

### 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:** In the second day of his semi-annual testimony before the Senate Banking Committee yesterday, Fed Chair Jerome Powell did not veer from the line he took a day earlier before the House Financial Services Committee, providing further support to the prevailing view that the Fed is prepared to act pre-emptively and cut interest rates at the upcoming 30-31 July meeting. In spite of Jerome Powell's dovish tone in the second leg of his semi-annual testimony, US Treasury yields were off yesterday's session lows, albeit still slightly lower on the day, somewhat hurt by subdued demand in yesterday's \$16bn in 30-yr bonds auction. Modestly higher-than-expected US inflation data may have also had an impact. In FX markets, the USD remained under some pressure. Looking at today's calendar, DBRS will review Italy's sovereign credit rating, while on the data front the highlight is Eurozone industrial output for May.

**GREECE:** The Public Debt Management Company reportedly plans tapping the markets for the third time this year with the issuance of a 7-year government bond with a view to raising €2.5bn at yield lower than 2%. According to ELSTAT, the seasonally adjusted unemployment rate in April 2019 was 17.6% compared to 19.8% in April 2018 and the upward revised 18.2% in March 2019.

### SOUTH EASTERN EUROPE

**SERBIA:** At its meeting yesterday, the National Bank of Serbia (NBS) cut the key policy rate by 25bps to 2.75%. It is the first Key policy Rate (KPR) cut since April 2018.

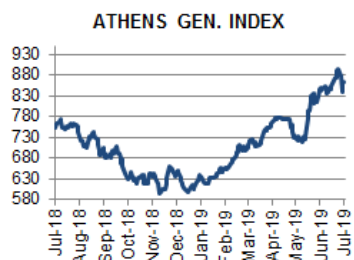
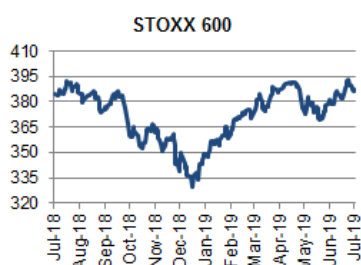
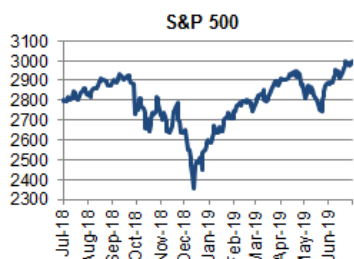
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Friday 12 July 2019

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In the second day of his semi-annual testimony before the Senate Banking Committee yesterday, Fed Chair Jerome Powell did not veer from the line he took a day earlier before the House Financial Services Committee, providing further support to the prevailing view that the Fed is prepared to act pre-emptively and cut interest rates at the upcoming 30-31 July meeting. The Fed Chair repeated that trade uncertainty, slowing global growth and stubbornly low inflation are the main risks to the US economic outlook and reiterated that the Central Bank will “act as appropriate to sustain the expansion”, adding that many FOMC policymakers “have come to the view that a somewhat more accommodative policy may be appropriate”.

In spite of Jerome Powell’s dovish tone in the second leg of his semi-annual testimony, US Treasury yields were off yesterday’s session lows, albeit still slightly lower on the day, somewhat hurt by subdued demand in yesterday’s \$16bn in 30-yr bonds auction. Modestly higher-than-expected US inflation data may have also had an impact. Core CPI rose by 0.3%MoM in June, the largest increase since January 2018 and higher than consensus for a gain of 0.2%MoM, taking the annual rate to 2.1%, up from May’s 2.0%. Headline CPI rose by 0.1%MoM against expectations for an unchanged reading, with the annual rate slowing to 1.6% from May’s 1.8%. Against this background, it seems more likely to be a consensus on the FOMC to cut interest rates by 25bps at the 30-31 July meeting rather than by a more aggressive 50bps, with Fed Funds futures now assigning a probability of around 18% for a 50bps cut later this month, down from c. 25% early yesterday, in the aftermath of the first leg of the Fed Chair’s semi-annual testimony.

In FX markets, the USD remained under some pressure, with the EUR/USD hovering around 1.1265/68 at the time of writing, not far from yesterday’s multi-session intraday high of 1.1285 but still below July’s 1.1374 peak so far, probably due to lingering market worries over the Eurozone’s growth outlook. In an annual report released yesterday, the IMF warned that the Euro area may face a prolonged period of anemic growth and inflation, while the ECB’s account of its June meeting, released yesterday, confirmed that the Governing Council agreed on the need to prepare for policy easing. Looking at today’s calendar, DBRS will review Italy’s sovereign credit rating, which currently stands at BBB, three notches above non-investment grade, with a stable outlook. On the data front, today’s highlight is Eurozone industrial output for May, which is likely to show a strong gain following stronger-than expected data from some of the largest economies.

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### GREECE

The Public Debt Management Company reportedly plans tapping the markets for the third time this year with the issuance of a 7-year government bond with a view to raising €2.5bn at yield lower than 2%. Barring unforeseen market jitters the launch will take place early next week. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the seasonally adjusted unemployment rate in April 2019 was 17.6% compared to 19.8% in April 2018 and the upward revised 18.2% in March 2019. The number of employed amounted to 3,891,618 persons, increased by 2%YoY and 0.7%MoM. The number of unemployed amounted to 833,858 persons, decreased by 11.4%YoY and 3.1%MoM.

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Friday 12 July 2019

## Latest economic & market developments in the CESEE region

### SERBIA

#### 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

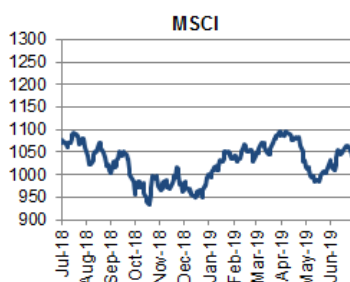
\* ESA 2010

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



The NBS Executive Board convened yesterday and decided to cut the policy rate by 25bps to 2.75%. The move caught investors off guard as they were faintly captured in the respective polls which suggested stable interest rates. However, the rate easing was somewhat expected by market participants but not earlier than August amid appreciating pressures on the dinar lately and subdued inflationary grounds.

The NBS Board stated that the decision was broadly based on efforts to support economic growth. To that end, while the GDP growth decelerated to 2.5% YoY in Q1 2019 from 3.4% YoY in Q4 2018, the NBS kept the GDP growth forecast at 3.5% for FY2019. The decision was backed by the stable inflation trajectory as in May the print slid to 2.2% YoY from a two-year high of 3.1% YoY in April, on the back of increased vegetables prices. Looking at the big picture, price levels are firmly under control for the sixth consecutive year and the NBS Executive Board expects that pressures will remain subdued for the rest of 2019 and throughout 2020, setting inflation figures to move within the target band and most probably in the lower bound of the target band (2%,  $\pm 1.5\%$ ). The decision was also underpinned by the low and stable core inflation (1.6% YoY in May) along with low inflation expectations by the financial sector and corporate firms. Concluding, the NBS took also into account the recent dovish stance by the Fed and the ECB, amid slower economic growth and lower-than-expected inflation at a global level, which is expected to have a positive impact on the conditions in the international financial market and on capital flows to emerging markets.

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#### 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+

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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	2999.91	0.2%	19.7%	EUR/USD	1.1263	0.1%	-1.8%	UST - 10yr	2.12	-2	-56	GOLD	1410	0.5%	10.0%
Nikkei 225	21685.90	0.2%	8.3%	GBP/USD	1.2534	0.1%	-1.8%	Bund-10yr	-0.22	0	-46	BRENT CRUDE	67	0.8%	24.6%
STOXX 600	387.26	0.1%	14.7%	USD/JPY	108.37	0.1%	1.2%	JGB - 10yr	-0.12	2	-12	LME X	2814	0.2%	0.5%

## SERBIA

### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.19	-1	-25
1-week	2.26	-4	-30
1-month	2.51	-4	-22
3-month	2.85	-5	-18
6-month	3.00	-3	-18

### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.59	-1	-47
5Y RSD	3.06	0	-44
7Y RSD	3.33	0	-82

### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.86	-2	-114

### CDS

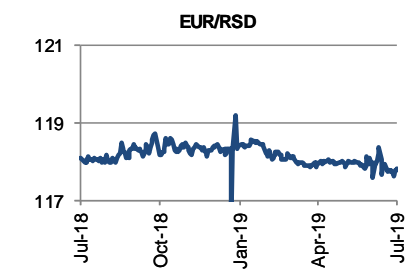
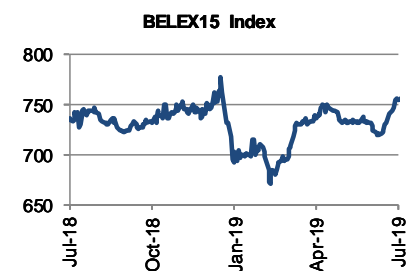
	Last	ΔDbps	ΔYTD bps
5-year	88	5	-30
10-year	135	0	-27

### STOCKS

	Last	ΔD	ΔYTD
BELEX15	754.9	-0.08%	-0.89%

### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.85	-0.07%	0.33%



## ROMANIA

### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.18	0	109
1-month	2.9	0	103
3-month	3.17	0	112
6-month	3.34	0	107
12-month	3.5	0	118

### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.64	0	-39
5Y RON	4.13	0	-21
10Y RON	4.57	0	-24

### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.79	-	-75
USD Jan-24	3.06	2	-117

### CDS

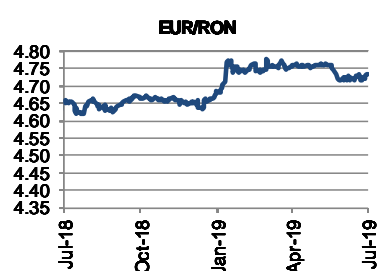
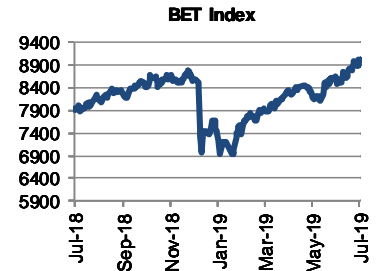
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	129	1	-4

### STOCKS

	Last	ΔD	ΔYTD
BET	9026.4	0.03%	22.25%

### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7335	-0.02%	-1.68%



## 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	-0.31	-1	-26
5Y BGN	-0.03	0	-14
10Y BGN	0.28	0	-47

### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.15	0	-11
EUR Sep-24	0.04	-1	-45

### CDS

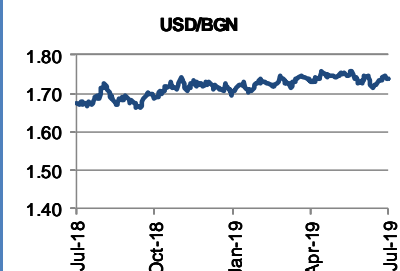
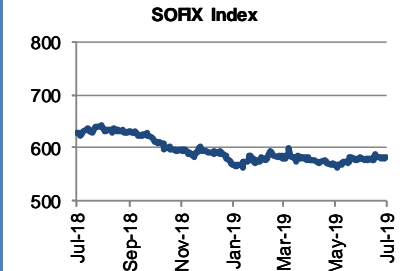
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	128	0	-13

### STOCKS

	Last	ΔD	ΔYTD
SOFIX	583.3	-0.02%	-1.87%

### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7366	0.07%	-1.79%



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

Data updated as of 10:20 EEST

Friday 12 July 2019

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