

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- June 17:
 - Empire Manufacturing (Jun)
 - NHAB Housing Market Index (Jun)
- June 18:
 - Housing Starts (May)
 - Building Permits (May)
- June 19: FOMC Rate Decisions
- June 20:
 - Current Account Balance (Q1, 2019)
 - Initial Jobless Claims (15/06)
 - Retail Sales Advance (May)
- June 21:
 - Existing Home Sales (May)
 - Markit Manufacturing, Services, Composite PMI (June, prel)

EUROZONE

- June 17:
 - CPI & CPI Core (May)
 - ZEW Survey Current Situation & Expectations (Germany, Jun)
- June 18:
 - EU 28 New Car Registrations (May)
 - CPI (May)
 - ZEW Survey Expectations (Jun)
- June 20: Consumer Confidence (Jun, prel)
- June 21: Markit Manufacturing, Services, Composite PMI (June, prel)

GREECE

- June 19-20: Current Account Balance (Apr)

SEE

BULGARIA:

- Jun 19: Current Account Balance (Apr)

TURKEY:

- Jun 18: Industrial Production (Apr)

SERBIA

- June 19: Current Account Balance (Apr)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Most Asian bourses edged up in today's session but gains were limited while major European equity markets opened slightly lower in early trade as investors adopt a cautious stance ahead of this week's two-day FOMC monetary policy meeting, which will conclude late on Wednesday. Adding to market cautiousness, investors keep a close eye on the annual ECB annual Forum on Central Banking in Portugal that commenced on Monday and will conclude on Wednesday, for potential clues about future ECB policy actions. Meanwhile, USTs retained a positive tone with the 10-yr yield hovering around 2.07% in early European trade at the time of writing, close to last week's 1½-year low of 2.05%. Along these lines, the 10-yr Bund yield was standing within distance from last Friday's -0.271% fresh record low, while the 5Y5Y EUR forward inflation rate marked a new all-time low close to 1.13% earlier today. In FX markets, the GBP extended recent losses on the back of mounting worries over a no-deal Brexit.

GREECE: According to ESMTAT, the production index in construction (working day adjusted) for Q1 2019 recorded an annual increase of 18.5% while the corresponding rate of change in Q1 2018 was -0.7%. The overall index of persons employed in retail trade in Q1 2019 decreased by 1.0%YoY while in Q1 2018 it had increased 0.9%.

SOUTH EASTERN EUROPE

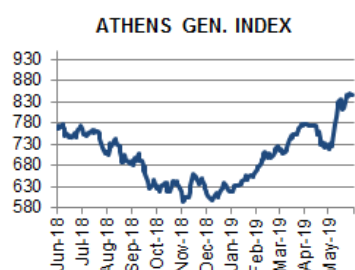
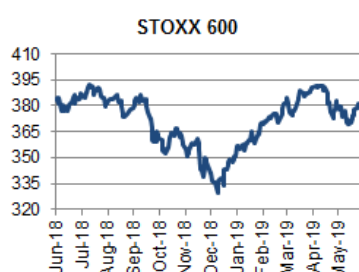
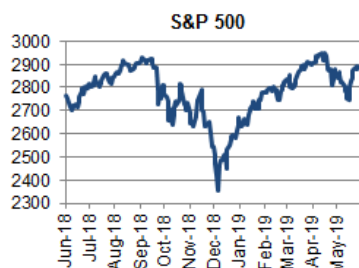
CYPRUS: Consumer prices, measured by HICP, decelerated to +0.9% MoM/+0.2% YoY in May vs. +1.3% MoM/+1.2% YoY in April.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Most Asian bourses edged up in today's session but gains were limited, while major European equity markets opened slightly lower as investors adopt a cautious stance ahead of this week's two-day FOMC monetary policy meeting, which will conclude late on Wednesday. While the Committee is widely expected to stay put on interest rates, it is highly likely that it will adopt a more dovish stance following renewed US/China trade tensions and tighter financial market conditions. However, it remains to be seen whether it will sound dovish enough to verify current market expectations for three rate cuts within the next 12 months. Adding to market cautiousness, investors keep a close eye on the ECB's annual Forum on Central Banking in Portugal that commenced on Monday and will conclude on Wednesday, for potential clues about future ECB policy actions. In his introductory remarks earlier this morning, ECB President Mario Draghi reiterated that risks remain skewed to the downside and additional stimulus will be needed if the Eurozone's outlook does not improve. Mario Draghi will participate in a panel discussion this afternoon with former Fed Chair Janet Yellen and BoE Governor Mark Carney and he will deliver closing remarks tomorrow afternoon.

Meanwhile, USTs retained a positive tone with the 10-yr yield hovering around 2.07% in early European trade at the time of writing, close to last week's 1 ½-year low of 2.05%, supported by yesterday's data showing a record monthly fall in June's New York Fed Empire business index to the lowest level in more than 2 ½ years. Along these lines, the 10-yr Bund yield was standing within distance from last Friday's -0.271% fresh record low, while the 5Y5Y EUR forward inflation rate marked a new all-time low close to 1.13% earlier today. In FX markets, after hitting a peak close to 1.1350 late last week, the EUR/USD has moved lower hovering slightly above the 1.1200 level at the time of writing, dented by dovish comments by a number of ECB officials over the last few sessions. Elsewhere, the GBP extended recent losses on the back of mounting worries over a no-deal Brexit. The GBP/USD tested levels close to 1.2500 earlier today for the first time since early January and the EUR/GBP marked a five-month peak of 0.8974 on the view that pro-Brexit Boris Johnson remains the favorite for winning the Tory leadership contest, after clearly winning the first round of votes last week. The second ballot of Conservative MPS will take place today and further votes are scheduled for 19 and 20 June, if needed, until there are just two candidates left.

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GREECE

According to the Hellenic Statistical Authority (ESLTAT), the production index in construction (working day adjusted) for Q1 2019 recorded an annual increase of 18.5% while the corresponding rate of change in Q1 2018 was -0.7%. On a quarterly basis, the seasonally adjusted production index in construction declined by 7.2% while in Q4 2018 it had increased 0.7%QoQ. Meanwhile, the overall index of persons employed in retail trade in Q1 2019 decreased by 1.0%YoY while in Q1 2018 it had increased 0.9%. The said index seasonally adjusted decreased by 0.2%QoQ against a decrease of 1.4%QoQ recorded in Q4 2018. On the privatisations front, according to press reports three Joint Ministerial Decisions (JMDs) that are still pending constitute pre-requisites for the completion of the casino tender. The said JMDs reportedly concern the residential planning, the commercial real estate development and the planning for the park. Although the deadline for the submission of binding offers for the casino expires on 28 June, an extension thereof for after the 7 July elections is a likely scenario.

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Latest economic & market developments in the CESEE region

CYPRUS

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

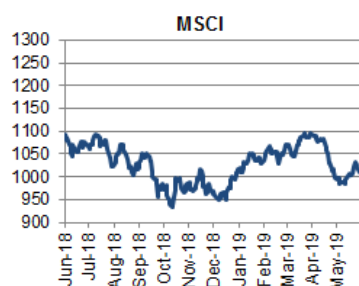
* ESA 2010

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

Consumer prices, measured by HICP, moderated further in Q2-2019. Having jumped to -0.8% MoM/+2.1% YoY in January up from -0.9% MoM/+1% YoY in December, HICP moderated in the following months coming at +0.9% MoM/+0.2% YoY in May vs. +1.3% MoM/+1.2% YoY in April. The biggest increase on an annual basis was observed in the category of Utilities (+0.6% MoM/+5.8 YoY vs. -0.7% MoM/+6.4% YoY), which reflect the passing through of rising world energy prices and the subsequent increase in the local electricity tariffs. As of May, the rise of energy prices and volatile food (fruit and vegetables) accounted for 0.1 ppts and -0.1ppts respectively while non-energy industrial goods subtracted another -0.5ppts from and services added another 0.6ppts to the headline respectively. As a result, the average annual HICP came down to +1.1% YoY in Jan-May 2019 vs. 0.8% YoY in FY2018, up from -1.2% YoY in FY2016, -1.4% YoY in FY2015 and -0.7% YoY in FY2014.

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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+

Tuesday 18 June 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	2889.67	0.1%	15.3%	EUR/USD	1.1239	0.2%	-2.0%	UST - 10yr	2.07	-2	-61	GOLD	1346	0.4%	4.9%
Nikkei 225	20972.71	-0.7%	4.8%	GBP/USD	1.2535	0.0%	-1.8%	Bund-10yr	-0.25	-1	-49	BRENT CRUDE	61	-0.5%	12.7%
STOXX 600	377.08	-0.4%	11.7%	USD/JPY	108.24	0.3%	1.3%	JGB - 10yr	-0.13	0	-13	LMEX	2748	0.1%	-1.9%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.21	0	-23
1-week	2.31	-1	-25
1-month	2.53	-1	-20
3-month	2.97	1	-6
6-month	3.10	1	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.94	-1	-12
5Y RSD	3.37	0	-13
7Y RSD	3.57	0	-59

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.48	-1	-152

CDS

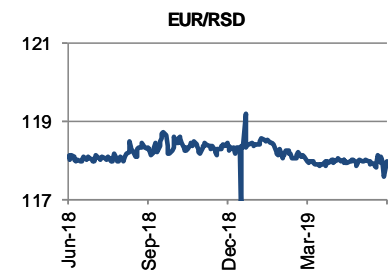
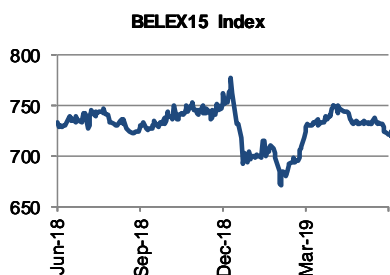
	Last	ΔDbps	ΔYTD bps
5-year	97	-1	-21
10-year	140	-1	-22

STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.5	-0.34%	-5.41%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.10	-0.08%	0.11%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.65	n/a	156
1-month	3.07	n/a	120
3-month	3.24	n/a	119
6-month	3.37	n/a	110
12-month	3.54	n/a	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.78	0	-25
5Y RON	4.24	0	-10
10Y RON	4.58	0	-23

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.07	-	-47
USD Jan-24	3.02	-1	-121

CDS

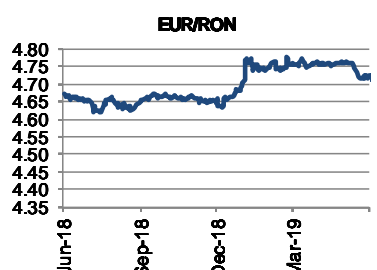
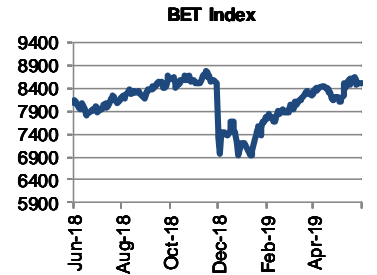
	Last	ΔDbps	ΔYTD bps
5-year	88	0	-2
10-year	133	0	-1

STOCKS

	Last	ΔD	ΔYTD
BET	8517.0	0.15%	15.35%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7245	-0.13%	-1.49%



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	-0.34	-1	-28
5Y BGN	-0.10	0	-22
10Y BGN	0.35	#N/A	N/A

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.11	0	-7
EUR Sep-24	0.10	0	-38

CDS

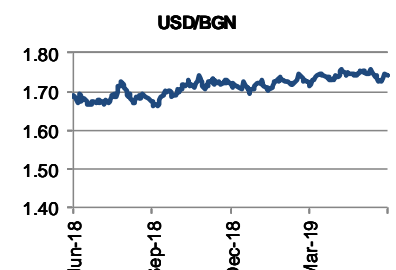
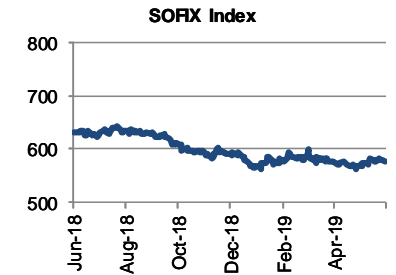
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	576.9	-0.06%	-2.96%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7406	0.17%	-2.02%



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

Data updated as of 10:10 EEST

Tuesday 18 June 2019

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