

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: Market participants returned to risk-off mode today with Asian bourses performing poorly and European equity markets opening lower amid fears over a further escalation in the US/China trade dispute. Market concerns that the prolonged US/China trade dispute could hurt corporate earnings and disappointing data yesterday from both sides of the Atlantic, have also weighed on market sentiment towards risky assets. New car registrations in the EU resumed their downtrend in June falling by 7.8%YoY, the biggest decline this year and the ninth drop in the last ten months, while US housing starts and building permits data for June disappointed, suggesting that the housing market continues to slow down despite declining mortgage rates. Against this background, US Treasuries gained and European government bonds followed suit with periphery markets outperforming Bunds. In FX markets, the USD weakened on lower UST yields.

GREECE: In an interview at local TV station ERT, ESM Managing Director Klaus Regling stated that at the moment changing the agreed fiscal targets is not relevant and that both the Prime Minister and the Finance Minister confirmed that for this and the next year the agreed fiscal targets are not put into question. The European institutions will return to Athens in September to analyse policy measures in detail. In other news, according to press, cabinet members are to informally meet representatives of Greece's creditors (EC, ESM, ECB and IMF) today.

SOUTH EASTERN EUROPE

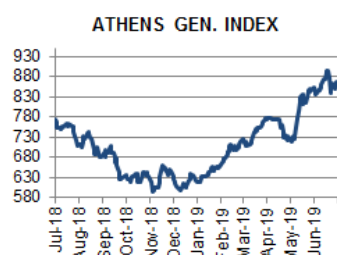
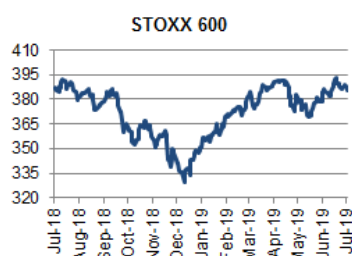
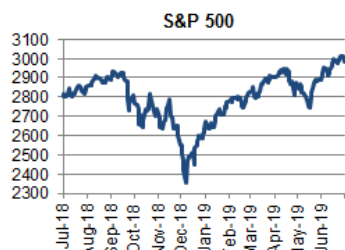
CESEE MACRO DEVELOPMENTS: At a meeting in Belgrade yesterday with Serbian Prime Minister, Mrs. Ana Brnabic, Alfonso Garcia Mora, Director for Finance, Competitiveness and Innovation at the World Bank (WB), said that Serbia needs to continue with macroeconomic reforms and create a more dominant private sector. In turn, the Prime Minister said that the government will continue investing in education and development of modern economy through the digitalization channel and confirmed the government's forecast for a 3.5% GDP growth rate in 2019, which matches the forecast of the WB. Elsewhere in the region, while data for Serbia's and Bulgaria's current account (CA) in May are due tomorrow, respective preliminary data for Romania was published by the central bank earlier in the week. Despite the fact that the CA deficit may have widened by 34.6% YoY to EUR 1.21bn in May, the growth rate moderated significantly from ca 94% YoY in April, remaining mostly fueled by the merchandise trade deficit.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market participants returned to risk-off mode today with Asian bourses performing poorly and European equity markets opening lower amid fears over a further escalation in the US/China trade dispute. Speaking at a Cabinet meeting earlier this week, US President Donald Trump stressed that the US and China have a long way to go to seal a trade deal and warned that the US administration could impose tariffs on an additional \$325bn worth of Chinese imports, if needed. The above comments were followed by a WSJ report yesterday suggesting that US/China trade talks look to have stalled; the US administration is concerned that China may not fulfill the agreement reached on the sidelines of the G20 meeting last month for purchases of US agricultural products and evaluates how to address China's demands for looser restrictions on Huawei. Market concerns that the prolonged US/China trade dispute could hurt corporate earnings and disappointing data yesterday from both sides of the Atlantic, have also weighed on market sentiment towards risky assets. Reflecting the negative impact of prolonged global trade uncertainty, new car registrations in the EU resumed their downtrend in June falling by 7.8%YoY, the biggest decline this year and the ninth drop in the last ten months. Turning to the US, housing starts dropped by a higher than expected 0.9% in June to a seasonally adjusted annual rate of 1.253million units and building permits fell by 0.6% to a rate of 1.220 million units, the lowest level since May 2017, suggesting that the housing market continues to slow down despite declining mortgage rates. Against this background, US Treasuries gained and European government bonds followed suit with periphery markets outperforming Bunds. In FX markets, the USD weakened on lower UST yields. Meanwhile, EUR/USD range trading prevails on market anxiety ahead of the upcoming policy meetings by both the Fed and the ECB later this month. Favored by the weaker USD, GBP/USD gained some ground remaining though well below 1.2579 recent peak (15 July) amid rising fears of a "no-deal" Brexit scenario ahead of the likely appointment of Eurosceptic Boris Johnson as the new Conservative Party leader and UK PM.

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GREECE

In an interview at local TV station ERT, ESM Managing Director Klaus Regling stated that at the moment changing the agreed fiscal targets is not relevant and that both the Prime Minister and the Finance Minister confirmed that for this and the next year the agreed fiscal targets are not put into question, particularly as the 2020 Budget is put together. Nevertheless, he added that the ESM perspective covers the next 40 years and will continue to conduct debt sustainability analyses where debt relief, growth, fiscal measures and fiscal balance are looked at together and this can change over time. As regards the tax reform measures that the new government is contemplating, the ESM Head stated that corporate and personal income tax rates are high in Greece and in principle their reduction would be positive as it would promote growth, but the question is how that reduction in income tax would be financed. He added that one way to lower the personal income tax rate is to broaden the tax base, because the number of people who pay income tax in Greece is relatively small compared to all other European countries. The European institutions will return to Athens in September to analyse policy measures in more detail. In other news, according to press, cabinet members are to informally meet representatives of Greece's creditors (EC, ESM, ECB and IMF) today. The meetings were requested by the institutions' representatives on the occasion of their presence in Athens to attend an international conference. The meetings will be attended among others, by officials from the Ministries of Finance, Development, Labour, Energy and Justice.

Latest economic & market developments in the CESEE region

CESEE MACRO DEVELOPMENTS

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

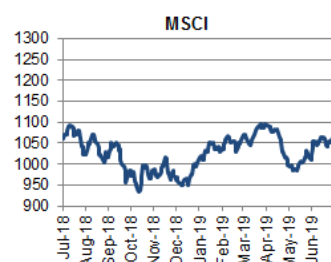
* ESA 2010

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 a meeting in Belgrade yesterday with Serbian Prime Minister Ana Brnabic, Alfonso Garcia Mora, Director for Finance, Competitiveness and Innovation at the World Bank (WB), said that Serbia needs to continue with macroeconomic reforms and create a more dominant private sector. He noted that further progress is required to increase competitiveness, mainly in the field of technology and innovations, but also in agriculture. The WB official praised the results achieved within e-government saying the latter should help improve the business environment and create a more transparent and efficient public administration. PM Brnabic said in turn that the government will continue investing in education and development of modern economy through the digitalization channel. She also stated that the government has been working on modernising the Tax Administration and that in the coming days a set of laws will be adopted that will promote e-commerce further, whereas in the autumn a number of laws in the field of intellectual property and investment funds will follow. The Prime Minister confirmed the government's forecast for a 3.5% GDP growth rate in 2019, which matches the forecast of the WB.

We recall that, recently, the WB published a new growth strategy note for Serbia, according to which, by expanding 3% on average in the last three years, Serbia's real GDP growth remains below potential. According to the note, Serbia is well-positioned to turn itself into a fast-growing and sophisticated modern economy, driven by the private sector. A new wave of structural reforms would be necessary to achieve this. Under a new growth strategy, Serbia could speed up growth, enable catching up with its peers in the CESEE region and accelerate convergence with the EU. Hypothetically speaking, if Serbia achieved the level of Germany's performance in such areas as financial sector depth, human capital, and product market competition, it could grow at 7% per year, doubling its GDP in a decade.

Elsewhere in the region, while data for Serbia's and Bulgaria's current account (CA) for May are due tomorrow, respective preliminary data for Romania was published by the central bank earlier in the week. Despite the fact that the CA deficit may have widened by 34.6% YoY to EUR 1.21bn in May, the growth rate moderated significantly from ca 94% YoY in April, remaining mostly fueled by the merchandise trade deficit. Even though the deterioration in May is milder than in April, this happens at a moment when the Romanian government needs to confront with the possibility of a fiscal slippage as the budget deficit execution approaches figures close to 3% of GDP. Therefore, the Romanian Ministry of Finance is preparing a package of fiscal measures worth 0.4% of GDP that should be officially presented by the end of this month.

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Thursday 18 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	2984.42	-0.7%	19.1%	EUR/USD	1.1237	0.1%	-2.0%	UST - 10yr	2.05	0	-64	GOLD	1421	-0.4%	10.8%
Nikkei 225	21046.24	-2.0%	5.2%	GBP/USD	1.2459	0.2%	-2.4%	Bund-10yr	-0.31	-2	-55	BRENT CRUDE	64	-0.1%	18.2%
STOXX 600	385.43	-0.6%	14.2%	USD/JPY	107.74	0.2%	1.8%	JGB - 10yr	-0.13	-1	-13	LMEX	2854	-0.1%	1.9%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	1.91	-2	-53
1-week	1.99	-1	-57
1-month	2.30	-2	-43
3-month	2.62	-3	-41
6-month	2.76	-3	-42

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.56	-3	-50
5Y RSD	3.17	0	-34
7Y RSD	3.33	-1	-82

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.81	-2	-119

CDS

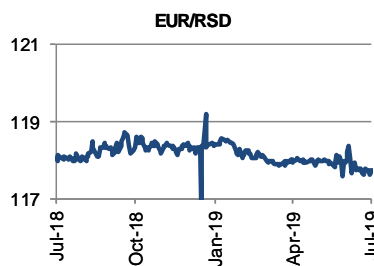
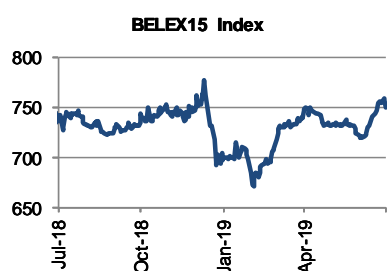
	Last	ΔDbps	ΔYTD bps
5-year	n/a		
10-year	134	0	-28

STOCKS

	Last	ΔD	ΔYTD
BELEX15	750.4	-0.95%	-1.49%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.81	-0.04%	0.37%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.07	0	98
1-month	2.86	0	99
3-month	3.14	0	109
6-month	3.31	0	104
12-month	3.48	0	116

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.60	0	-43
5Y RON	4.07	0	-27
10Y RON	4.52	0	-29

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.80	-	-74
USD Jan-24	3.03	0	-120

CDS

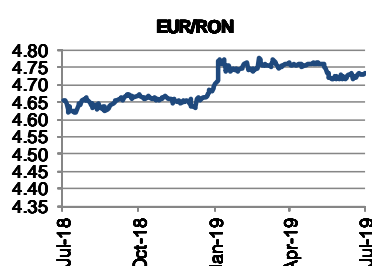
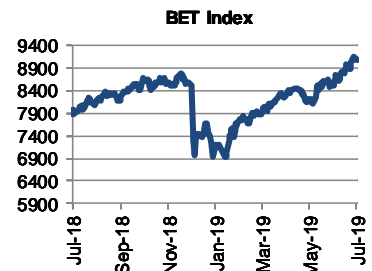
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	129	0	-5

STOCKS

	Last	ΔD	ΔYTD
BET	9074.8	-0.18%	22.90%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7323	-0.01%	-1.65%



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	-0.26	-2	-19
5Y BGN	-0.04	-1	-15
10Y BGN	0.28	0	-47

87.94

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.16	0	-12
EUR Sep-24	0.03	1	-46

CDS

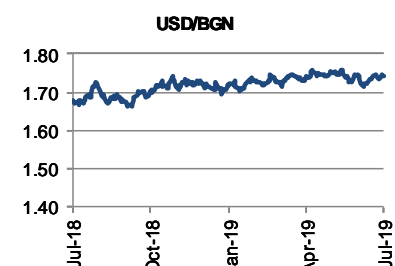
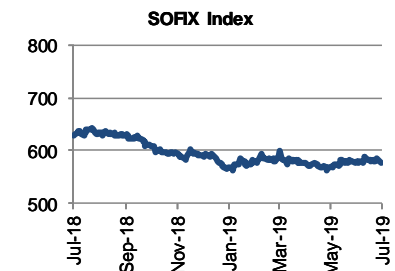
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-17

STOCKS

	Last	ΔD	ΔYTD
SOFIX	576.9	-0.06%	-2.95%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7406	0.10%	-2.02%



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

Data updated as of 10:10 EEST

Thursday 18 July 2019

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