

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 20 May 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- May 20: Chicago Fed National Activity Index (Apr)
- May 21: Existing Home Sales (Apr)
- May 22: FOMC minutes of May 1 meeting
- May 23:
 - Markit Manufacturing, Services, Composite PMI (May, prel.)
 - Initial Jobless Claims (May 18)
 - New Home Sales (Apr)
- May 24: Durable Goods Order (Apr, prel.)

EUROZONE

- May 21: Consumer Confidence (May)
- May 23:
 - Markit Manufacturing, Services, Composite PMI (May, prel.)
 - GDP (Germany, Q1, flash)
 - IFO Business Climate (Germany, May)
- May 23-26: EU elections

GREECE

- May 21: Current Account Balance (Mar)

SEE

BULGARIA:

- May 20: Current Account Balance (Mar)

ROMANIA:

- May 24: M3 (Apr.)

SERBIA

- May 24: Real Gross Wages (Mar)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of Asian bourses closed modestly higher today, amid hopes that a US/China trade deal could finally be agreed upon after the US announced on Friday that they reached a deal with Canada to lift tariffs of 25% on steel and 10% on aluminum. However, European bourses opened lower, weighed down by market anxiety ahead of the European elections that will be held from Thursday to Sunday. In FX markets, the AUD was among the key outperformers in early European trade, favored by the unexpected victory of the incumbent centre-right Liberal National Coalition at the 18 May federal election in Australia. Elsewhere, the GBP extended recent losses, amid fears over increased UK political uncertainty. On the data front, this week's major releases include US Markit preliminary PMIs, euro area flash PMIs and the German IFO Business Climate Index, all for May and due on Thursday.

GREECE: GGB yields subsided in the past sessions with the 10-yr GGB yield closing at 3.455% on Friday and currently trading at 3.409% after having climbed to 3.585% last week while the 5-yr benchmark yield has retreated to 2.163% at the time of writing after hitting 2.470% last week, a more than a 1-month high. Focus this week turns to the European Parliament elections on 26 May and the turnover index in industry for March 2019.

SOUTH EASTERN EUROPE

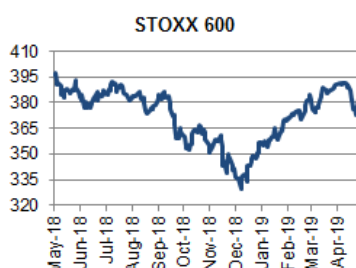
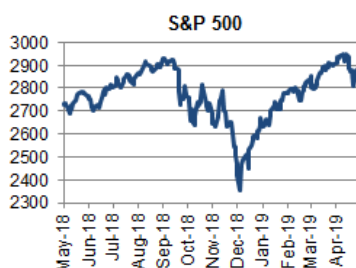
CESEE MARKETS & MACRO DEVELOPMENTS: The majority of emerging assets weakened throughout the previous week with both the MSCI Emerging Markets equity and currency indices posting losses with investors' appetite for risk assets remaining, along these lines, tepid, amid worries over the progress of a trade deal between the US and China and the consequences of the recent retaliatory measures adopted from each side. Elsewhere in the region, the Polish yields concluded the week on a firmer tone (+50bps since last Wednesday, currently at 2.887), broadly backed by the stronger than expected GDP flash estimate for Q1 which came in at 4.6% YoY vs the 4.4% YoY market consensus while in the local FX markets, the EUR/RSD maintained its adrift pattern moving just a few bps lower on a weekly chart, staying however within the common range of 117.85 – 118.00.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of Asian bourses closed modestly higher today, amid hopes that a US/China trade deal could finally be agreed upon after the US announced on Friday that they reached a deal with Canada to lift tariffs of 25% on steel and 10% on aluminum. These tariffs were imposed on both Canada and Mexico in March 2018 on grounds of “national security” and were viewed as a key hurdle for those countries to approve the US-Mexico-Canada Agreement (USMCA), the trilateral trade deal that will replace the North American Free Trade Agreement (NAFTA). Data from Japan showing an unexpected acceleration in Q1 GDP at an annualized growth rate of 2.1% against expectations for a 0.2% contraction, also helped Asian equity markets. A surprise victory of the incumbent centre-right Liberal National Coalition in the 18 May federal election in Australia, had also had a positive impact. However, European bourses opened lower, weighed down by market anxiety ahead of the European elections that will be held from Thursday to Sunday. Opinion polls suggest that the European People’s Party (EPP) and the Socialists and Democrats (S&D) are likely to see weaker support compared to 2014 and will probably fall short of an absolute majority, while populist parties could win as much as 30% of the seats in the European Parliament. Such a development could potentially derail the European integration process and could also have severe implications on the political climate at a local level in some countries, especially in Italy.

In FX markets, the AUD was among the key outperformers in early European trade, favored by the market friendly outcome at the 18 May federal election. Elsewhere, the GBP extended recent losses across the board, testing levels close to 1.2700 against the USD for the first time since mid-January, while the EUR/GBP was hovering around Friday’s intraday peak of 0.8778, the highest since mid-February, amid fears over increased UK political uncertainty. Recent polls suggest that Nigel Farage’s Brexit party will come first while both the Labour and the Conservative Party will likely perform poorly, a development that could increase pressure on PM Theresa May to resign. On the data front, this week’s major releases include US Markit preliminary PMIs, euro area flash PMIs and the German IFO Business Climate Index, all for May and due on Thursday.

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GREECE

GGB yields subsided in the past sessions with the 10-yr GGB yield closing at 3.455% on Friday and currently trading at 3.409% after having climbed to 3.585% last week presumably on the announcement of fiscal stimulus measures by the Greek government, which were not too well received by financial markets. Accordingly, the 5-yr benchmark yield has retreated to 2.163% at the time of writing after hitting 2.470% last week, a more than a 1-month high. Focus this week turns to the European Parliament elections on 26 May where the opposition party new Democracy appears to be leading in polls with a margin in the area of 7%. The turnover index in industry for March 2019 is also due this week.

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Monday 20 May 2019

BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.5
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-5.7	-4.7
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.00	3.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Latest economic & market developments in the CESEE region

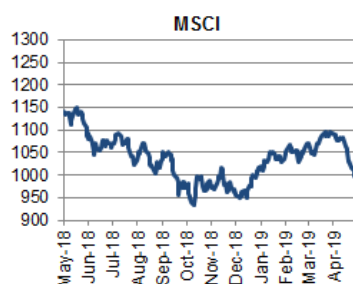
CESEE MARKETS & MACRO DEVELOPMENTS

The majority of emerging assets weakened throughout the previous week with the MSCI Emerging Markets equity index posting losses ca 3.6% on a weekly basis and approaching year to date low of 996.4 marked in January. Accordingly, the respective currency index has given back almost all gains it has recorded so far this year, concluding on Friday 1.1% lower on a weekly basis and standing close to 1.612 at the time of writing. Apparently, investors worry over the progress of trade discussions between the US and China and the consequences of the recent retaliatory measures adopted by each side, with their appetite for risk assets remaining, along these lines, tepid.

Elsewhere in the region, Polish government yields concluded the week on a firmer tone (+50bps since last Wednesday, currently at 2.887% for the 10 year paper), broadly backed by the stronger than expected GDP flash estimate for Q1 which came in at 4.6% YoY vs 4.4% YoY market consensus. In FX markets, the EUR/RSD maintained its adrift trend moving just a few bps lower on the weekly chart, staying however within the recent range of 117.85 – 118.00.

Finally, referring to the regional equity markets, the Bulgarian blue chip index SOFIX slid to 568.87 points at some point last week, ending 0.47% lower amid slightly higher weekly trade volume of EUR2.7mn.

This week's regional economic calendar is relatively empty, leaving markets undistracted to focus on the European elections that will take place from Thursday into the weekend. From this week's expected data, we point out Polish and Serbian wage growth for March, due for release on Tuesday and Friday, respectively, while the current account balance for March from Bulgaria is expected later today.

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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+

*We would like to thank Zoran Korac from Eurobank Beograd and Ruslan Raychev from Eurobank Bulgaria for their valuable contribution in today's issue

Monday 20 May 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	2859.53	-0.6%	14.1%	EUR/USD	1.1156	0.0%	-2.7%	UST - 10yr	2.40	1	-28	GOLD	1276	-0.1%	-0.5%
Nikkei 225	21301.73	0.2%	6.4%	GBP/USD	1.2728	0.0%	-0.3%	Bund-10yr	-0.10	1	-34	BRENT CRUDE	73	1.3%	36.0%
STOXX 600	381.51	-0.4%	13.0%	USD/JPY	110.16	-0.1%	-0.4%	JGB - 10yr	-0.05	1	-5	LMEX	2846	-0.9%	1.6%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.27	0	-17
1-week	2.36	0	-20
1-month	2.61	0	-12
3-month	2.96	0	-7
6-month	3.09	0	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.06	-1	0
5Y RSD	3.79	0	28
7Y RSD	4.02	0	-14

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.21	0	-79

CDS

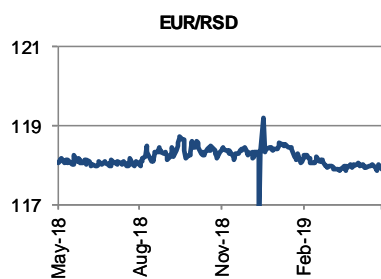
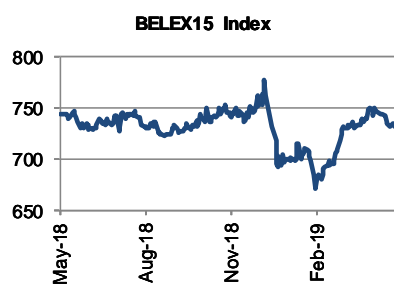
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-14
10-year	149	0	-13

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.1	0.02%	-3.88%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.91	0.03%	0.28%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.72	0	63
1-month	3.13	0	126
3-month	3.28	0	123
6-month	3.38	0	111
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.80	0	-23
5Y RON	4.43	0	9
10Y RON	4.90	0	9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.39	-	-15
USD Jan-24	3.39	0	-85

CDS

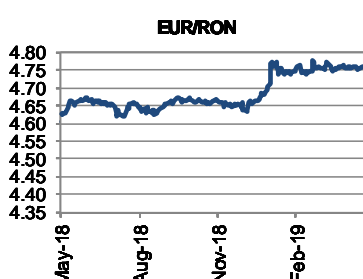
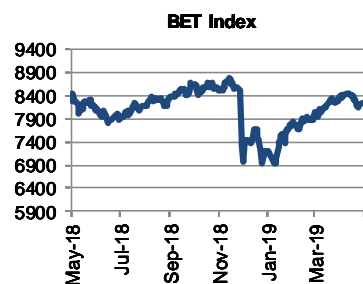
	Last	ΔDbps	ΔYTD bps
5-year	89	0	-1
10-year	132	0	-1

STOCKS

	Last	ΔD	ΔYTD
BET	8239.0	0.19%	11.58%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7608	0.01%	-2.24%



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	-0.23	-1	-18
5Y BGN	-0.04	0	-15
10Y BGN	0.47	0	-28

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.11	0	-6
EUR Sep-24	0.17	0	-32

CDS

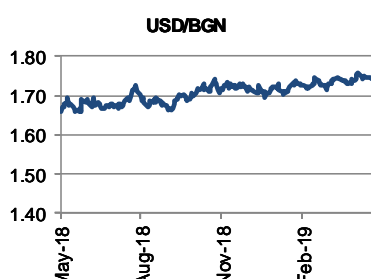
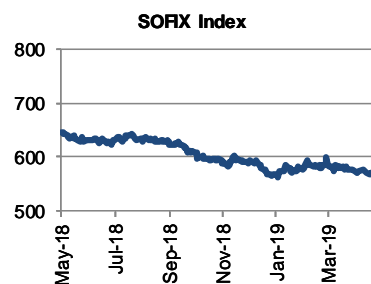
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	128	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	568.9	-0.04%	-4.30%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7531	-0.01%	-2.72%



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

Data updated as of 10:15 EEST

Monday 20 May 2019

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