



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday 13 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: Market enthusiasm about the US/Mexico deal has already started to recede. The majority of global equity markets remained under some pressure in early trade on Thursday amid fading hopes that a trade deal between the US and China could be sealed on the sidelines of the G20 meeting in Osaka on June 28/29. In Asia, the Hong Kong equity market was among the main underperformers hurt by massive street protests against legislation that would allow citizens to be extradited to China. Risk-off mode helped fixed income markets to retain a positive tone. USTs gained across the curve, with short-dated paper outperforming after poor US inflation data reinforced market expectations for lower Fed interest rates in the near future. In FX markets, the JPY rallied favored by its safe-haven allure, while the GBP came under some pressure amid increased no-deal Brexit fears. Looking at today's calendar, focus is on Eurozone industrial production for April, while, in the UK, the first vote of Conservative MPs to elect Theresa May's successor will take place between 11:00 CET and 13:00 CET.

GREECE: The Eurogroup that convenes today does not have Greece on the agenda. According to a European official, Greece has not yet filed a formal request to the ESM for the early, partial repayment of IMF loans.

SOUTH EASTERN EUROPE

CESEE MARKETS: In a broadly expected move, the Central Bank of Turkey (CBRT) stayed put on rates in yesterday's MPC meeting.

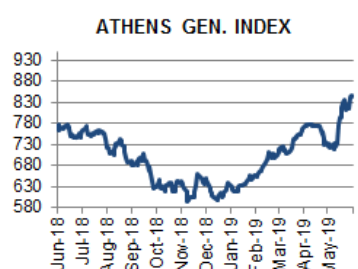
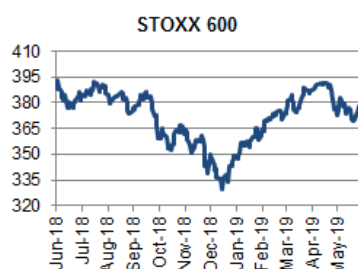
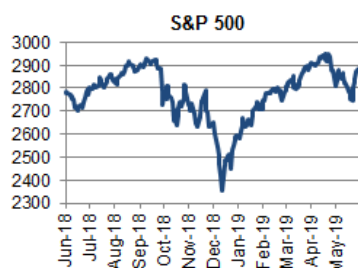
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Thursday 13 June 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market enthusiasm about the US/Mexico deal has already started to recede. The majority of global equity markets remained under some pressure in early trade on Thursday amid fading hopes that a trade deal between the US and China could be sealed on the sidelines of the G20 meeting in Osaka on June 28/29. In Asia, the Hong Kong equity market was among the main underperformers hurt by massive street protests against legislation that would allow citizens to be extradited to China.

Risk-off mode helped fixed income markets to retain a positive tone. USTs gained across the curve, with short-dated paper outperforming after poor US inflation data reinforced market expectations for lower Fed interest rates in the near future. Core CPI surprised to the downside, posting an increase of just 0.1% MoM in May for the fourth straight month, the longest such stretch since April 2017, while the annual rate edged down to 2.0% from 2.1% in April. Fed fund futures are currently assigning a probability of 84% for a 25bps rate cut at the July FOMC policy meeting against 78% earlier this week ahead of the release of the US inflation data and c. 20% near a month earlier, before the latest escalation in the US/China trade war. The 10-yr UST yield was hovering around 2.11% in early European trade, some 1bp lower on the day and c. 6.5bps below Monday's multi-session highs, while the 2-yr note was yielding levels around 1.86%, some 3bps down on the day, triggering a bull-steepening pattern.

In FX markets, the JPY rallied favored by its safe-haven allure, taking the USD/JPY down to a multi-session intraday low of 108.15 earlier today. Meanwhile, the GBP came under some pressure amid increased no-deal Brexit fears. UK lawmakers rejected yesterday a motion led by the opposition Labour Party to take control of parliamentary time on 25 June in order to introduce legislation that would rule out a no-deal Brexit. In other news, oil prices dropped with Brent Crude hovering around \$61.60/barrel at the time of writing, some 4.0% lower from Monday's multi-session highs, pressured by an unexpected rise of 4.9 million barrels in US crude stockpiles in the week ended June 7 as well as mounting worries over the global growth outlook mainly due to the risk of a protracted US/China trade dispute. Looking at today's calendar, focus is on Eurozone industrial production for April, while, in the UK, the first vote of Conservative MPs to elect Theresa May's successor will take place between 11:00 CET and 13:00 CET.

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GREECE

The Eurogroup that convenes today does not have Greece on the agenda while the next Eurogroup which is to be held on July 8th is also unlikely to hold discussions on Greece as it will take place the day after the Greek general elections. Meanwhile, according to a European official, Greece has not yet filed a formal request to the ESM for the early, partial repayment of IMF loans. It is reminded that in mid-April the Greek government had expressed its intention to proceed with the repayment of IMF loans of c. €3.6-€3.7 billion loans – out of the €9.5 billion owed in total – with an interest rate of 5.13% and maturities in 2019 and 2020.

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Thursday 13 June 2019

Latest economic & market developments in the CESEE region

CESEE MARKETS

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

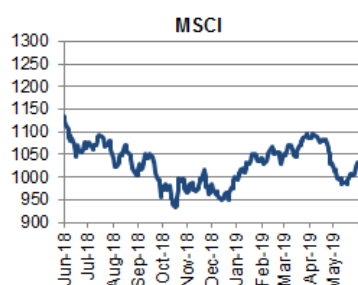
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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+

At the time of writing on Thursday morning, the Turkish lira was strengthening by 0.2% trading at 5.77/USD in the aftermath of yesterday's Central Bank decision. Recall that on Wednesday, the Central Bank of Turkey (CBRT) left the key policy rate (KPR) unchanged – the 1-week repo as of late May 2018 – at 24.00% and the Overnight and Late liquidity window lending rates at 25.5% and 27% respectively. The decision was in line with the consensus of Reuters (14 out of 16 were expecting no change). In the statement released thereafter, the CBRT acknowledged that tight monetary policy and domestic demand conditions support the disinflation process and grounded its decision in order to contain the risks to the pricing behavior and reinforce the disinflation process. Thus, even though CBRT appears cautious in order to avoid any premature move, it is now widely seen as looking for a window of opportunity in the next months to deliver the first rate cut, provided that global and domestic economic conditions are conducive to it.

Despite the food prices supply side shock, headline and core inflation metrics are still on a downward trend. Headline inflation declined to 18.7% YoY in May – down to an 8-month low – compared to 19.5% YoY in April down from 19.7% YoY in March coming significantly below analysts' consensus expectations (Actual: +0.95% MoM vs Bloomberg: +1.32% MoM). Headline inflation has retreated from its historic highs in recent months ending at 20.3% YoY in December down from 21.6% YoY in November and 25.2% YoY in October. Despite lira renewed depreciation pressures in early May, core inflation (which excludes food, alcohol, tobacco, energy and gold prices) eased further to 15.9% YoY in May down from 16.3% YoY in April vs. 17.5% YoY in March down from 19.5% YoY in December. Looking ahead, weak domestic demand dynamics and favorable base effects in the food prices segment are expected to support the disinflation process in H2-2018. On the other hand, markets' concerns over the predictability & efficiency of the government policy and renewed tensions with the US due to the S-400 missile purchases from Russia coupled with investors' concerns over the Central Bank independence could put the lira under pressure further increasing the disinflation process downside risks. Recall that in early May, the lira had reached as high as 6.24/\$ in May 10 compared to 5.16/\$ in late January, against an all-time low of 6.86/\$ in August of 2018. Ever since, lira pared back some of its previous weeks' losses on tightened domestic liquidity conditions.

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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	2879.84	-0.2%	14.9%	EUR/USD	1.1296	0.1%	-1.5%	UST - 10yr	2.12	-1	-57	GOLD	1338	0.3%	4.3%
Nikkei 225	21032.00	-0.5%	5.1%	GBP/USD	1.2675	-0.1%	-0.7%	Bund-10yr	-0.24	-1	-48	BRENT CRUDE	62	3.1%	14.9%
STOXX 600	379.74	-0.3%	12.5%	USD/JPY	108.32	0.2%	1.3%	JGB - 10yr	-0.12	-1	-12	LMEX	2769	-0.1%	-1.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.22	1	-22
1-week	2.33	1	-23
1-month	2.55	0	-18
3-month	2.96	-1	-7
6-month	3.09	-1	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.94	-3	-12
5Y RSD	3.40	0	-10
7Y RSD	3.60	-1	-56

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.54	-3	-146

CDS

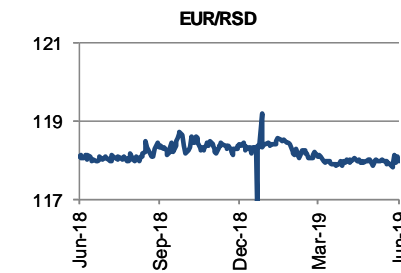
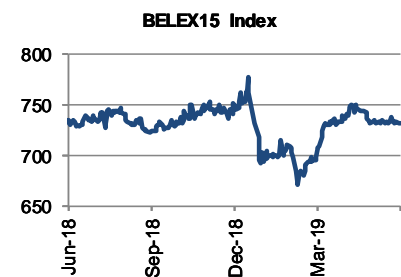
	Last	ΔDbps	ΔYTD bps
5-year	101	-2	-17
10-year	145	-2	-17

STOCKS

	Last	ΔD	ΔYTD
BELEX15	731.1	-0.08%	-4.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.03	-0.05%	0.18%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.7	0	161
1-month	3.08	0	121
3-month	3.24	0	119
6-month	3.37	0	110
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.78	0	-25
5Y RON	4.28	0	-6
10Y RON	4.64	0	-17

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.16	-	-38
USD Jan-24	3.03	0	-120

CDS

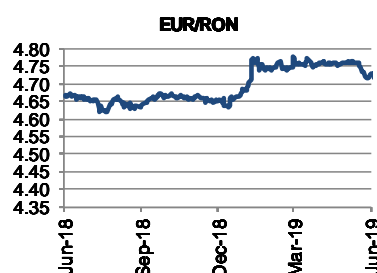
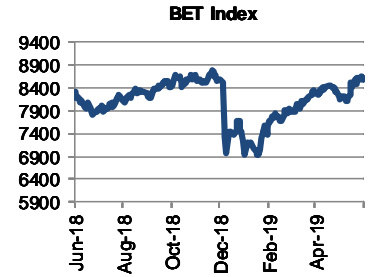
	Last	ΔDbps	ΔYTD bps
5-year	88	0	-2
10-year	132	1	-1

STOCKS

	Last	ΔD	ΔYTD
BET	8566.7	-0.28%	16.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7299	-0.13%	-1.60%



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	-0.33	-2	-26
5Y BGN	-0.01	-1	-11
10Y BGN	0.36	0	-39

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.14	-1	-10
EUR Sep-24	0.10	0	-38

CDS

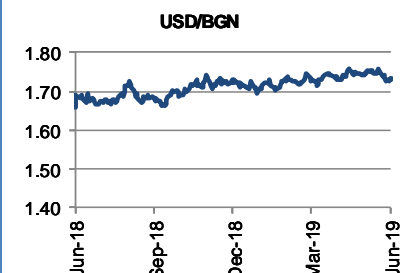
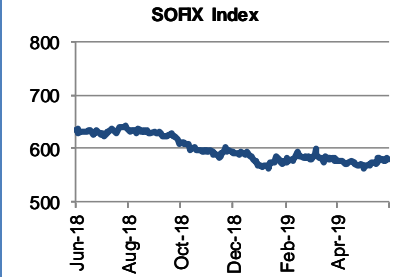
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-16
10-year	129	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	578.6	-0.29%	-2.66%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7316	0.07%	-1.51%



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

Data updated as of 9:40 EEST

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