald Trump tweeted yesterday that he is "holding up" a trade deal with China and has no interest in moving ahead, unless China agrees again on four or five "major points" that he did not however specify. The above remarks followed his comments earlier this week that he is ready to impose another round of tariffs on Chinese imports if he does not reach a trade deal with China's President Xi Jinping at the G20 meeting in Japan due for 28/29 June. On its part, China's Ministry of Foreign Affairs said on Monday that the country is open to more trade talks with the US, but did not officially confirm whether the Chinese President intends to hold a meeting with the US President on the sidelines of the upcoming G20 meeting. Favored by renewed trade war jitters, USTs recovered part of recent modest losses with the 10-yr yield hovering around 2.125% in early European trade at the time of writing, more than 1bp lower on the day, approaching a 1½-year low of 2.05% marked late last week in reaction to weaker than expected US non-farm payrolls. German Bunds followed suit, with long-dated paper outperforming and the 2/10-yr yield curve undertaking anew some bull flattening. In FX markets, the EUR/USD was standing close to 1.1335/40 at the time of writing, just short of last week's three-month high of 1.1347 favored by growing speculation of a Fed rate cut in the not too distant future. Fed fund futures are currently assigning a probability of near 80% for a 25bps rate cut at the July FOMC policy meeting against c. 20% priced-in a month earlier, before the latest escalation in the US/China trade dispute. In terms of data releases, today's highlight is US CPI for May, which is expected to rise by 0.2%MoM after expanding by 0.3%YoY in the prior month, with the annual rate likely to ease to 1.9%YoY from 2.1%YoY because of base effects. Core CPI is seen rising 0.2%MoM after three straight 0.1%MoM monthly increases, with the annual rate remaining unchanged at 2.1%. In the euro area, we expect a lot of ECB speeches, most notably from ECB President Draghi who will deliver the welcome address at the 8th ECB conference on Central, Eastern and South-eastern Europe in Frankfurt (10:15 CET).

ppetropoulou@eurobank.gr

GREECE

The Bank of Greece Governor Yiannis Stournaras argued in a speech that the reduction of the primary surplus target from the current 3.5% of GDP by 2022, does not imply a higher public debt ratio but a possibly lower one on the grounds that the increased fiscal space may allow tax and social security contributions reductions which, if coupled with reforms and privatisations, may in turn lead to higher GDP growth. He also mentioned that based on available data, the BoG estimates the 2019 primary surplus at 2.9% of GDP, lower by 0.6pps than the primary surplus target. Meanwhile, the Greek 10-year benchmark yield ended yesterday's session at a new all-time low of 2.787% while the 5-year benchmark closed at 1.664% a tad over its all-time low of 1.659% reached on Monday. On the economic data front, according to the Bank of Greece, in Q1 2019 nominal apartment prices are estimated to have increased on average by 4.0%YoY while the average annual rate of increase for 2018 was 1.6% (revised data) against a decrease of 1.0% in 2017.

andimitrادیου@eurobank.gr

Source: Reuters, Bloomberg, Eurobank Research

Wednesday 12 June 2019

Latest economic & market developments in the CESEE region

CESEE MACRO & 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

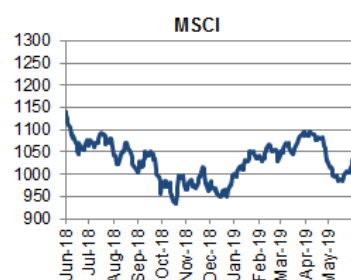
| CYPRUS: Indicators | 2017 | 2018 | 2019F |
|---------------------|------|------|-------|
| Real GDP growth % | 4.5 | 3.9 | 3.3 |
| HICP (pa, yoy %) | 0.7 | 0.8 | 1.0 |
| Fiscal Balance/GDP* | 1.8 | 2.9 | 3.0 |
| Current Account/GDP | -8.4 | -7.0 | -7.5 |

* 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+ |

While most emerging markets assets concluded yesterday's session on positive ground, at the time of writing their performance is mixed as investors are assessing US President Donald Trump's comments that he is holding up a deal with China and he will not back down unless China agrees to make concessions that were already accepted at prior stages of negotiations. Particularly, Asian emerging markets are currently under some additional pressure as Chinese inflation data for May released earlier today revealed substantial inflationary pressures that have resulted in prices increase from 1.5% YoY in February to a 15month high of 2.7% YoY in May.

In other news regarding the CESEE region, the Deputy Governor of the National Bank of Bulgaria (BNB), Kalin Hristof, in yesterday's local media interview said that Bulgaria's entry in the ERM-II is likely to be delayed as the structural problems in the EU might force the euro area institutions to undertake a new policy trajectory. As such, expectations over Bulgaria entering the ERM-II and the Banking Union by mid-2019 may prove immature. On the economic data front, Bulgaria's external merchandise trade deficit narrowed by 50.1% YoY to EUR 95.3mn in April, according to official statistical data released yesterday. The improvement is broadly based on exports growth by 6.1% YoY, outpacing the 1.6% YoY increase in imports. Export growth to EU trade partners accelerated to 8.2% YoY in April. Exports to EU countries amounted to EUR 1.6bn and accounted for 69.8% of total exports. Exports to non-EU countries, including Turkey, were up by 1.7% YoY, sharply decelerating compared to the previous three months. On the upside, exports to countries such as China, Serbia, the US, Russia, Ukraine continued on an upward trend.

Concluding with regional market developments, in Serbia, the Ministry of Finance raised yesterday RSD5.1bn in 3-year bonds at the reopening of the January 15, 2019 bond issue. The initial target of the auction was RSD8.2bn, the Ministry capped the placement up to RSD 8bn while investors placed bids for RSD9.5bn. The notes that bear a 3.75% annual coupon were sold at an average yield of 3.39%, down from 3.63% achieved at the May 16 auction of dinar bonds with the same maturity and expiry date of January 17, 2022. The notes sold yesterday mature on January 17, 2022 as well. The next auction is scheduled for June 18 when the finance ministry will reopen the January 23, 2019 bond issue of 3-year notes for EUR 90mn.

mkasola@eurobank.gr

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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 | 2885.72 | 0.0% | 15.1% | EUR/USD | 1.1335 | 0.1% | -1.2% | UST - 10yr | 2.12 | -2 | -56 | GOLD | 1335 | 0.6% | 4.1% |
| Nikkei 225 | 21129.72 | -0.4% | 5.6% | GBP/USD | 1.2727 | 0.0% | -0.3% | Bund-10yr | -0.24 | -1 | -48 | BRENT CRUDE | 61 | -1.9% | 13.6% |
| STOXX 600 | 380.89 | 0.7% | 12.8% | USD/JPY | 108.32 | 0.2% | 1.3% | JGB - 10yr | -0.12 | -1 | -12 | LMEX | 2773 | 0.3% | -1.0% |

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 2.21 | -2 | -23 |
| 1-week | 2.32 | -2 | -24 |
| 1-month | 2.55 | 0 | -18 |
| 3-month | 2.97 | 1 | -6 |
| 6-month | 3.10 | 1 | -8 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 2.99 | -1 | -8 |
| 5Y RSD | 3.48 | 0 | -2 |
| 7Y RSD | 3.83 | 0 | -32 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Feb-20 | 2.65 | -1 | -134 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 102 | 0 | -16 |
| 10-year | 147 | 0 | -16 |

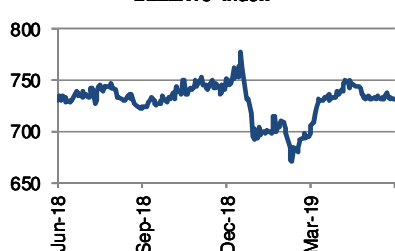
STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| BELEX15 | 731.7 | -0.02% | -3.94% |

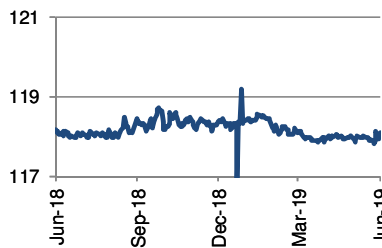
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RSD | 118.04 | 0.09% | 0.17% |

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 2.69 | 0 | 160 |
| 1-month | 3.08 | 0 | 121 |
| 3-month | 3.24 | 0 | 119 |
| 6-month | 3.37 | 0 | 110 |
| 12-month | 3.55 | 0 | 123 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 3.78 | 0 | -25 |
| 5Y RON | 4.28 | 0 | -6 |
| 10Y RON | 4.63 | 0 | -18 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.18 | - | -36 |
| USD Jan-24 | 3.03 | 0 | -121 |

CDS

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

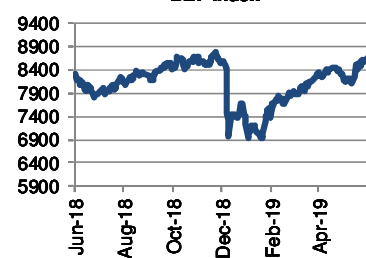
STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|--------|
| BET | 8633.1 | 0.58% | 16.92% |

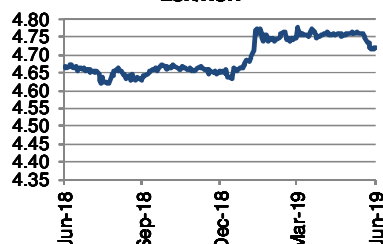
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| EUR/RON | 4.7208 | 0.00% | -1.41% |

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 | -16 |
| 10Y BGN | 0.37 | 0 | -38 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|-------|-------|----------|
| EUR Mar-22 | -0.14 | 0 | -10 |
| EUR Sep-24 | 0.10 | 0 | -38 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 80 | 0 | -16 |
| 10-year | 129 | 1 | -12 |

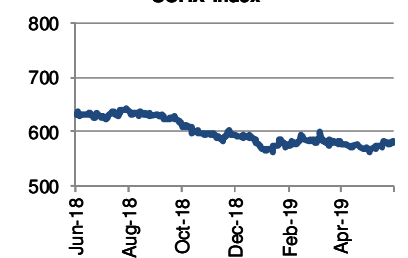
STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|--------|
| SOFIX | 580.3 | -0.18% | -2.38% |

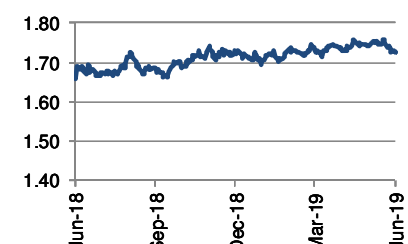
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| USD/BGN | 1.7256 | 0.07% | -1.16% |

SOFIX Index



USD/BGN



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

Data updated as of 9:40 EEST

Wednesday 12 June 2019

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank
Ergasias
+30 210 37 18 991
ppetropoulou@eurobank.gr

Ioannis Gkionis
Senior Economist, Eurobank
Ergasias
+30 214 40 59 707
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank
Ergasias
+30 210 37 18 793
andimitriadou@eurobank.gr

Olga Kosma
(Special Contributor)
Research Economist, Eurobank
Ergasias
+30 210 37 18 728
okosma@eurobank.gr

Stelios Gogos
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 37 18 733
sgogos@eurobank.gr

Theodoros Stamatou
(Special Contributor)
Senior Economist, Eurobank
Ergasias
+30 214 40 59 708
tstamatou@eurobank.gr

Maria Kasola
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 33 18 708
mkasola@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, +30 214 40 59 706

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 37 18 793

Marisa Yiannissis: Administrator
magiannisi@eurobank.gr, +214 40 59 711

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr, +30 214 40 59 707

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 37 18 733

Maria Kasola: Economic Analyst
mkasola@eurobank.gr, +30 210 33 18 708

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 37 18 728

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, +30 210 37 18 991

Dr. Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 214 40 59 708

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 214 40 59 712

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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