

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday 20 June 2019

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: At this week's two-day policy meeting, which concluded late yesterday, the FOMC adopted a more dovish tone compared to that in the prior meeting, consistent with market expectations for lower interest rates in the coming months. USTs gained sharply with 10-yr yields testing levels below 2.0% for the first time since November 2016, while in FX markets, the USD came under pressure across the board. Looking at the remainder of the day, the BoE will publish the MPC's policy decision and the minutes from the meeting that concluded yesterday, while two further ballots of Conservative MPs for the party leadership will be held today. Pro-Brexit Boris Johnson, the frontrunner to replace Theresa May, won the third ballot yesterday with three other candidates passing to the next phase.

GREECE: According to the Hellenic Statistical Authority (ELSTAT), in April 2019 the overall turnover index in industry increased by 13.4%YoY while in April 2018 it had increased by 6.5%YoY. On a monthly basis, the overall turnover index in industry rose by 10.7%. Finally, for the 12-month period March 2018 – April 2019, the overall turnover in industry increased by 9.3% compared to the 12-month period March 2017 – April 2018. In April 2018 the corresponding change was 7.6%.

SOUTH EASTERN EUROPE

SERBIA: Following Standard and Poors (S&P) rating agency's credit rating affirmation of the Republic of Serbia at BB last Friday, Serbia returned for its first international bond deal after nearly six years. Seeking to take advantage of benign economic conditions, Serbia is offering EUR1bn of 10 year bonds in its first publicly syndicated euro deal, led by BNP Paribas SA, Citigroup Inc, Deutsche Bank AG and JP Morgan Chase & Co. Serbia set the pricing of the 10y year bond at 140 bps and aims at using the proceeds of the issuance to refinance bonds denominated in USD maturing in 2020 and 2021, both carrying much more lucrative coupons, i.e. 4.875% and 7.250% respectively. The tender offer of the two above mentioned USD bonds expired on Tuesday, same day the relevant road show ended while yesterday final terms were agreed with settlement date set as the 26th of June.

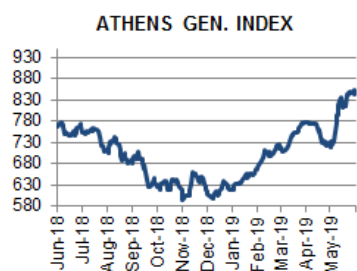
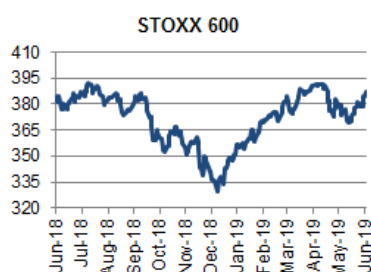
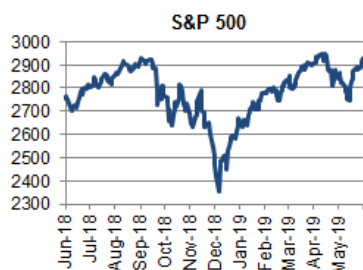
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Thursday 20 June 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

At this week's two-day policy meeting, which concluded late yesterday, the FOMC adopted a more dovish tone compared to that in the prior meeting, consistent with market expectations for lower interest rates in the coming months. The Committee removed the notion of "patience" in the accompanying policy statement and said instead, that it will act as appropriate to sustain the expansion, if needed, based on incoming economic data. The Fed also acknowledged that "uncertainties" about the growth outlook "have increased" and market-based inflation expectations "have declined" rather than "have remained low" that was stated in the May statement, while economic growth was assessed as "moderate" versus "solid" previously. Adding to the Committee's shift to a more dovish stance, the updated interest rate projections revealed that nearly half of policymakers argued for two rate cuts by the end of this year while the decision for unchanged interest rates at this week's meeting was not unanimous as St. Louis Fed President James Bullard dissented, stating his preference for a rate cut. The Fed also lowered its longer-run dot to 2.5%, the lowest since January 2012, from 2.8% previously, the median projection for PCE inflation for 2019 and 2020 was revised lower to 1.5% and 1.9%, respectively, from 1.8% and 2.0% in March, while the median of the Fed's dot plot moved down, as expected, suggesting 30bps of cumulative rate easing next year and a 25bps rate hike in 2021. In reaction to the Fed's shift in a more dovish direction, USTs gained sharply with 10-yr yields testing levels below 2.0% for the first time since November 2016. EGBs followed suit, with 10-yr Bund yields falling 2bps on the day to stand around -0.30% at the time of writing, not far from this week's fresh record low of -0.33%. In FX markets, the USD came under pressure across the board, with the EUR/USD recording a multi-session intraday peak of 1.1300 earlier today, 0.8% higher so far this week. Looking at the remainder of the day, the BoE will publish the MPC's policy decision and the minutes from the meeting that concluded yesterday, while two further ballots of Conservative MPs for the party leadership will be held today. Pro-Brexit Boris Johnson, the frontrunner to replace Theresa May, won the third ballot yesterday with three other candidates passing to the next phase.

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GREECE

According to the Hellenic Statistical Authority (ELSTAT), in April 2019 the overall turnover index in industry increased by 13.4%YoY while in April 2018 it had increased by 6.5%YoY. The turnover index in the mining and quarrying sector rose by 1.1%YoY (against an increase of 14.4%YoY in April 2018), which was attributed to the annual changes of the subindices in the divisions of mining of coal and lignite and mining of metal ores. The turnover index in manufacturing increased by 13.6%YoY (against an increase of 6.4%YoY in April 2018), which came from annual changes in the sub-indices of the divisions of food, beverages, tobacco products, coke and refined petroleum products, basic pharmaceutical products and pharmaceutical preparations. On a monthly basis, the overall turnover index in industry rose by 10.7%. Finally, for the 12-month period March 2018 – April 2019, the overall turnover in industry increased by 9.3% compared to the 12-month period March 2017 – April 2018. In April 2018 the corresponding change was 7.6%.

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Thursday 20 June 2019

Latest economic & market developments in the CESEE region

SERBIA

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

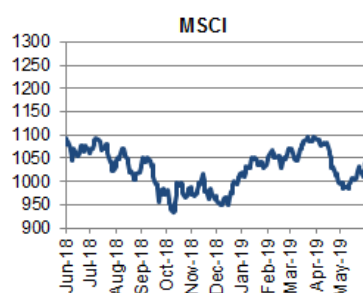
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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+

Following Standard and Poors (S&P) rating agency's credit rating affirmation of the Republic of Serbia at BB last Friday, Serbia returned for its first international bond deal after nearly six years. Seeking to take advantage of benign economic conditions, Serbia is offering EUR1bn of 10 year bonds in its first publicly syndicated euro deal, led by BNP Paribas SA, Citigroup Inc, Deutsche Bank AG and JP Morgan Chase & Co. Serbia set the pricing of the 10 year bond at 140 bps and aims at using the proceeds of the issuance to refinance bonds denominated in USD maturing in 2020 and 2021, both carrying much more lucrative coupons, i.e. 4.875% and 7.250% respectively. The tender offer of the two above mentioned USD bonds expired on Tuesday, same day the relevant road show ended while yesterday final terms were agreed with settlement date set as the 26th of June. Buyers are considered to be Western and Eastern Europe pension funds, apart from traditional emerging market funds.

Serbia's premiere in the euro market signals a switch from dollar notes which were the main financing vehicle at the last five international bond deals between 2011 and 2013. Apparently there is some positive momentum in the CESEE region that Serbia decided to exploit with the respective syndication as within the previous week euro notes were also offered by Croatia, Ukraine and Lithuania. Referring to country specific reasons, the current transaction was broadly backed not only by the S&P rating affirmation but also by the positive outlook and the increased likelihood that ratings might go up to BB+ in the next 6 to 12 months, as mentioned in the official S&P press release. Inter alia, the press release mentioned that Serbia's GDP growth in 2019 will rise 3.0%, slightly less than the previous estimate, largely due to expectations for lower growth in the Eurozone, especially in Italy and Germany, which are the main trading partners of the Republic of Serbia but will rebound in 2020 to 3.2%, owing to the solidity of domestic demand on the back of a buoyant labor market and continued investment activity supported by strengthening bank credit and improved monetary policy credibility.

Concluding, the Ministry of Finance stepped into a EUR 53.2mn 3-year bond auction on Tuesday, at the reopening of January 23, 2019 issue. The initial target of the auction was EUR 110.8mn but the ministry planned to sell up to EUR 90mn. Finally, investors placed bids for EUR 53.2mn. The notes that bear a 1.25% annual coupon were sold at an average yield of 1.15%, down from 1.23% achieved at the March 12 auction of EUR-denominated securities with the same maturity. The respective notes mature on January 25, 2022.

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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	2926.46	0.3%	16.7%	EUR/USD	1.1279	0.5%	-1.7%	UST - 10yr	2.00	-2	-68	GOLD	1383	1.6%	7.8%
Nikkei 225	21462.86	0.6%	7.2%	GBP/USD	1.2697	0.4%	-0.5%	Bund-10yr	-0.31	-2	-55	BRENT CRUDE	64	2.8%	18.1%
STOXX 600	386.87	0.5%	14.6%	USD/JPY	107.73	0.3%	1.8%	JGB - 10yr	-0.17	-3	-17	LME X	2783	-0.4%	-0.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.22	0	-22
1-week	2.31	0	-25
1-month	2.54	0	-19
3-month	2.98	2	-5
6-month	3.11	1	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.92	-3	-14
5Y RSD	3.37	0	-13
7Y RSD	3.56	-1	-59

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.36	-9	-164

CDS

	Last	ΔDbps	ΔYTD bps
5-year	96	0	-21
10-year	140	0	-22

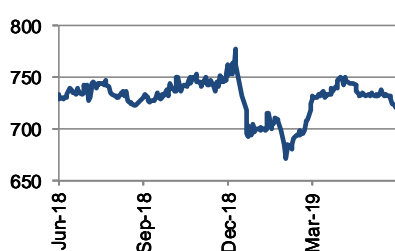
STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.0	-0.05%	-5.47%

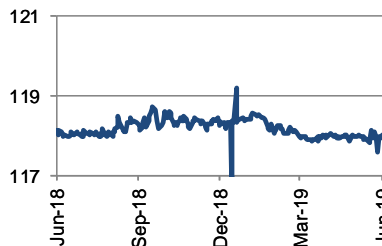
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.28	-0.23%	-0.04%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.28	0	119
1-month	3.04	0	117
3-month	3.23	0	118
6-month	3.36	0	109
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.75	0	-28
5Y RON	4.17	0	-17
10Y RON	4.49	0	-32

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.87	-	-67
USD Jan-24	2.84	-13	-140

CDS

	Last	ΔDbps	ΔYTD bps
5-year	88	0	-2
10-year	132	-1	-1

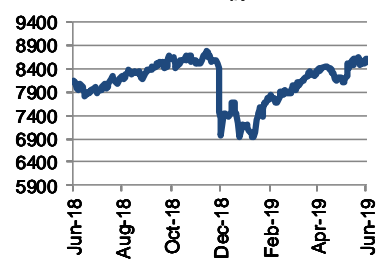
STOCKS

	Last	ΔD	ΔYTD
BET	8617.4	0.40%	16.71%

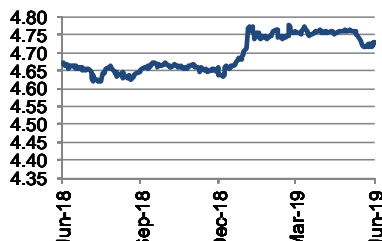
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7275	0.04%	-1.55%

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	-0.30	-2	-23
5Y BGN	0.01	-1	-9
10Y BGN	0.37	0	-38

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.17	0	-12
EUR Sep-24	0.05	6	-44

CDS

	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-12

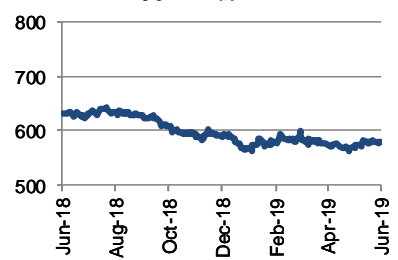
STOCKS

	Last	ΔD	ΔYTD
SOFIX	580.0	0.00%	-2.44%

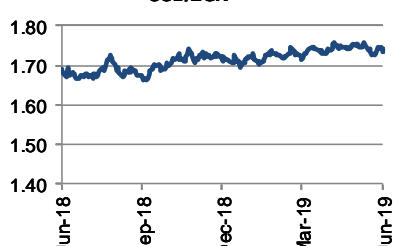
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7342	0.46%	-1.65%

SOFIX Index



USD/BGN



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

Data updated as of 10:00 EEST

Thursday 20 June 2019

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