



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday 19 July 2019

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 sentiment towards risk assets improved in early trade on Friday with Asian bourses ending higher followed by modestly firmer European equity markets in the early hours of today's trading, on new dovish Fed signals. Meanwhile, USTs remained well supported while European government bonds continued to move higher supported by a Bloomberg story suggesting that ECB staff has begun a preliminary study on a potential revamp of the central bank's inflation target. In FX markets, the EUR/USD continued to struggle around the mid of the 1.1200-1.1300 recent range as investors retain a cautious tone ahead of the upcoming policy meetings by both the Fed and the ECB later this month. Elsewhere, the GBP gained some ground across the board on stronger than expected UK retail sales and news that UK MOs voted for a plan to prevent the next PM from proroguing parliament to push through a no-deal Brexit without the parliament's consent.

GREECE: According to press, the Greek government is working on a tax bill that will incorporate amendments to the property tax, a number of other real estate taxes and the scheme for the settlement of debts to the tax authorities and the social security funds. A second bill will foresee changes to the income tax rates on persons and corporations.

SOUTH EASTERN EUROPE

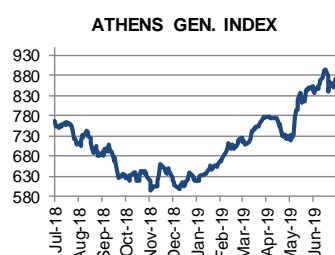
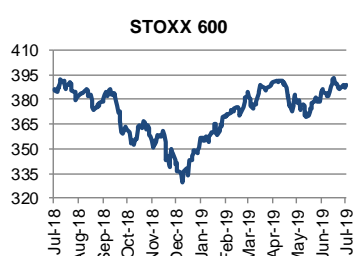
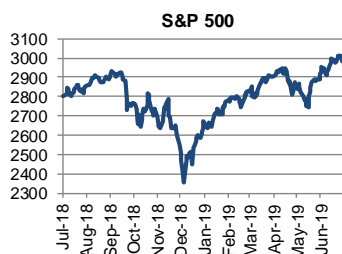
CYPRUS: Moody's warned that amendments to the loan-collateral foreclosure framework hampers banks' efforts to reduce problem loans.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market sentiment towards risk assets improved in early trade on Friday with Asian bourses ending higher followed by modestly firmer European equity markets in the early hours of today's trading, on new dovish Fed signals. Speaking at the annual meeting of the Central Bank Research Association in N.Y. yesterday, New York Fed President John Williams argued for preemptive stimulus measures noting that, although US economic data remain healthy, the economic outlook looks uncertain and that, it's better for central bankers "to act quickly" when rates are low and economic growth is slowing, rather than "to wait for economic disaster to unfold". In a similar tone, Fed Vice Chairman Richard Clarida noted during a television interview that central bankers should act based on their assessment over the economic growth outlook rather than to wait until things get much worse and "a dramatic series of rate cuts" is needed. In a knee-jerk reaction to the above dovish remarks which reinforced expectations of quick and aggressive Fed action, Fed Funds futures assigned a probability of around 70% for a 50bps rate cut at the July meeting before easing back to around 45% after a New York Fed spokeswoman clarified that John Williams's comments were not about potential rate action at the upcoming FOMC policy meeting. Meanwhile, the probability of a 25bps rate cut has been reduced to around 55%.

Against this background, USTs remained well supported, with the 10-yr yield hovering around 2.05% in early European trade at the time of writing, not far from yesterday's 2.03% settlement, which was the lowest in the last two weeks. European government bonds continued to move higher supported by a Bloomberg story suggesting that ECB staff has begun a preliminary study on a potential revamp of the central bank's inflation target, with EMU periphery sovereign bonds outperforming Bunds on the view that a revision to the ECB's inflation mandate would support the "hunt-of-yield". In FX markets, the USD was 0.2% firmer from yesterday's two-week intraday lows, but still below a multi-session peak of 97.444 hit earlier this week. The EUR/USD continued to struggle around the mid of the 1.1200-1.1300 recent range as investors retain a cautious tone ahead of the upcoming policy meetings by both the Fed and the ECB later this month. Elsewhere, the GBP gained some ground across the board on stronger than expected UK retail sales and news that UK MPs voted for a plan to prevent the next PM from proroguing parliament to push through a no-deal Brexit without the parliament's consent.

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GREECE

According to press, the Greek government is working on a tax bill that will incorporate amendments to the property tax, a number of other real estate taxes and the scheme for the settlement of debts to the tax authorities and the social security funds. A second bill will foresee changes to the income tax rates on persons and corporations. The aim of the government is reportedly to have the first bill voted by early August. In other news, the issue of the Public Power Corporation was discussed at the meeting between the Minister of Energy Kostis Hatzidakis and the institutions and more information about the government's intentions on this matter will be revealed at its programmatic statement this weekend. It is reminded that the second tender for the sale of two lignite-fired PPC units that expired this week failed as well, as no binding offers were submitted.

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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

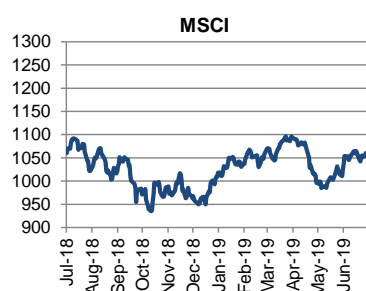
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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



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+

Moody's rating agency warned on Thursday that the amendments approved by the parliament to the legal framework governing foreclosures were "credit negative", as it expected that they would hamper banks' efforts to reduce problem loans. Recall that late last week the opposition parties' individual initiatives culminated in approving a new legislation. With a majority of 35MPs in favor and 15MPs against, the parliament endorsed amendments to the reformed insolvency and foreclosure frameworks. The amendments to the existing legislation partially or completely reverse some of the provisions of the reformed frameworks. First of all, the new law prolongs the process of the foreclosure so that according to their representatives, banks will not be able to foreclose the collateral property before 14-16 months after the first delay in debt servicing is noticed. Among other modalities, distressed borrowers have now gained the right to file an appeal to the court system against the banks for failing to exhaust efforts to restructure their loans, enabling strategic defaulters to make use of it.

Firstly, the new regulations provide: i) an extension to the deadline for repayment of due amounts from the date of the first notice from thirty to forty-five days ii) the appointment of two appraisers from the list of the Cadastre director for the determination of the market value of mortgaged property iii) the obligation of the mortgagee to inform interested buyers about the mortgage property iv) a prolongation of the period that the reservation selling price is maintained at 80% of the market value from 3 months to 6 months and 50% of the market value is preserved as a selling reserve price indefinitely v) an extension to the period following the auction notice from thirty to forty-five days so that there is sufficient time for the distressed borrower to react and secure better reserved prices.

Secondly, the new law foresees a freeze in foreclosures eligible to join the ESTIA government plan until September 1st. The suspension of all foreclosure proceedings aims to act as an additional safeguard for homeowners who could be eligible for ESTIA. Advocates of the legislation suggest that this is necessary to ensure that no primary residences will be foreclosed until it is clear who is eligible for the ESTIA scheme.

Overall, the amendments have been heavily criticized as not supportive of the banking sector, rendering creditors at a disadvantaged position to pursue the foreclosure of the collateral properties in an efficient manner. If they do remain in place it could result in the backtracking of the NPEs cleaning up process, an increase of the borrowing costs and most probably an increase in both the provisioning needs and the capital requirements of the Cypriot banks especially ahead of next year's stress test. Last but not least, they constitute damage to the credibility and prestige of the Republic because of the change of rules for the investors who have already acquired NPEs portfolios, which will likely be sold at lower prices than estimated in the future.

Friday 19 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	2995.11	0.4%	19.5%	EUR/USD	1.1262	-0.1%	-1.8%	UST - 10yr	2.04	1	-65	GOLD	1438	-0.5%	12.2%
Nikkei 225	21466.99	2.0%	7.3%	GBP/USD	1.2522	-0.2%	-1.9%	Bund-10yr	-0.33	-2	-57	BRENT CRUDE	63	1.4%	16.7%
STOXX 600	388.81	0.5%	15.2%	USD/JPY	107.6	-0.3%	2.0%	JGB - 10yr	-0.14	-1	-14	LMEX	2864	0.4%	2.2%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	1.91	0	-53
1-week	1.98	-1	-58
1-month	2.29	-1	-44
3-month	2.60	-2	-43
6-month	2.73	-3	-45

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.56	-1	-50
5Y RSD	3.17	0	-33
7Y RSD	3.36	0	-79

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.81	0	-119

CDS

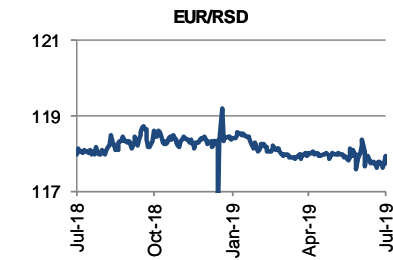
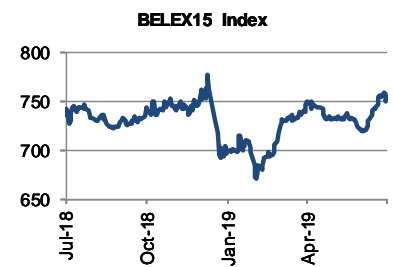
	Last	ΔDbps	ΔYTD bps
5-year	87	-1	-31
10-year	133	-1	-29

STOCKS

	Last	ΔD	ΔYTD
BELEX15	754.9	0.61%	-0.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.66	0.39%	0.49%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.76	0	67
1-month	2.84	0	97
3-month	3.13	0	108
6-month	3.29	0	102
12-month	3.46	0	114

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.58	0	-46
5Y RON	4.06	0	-28
10Y RON	4.51	0	-31

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.80	-	-74
USD Jan-24	3.03	0	-121

CDS

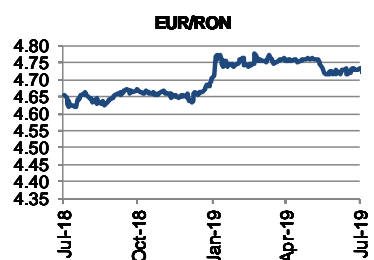
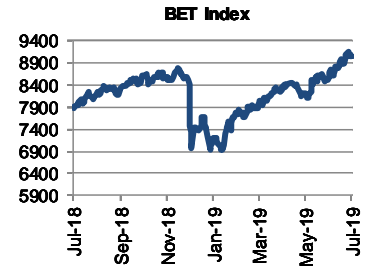
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	129	0	-5

STOCKS

	Last	ΔD	ΔYTD
BET	9060.2	0.04%	22.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7334	-0.07%	-1.68%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	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	-0.29	-3	-24
5Y BGN	-0.08	-2	-19
10Y BGN	0.32	0	-44

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.22	0	-20
EUR Sep-24	0.00	0	-48

CDS

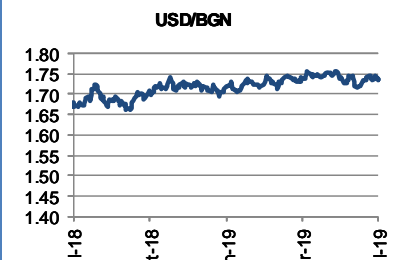
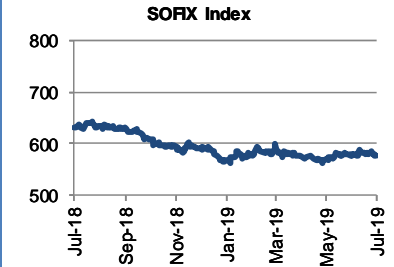
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-17

STOCKS

	Last	ΔD	ΔYTD
SOFIX	577.0	0.00%	-2.94%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7367	-0.14%	-1.80%



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

Data updated as of 10:25 EEST

Friday 19 July 2019

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