

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: European government bonds retained yesterday's improved tone in early trade, recovering part of last week's losses, as investors seem to be back on the hunt for yield. The majority of EMU sovereign bonds outperformed Bunds, with the Italian market posting the best performance. Turning to the FX market, GBP/USD dropped below 1.2500 to levels around 1.2465/70 at the time of writing, not far from the recent six-month low of 1.2438 (9 July) amid concerns about the prospect of Eurosceptic Boris Johnson winning the Conservative party leadership contest and becoming the next PM. Elsewhere, EUR/USD was a tad lower on the day hovering close to the lower boundary of the 1.1200-1.1300 recent trading range ahead of the vote in the European Parliament on whether to confirm German Defense Minister Ursula von der Leyen as the new President of the European Commission. Both Fed Chair Jerome Powell and BoE Governor Mark Carney are scheduled to speak today, while on the data front, major releases include retail sales and industrial production data in the US ahead of Germany's ZEW survey for July.

GREECE: The ESM Managing Director Klaus Regling met yesterday with the Finance Minister Christos Staikouras and reportedly stated that there is leeway for the Greek government to choose the fiscal policy mix as long as fiscal targets are met. An offer book for a new 7-year GGB opened today with an aim of raising c. €2.5bn at a yield of less than 2%.

SOUTH EASTERN EUROPE

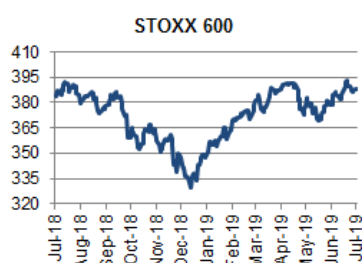
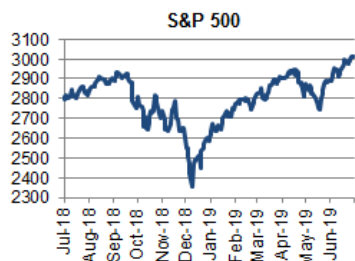
TURKEY: Fitch downgraded the long term sovereign rating of Turkey from BB to BB- with negative outlook.

DISCLAIMER

This document has been issued by Eurobank Ergasias SA (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable, but has not been verified by Eurobank, and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice, or an offer to buy or sell, or a solicitation of an offer to buy or sell, or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (expressed or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

European government bonds retained yesterday's improved tone in early trade, recovering part of last week's losses, as investors seem to be back on the hunt for yield. The 10-yr Bund yield was hovering around -0.292% at the time of writing, 5bps lower so far this week, with the yield curve resuming bull flattening. The majority of EMU sovereign bonds outperformed Bunds, with the Italian market posting the best performance, favored by expectations for further ECB monetary policy accommodation ahead, the shrinking share of positive-yielding Eurozone government bonds, DBRS's confirmation of Italy's BBB sovereign credit rating late last week 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. With the 10-yr BTP yield standing around a near two-week low of 1.62% in early European trade, the spread against its German counterpart has narrowed by c. 2bps on the day to stand close to 190bps at the time of writing, the lowest since mid-May 2018.

Turning to the FX market, GBP/USD dropped below 1.2500 to levels around 1.2465/70 at the time of writing, not far from the recent six-month low of 1.2438 (9 July) amid concerns about the prospect of Eurosceptic Boris Johnson winning the Conservative party leadership contest and becoming the next PM. The result of the Conservative leadership contest will be announced on 23 July. Poor UK economic data and recent dovish comments by BoE Governor Mark Carney that supported expectations that the next move in interest rates is more likely to be down rather than up, have also weighed on the GBP. Elsewhere, EUR/USD was a tad lower on the day hovering close to the lower boundary of the 1.1200-1.1300 recent trading range ahead of the vote in the European Parliament on whether to confirm German Defense Minister Ursula von der Leyen as the new President of the European Commission. To be confirmed as Commission President, Ms. von der Leyen needs the backing of an absolute majority (i.e., at least 376 votes in the 751-seat EP). The vote will start at 18:00 CET and is expected to end at 20:00. Both Fed Chair Jerome Powell and BoE Governor Mark Carney are scheduled to speak today, while on the data front, major releases include retail sales and industrial production data in the US ahead of Germany's ZEW survey for July.

ppetropoulou@eurobank.gr

GREECE

The ESM Managing Director Klaus Regling met yesterday with the Finance Minister Christos Staikouras and reportedly stated that there is leeway for the Greek government to choose the fiscal policy mix as long as fiscal targets are met. As a result, to the extent that income falls short of the targets, equivalent measures should be adopted to make up for the losses. The Finance Minister also met the head of the IMF's team on the Greek programme Peter Dolman and spoke on the phone with Eurogroup President Mario Centeno while today he is scheduled to meet European Commission Mission Chief for Greece Declan Costello, thus concluding the first round of communication with the institutions. In other news, an offer book for a new 7-year GGB opened today with an aim of raising c. €2.5bn at a yield of less than 2%.

andimitriadou@eurobank.gr

Latest economic & market developments in the CESEE region

TURKEY

On Friday evening, Fitch downgraded the long term sovereign rating of Turkey from BB to BB- with negative outlook. In its analysis, FITCH cited the dismissal of the Central Bank Governor Mr. Murat Cetinkaya on July 6, as the main reason behind its decision. President Erdogan's decree to dismiss the Governor highlights a deterioration in institutional independence and economic policy coherence and credibility. In addition, it heightens doubts over the authorities' tolerance for a period of sustained below-trend growth and disinflation that is considered consistent with a rebalancing and stabilization of the economy. Furthermore, it jeopardizes the inflow of foreign capital needed to meet Turkey's large external financing requirement and worsens economic outcomes.

Moreover, the rating agency highlighted that a less predictable decision-making process comes in an environment where checks and balances have been eroded, and there has been a concentration of powers in the presidency. Furthermore, the rating agency emphasized that the unorthodox views of President Erdogan on the relationship between interest rates and inflation and the change in the trade-off between growth and inflation leading to cuts in interest rates that go beyond market expectations brings the risk of currency depreciation.

igkionis@eurobank.gr

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

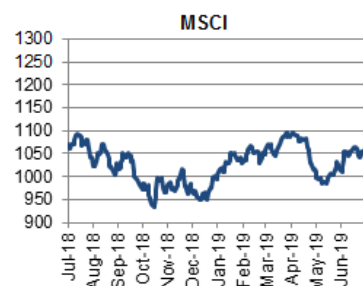
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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+

Tuesday 16 July 2019

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	3014.30	0.0%	20.2%	EUR/USD	1.1247	-0.1%	-1.9%	UST - 10yr	2.09	0	-59	GOLD	1414	0.0%	10.2%
Nikkei 225	21535.25	-0.7%	7.6%	GBP/USD	1.2468	-0.4%	-2.3%	Bund-10yr	-0.26	-1	-50	BRENT CRUDE	67	0.0%	23.6%
STOXX 600	387.64	0.0%	14.8%	USD/JPY	108.06	-0.1%	1.5%	JGB - 10yr	-0.12	-1	-12	LMEX	2834	0.7%	1.2%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	1.94	-3	-50
1-week	2.02	-4	-54
1-month	2.33	-2	-40
3-month	2.66	-2	-37
6-month	2.80	-3	-38

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.59	0	-47
5Y RSD	3.07	0	-44
7Y RSD	3.34	0	-81

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.85	0	-115

CDS

	Last	ΔDbps	ΔYTD bps
5-year	n/a	#VALUE!	#VALUE!
10-year	n/a	#VALUE!	#VALUE!

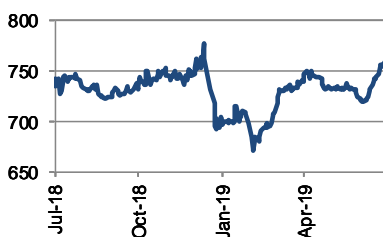
STOCKS

	Last	ΔD	ΔYTD
BELEX15	759.5	0.02%	-0.28%

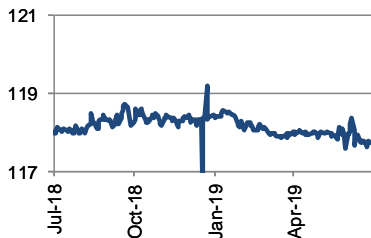
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.69	0.06%	0.47%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.19	-6	110
1-month	2.86	0	99
3-month	3.13	-2	108
6-month	3.31	0	104
12-month	3.49	1	117

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.62	0	-41
5Y RON	4.06	0	-28
10Y RON	4.53	0	-28

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.79	-	-75
USD Jan-24	3.05	-2	-119

CDS

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

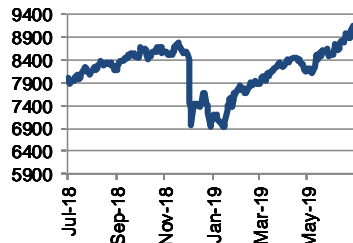
STOCKS

	Last	ΔD	ΔYTD
BET	9166.4	0.23%	24.14%

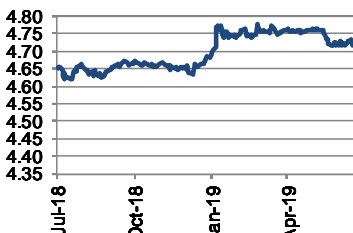
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7325	-0.02%	-1.66%

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	-0.24	-3	-19
5Y BGN	-0.06	-7	-17
10Y BGN	0.25	0	-50

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.15	-4	-11
EUR Sep-24	0.03	-1	-45

CDS

	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	-1	-16

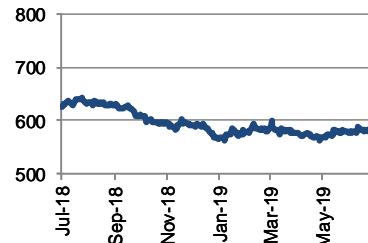
STOCKS

	Last	ΔD	ΔYTD
SOFIX	578.0	-0.32%	-2.77%

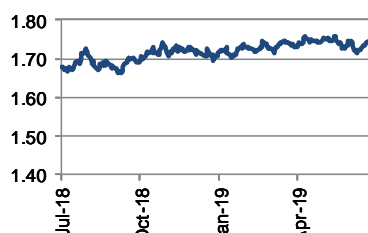
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7397	-0.13%	-1.97%

SOFIX Index



USD/BGN



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

Data updated as of 10:20 EEST

Tuesday 16 July 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

Maria Kasola

Economic Analyst, Eurobank
Ergasias
+30 210 33 18 708
mkasola@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

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 3718 793

Marisa Yiannisis: 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

Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- 7 Ημέρες Οικονομία: Weekly review of the Greek economy
- Greece Macro Monitor - Focus Notes: Periodic publication on the latest economic & market developments in Greece
- Economy & Markets: Analysis & research on the Greek and international economy
- Regional Economics & Market Strategy Monthly: Monthly edition on economic & market developments in the region
- Emerging Markets Special Focus Reports: Periodic publication on specific EM economy and markets developments
- Daily Overview of Global markets & the SEE Region: Daily overview of key macro & market developments in Greece, regional economies & global markets
- Global Macro Themes & Market Implications for the EA Periphery and the CESEE: Monthly review of the international economy and financial markets
- Global Markets Special Focus Reports: Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

Follow us on twitter: https://twitter.com/Eurobank_Group

