

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- July 15: Empire Manufacturing (Jul)
- July 16:
 - Import Price Index (Jun)
 - Advance Retail Sales (Jun)
 - Industrial Production (Jun)
 - NAHB Index (Jul)
- July 17:
 - Housing Starts (Jun)
 - Building Permits (Jun)
 - Fed's Beige Book
- July 18:
 - Philadelphia Fed Manufacturing (Jul)
 - CB Leading Indicator (Jun)
 - Initial Claims
- July 19: UM Consumer Confidence Index (Jul, P)

EUROZONE

- July 16: Germany's ZEW Economic Sentiment (Jul)
- July 17:
 - EU27 New Car Registrations (Jun)
 - CPI (Jun)

GREECE

- July 19:
 - Current Account (May)
 - Turnover Index in Industry (May)

SEE

BULGARIA:

- July 15:
 - CPI (Jun)
 - Unemployment Rate (Jun)
- July 19: Current Account (May)

CYPRUS:

- July 17: CPI (Jun)

ROMANIA:

- July 15: Current Account (May)

SERBIA:

- July 19: Current Account (May)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Notwithstanding Fed Chair Jerome Powell's unambiguously dovish tone at his semi-annual testimony mid-last week, US Treasury yields continued to rise in early trade today, amid reduced expectations for an aggressive 50bps rate cut at the 30-31 July FOMC meeting following the firmer-than-expected US June core inflation report late last week. Along these lines, core European government bonds continued to rise, while better than expected Eurozone inflation data for May, have also had an impact. In FX markets, the AUD hit a 10-day high of 1.7035 against the USD earlier today favored by positive Chinese data. Elsewhere, the EUR/USD continued to hover around the middle of the 1.1200-1.1300 trading range, ahead of Tuesday's vote in the European Parliament on whether to confirm German defense minister Ursula von der Leyen as the new president of the European Commission.

GREECE: According to the ECB supervisory banking statistics for Q1 2019, for Greece the total capital ratio is 15.51% (17.99% in the Euro area), the Tier 1 ratio 14.89% (15.59% in the Euro area) and the CET1 ratio 14.88% (14.34% in the Euro area). The non-performing loans ratio stands at 41.41%, the highest in the Euro area.

SOUTH EASTERN EUROPE

SERBIA: According to official statistical data released on Friday, inflation decelerated to 1.5% YoY in June from 2.2% YoY and 3.1% YoY in May and April respectively, reaching the lower bound of the National Bank of Serbia's targeted corridor (3.0%±1.5pp).

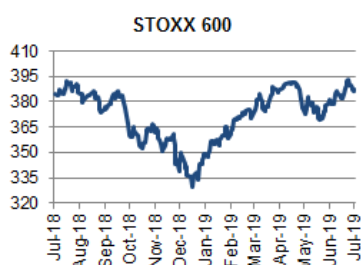
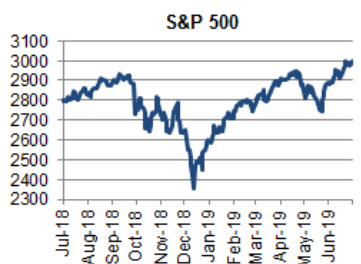
BULGARIA: The main Bulgarian equity index SOFIX gained 0.5% on a weekly basis ending at 583.78 points on Friday, amid modest volume somewhat over EUR1.4mn.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Notwithstanding Fed Chair Jerome Powell's unambiguously dovish tone at his semi-annual testimony mid-last week, US Treasury yields continued to rise in early trade today, amid reduced expectations for an aggressive 50bps rate cut at the 30-31 July FOMC meeting following the firmer-than-expected US May core inflation report that was released late last week. According to US money market forwards, the odds of an aggressive 50bps rate cut at the July meeting have reduced to less than 20% from c. 25% in the aftermath of the first leg of the Fed Chair's semi-annual testimony last Wednesday, while the probability of a 25bps rate cut is almost fully priced-in. Along these lines, core European government bonds continued to rise earlier today, with the 10-yr Bund yield hovering around -0.26% at the time of writing, not far from Friday's one-month intraday peak of -0.23% and up more than 12bps on a weekly basis. Better than expected Eurozone inflation data for May on Friday, have also had an impact. Mainly supported by pharma and auto production, industrial production rose by 0.9%MoM, above consensus for a 0.2%MoM gain, while the April's print was revised upwards by 0.1pp to -0.4%MoM, flagging some upside risks to market expectations for 0.2%QoQ GDP growth in Q2. EMU periphery government bond yields also moved higher, with Italy continuing to outperform favored by expectations for further ECB monetary policy accommodation, the shrinking share of positive-yielding Eurozone government bonds and the Italian government's success in averting the opening of an excessive deficit procedure by the European Commission after reducing the 2019 budget deficit target to 2.0% of GDP from 2.4% previously. DBRS confirmed on Friday Italy's sovereign rating at BBB with a stable outlook but warned that the 2020 fiscal outlook will be challenging while political uncertainty remains a source of concern.

In FX markets, the AUD hit a 10-day high of 1.7035 against the USD earlier today favored by positive Chinese data which provided further evidence that Chinese policy makers' stimulus measures to curb the economic slowdown that is partly due to prolonged US/China trade tensions, are feeding through. Elsewhere, the EUR/USD continued to hover around the middle of the 1.1200-1.1300 trading range, ahead of Tuesday's vote in the European Parliament on whether to confirm German Defense Minister Ursula von der Leyen as the new president of the European Commission. In terms of data releases, this week's agenda is largely centered on the US, with releases of retail sales and industrial production, both for June (Tuesday), June's housing data (Wednesday) and the June's UM consumer confidence index (Friday). In the Eurozone, this week's highlights include Germany's ZEW (Tuesday) and June inflation data (Wednesday).

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GREECE

According to the ECB supervisory banking statistics for Q1 2019, for Greece the total capital ratio is 15.51% (17.99% in the Euro area), the Tier 1 ratio 14.89% (15.59% in the Euro area) and the CET1 ratio 14.88% (14.34% in the Euro area). The non-performing loans ratio stands at 41.41%, the highest in the Euro area, followed by 20.31% in Cyprus and 11.50% in Portugal. Meanwhile, according to press reports, during a meeting between Greek PM Kyriakos Mitsotakis and SSM Head Andrea Enria, the latter has reportedly suggested that the two NPL reduction schemes proposed by the Bank of Greece (BoG) and the Hellenic Financial Stability Fund (HFSF) be incorporated into one in order to accelerate the process. As things stand, the procedure for the approval of the HFSF scheme is at a more mature stage compared to the one by the BoG. In other news, the Governor of the Bank of Greece Yiannis Stournaras stated that the BoG will recommend the lifting of all remaining capital controls as soon as possible on the grounds that they are no longer in use.

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Monday 15 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

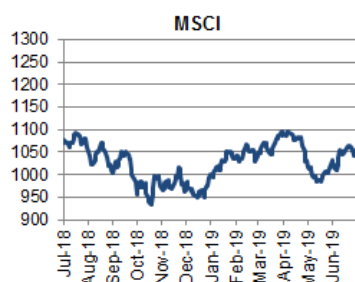
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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



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+

According to official statistical data released on Friday, inflation decelerated to 1.5% YoY in June from 2.2% YoY and 3.1% YoY in May and April respectively, reaching the lower bound of the National Bank of Serbia's targeted corridor (3.0%±1.5pp).

The main downward pressure on June's print came from food and beverages prices as they slowed down to 1.5% YoY in June compared to 2.7% YoY in May. Transport prices had also had a negative contribution to the monthly reading with their annual growth slowing to 1.4% YoY in June from 3.3% YoY in May. Regarding core inflation, it inched down to 1.4% YoY in June from 1.5% YoY in May. Even though the June's CPI drop was anticipated, the extent of the decline came in surprisingly, taking into account the robust wage and pension growth rate. On the market news front, the NBS's decision on Thursday to decrease the key interest rate from 3.00% to 2.75% contained upward pressure on the Dinar against the Euro throughout the week. That said, amid NBS purchases of approximately EUR190mn from local banks, the weekly trading range of the pair fluctuated modestly between 117.65 – 117.80. Regarding government bonds, those have not been excluded from the regional overall yield drop noticed in Q2 2019 given the dovish external environment shaped by both the ECB's and the Fed's dovish tone which has supported expectations for further policy accommodation in the months ahead. In detail, government bond yield curve flattened further with the yield spread between the 2-year and the 7-year notes narrowed by 7bps and standing at 50bps.

BULGARIA

The main Bulgarian equity index SOFIX gained 0.5% on a weekly basis ending at 583.78 points on Friday, amid modest volume somewhat over EUR1.4mn. External government bond yields dropped between 1-2 bps across all maturities, while local government yields on the short end of the curve decreased between 5-6 bps. Meanwhile, the Bulgarian Ministry of Finance will proceed with an additional issuance of 20 year local government bonds amounting to EUR 100mn by the end of the month, marking the 2nd local bond issuance for the year.

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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	LMEX	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

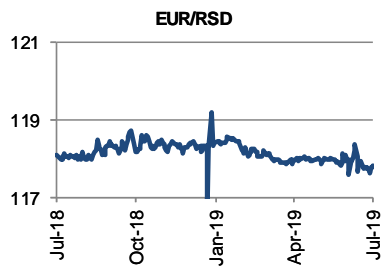
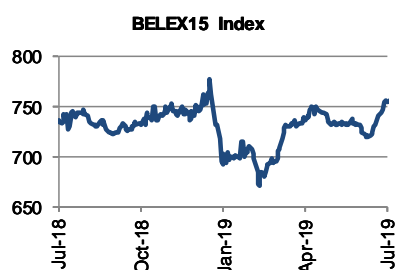
	Last	ΔDbps	ΔYTD bps
5-year	88	5	-30
10-year	135	0	-27

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

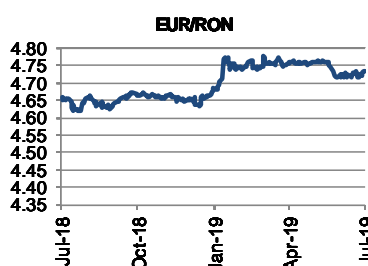
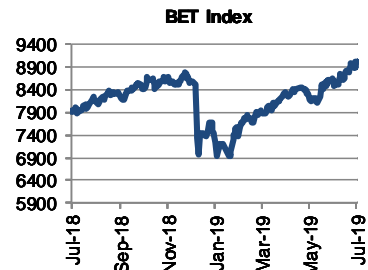
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	129	1	-4

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

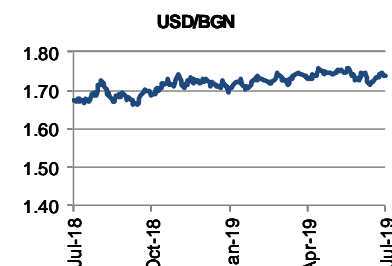
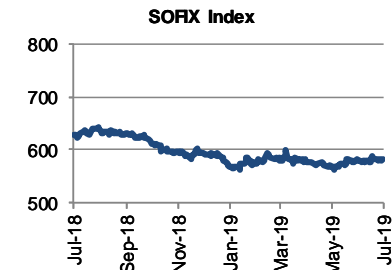
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	128	0	-13

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

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