



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday 23 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: Mirroring the negative tone in Wall Street overnight, Asian equity indices hit 4-month lows on Thursday with Chinese bourses experiencing the heaviest losses as negative trade headlines continued to take centre stage. Risk-off sentiment favored US Treasuries, with the 10-yr yield dropping by 2 bps to a five-session low of the 2.37% in early European trade. In Europe, core government bond markets advanced as well, with the 10-yr Bund yield falling by 2bps to a multi session low of -0.10% at the time of writing, following the Leader of the House of Commons Andrea Leadsom's resignation from the British government. In FX markets, the GBP dipped another 0.5% in early trade on Thursday following Theresa May's heightened pressure from her own MPs to resign, while the JPY advanced broadly on Thursday amid increased trade war woes and Brexit related uncertainty.

GREECE: According to the Bank of Greece, in April 2019 the Emergency Liquidity Assistance (ELA) to the Greek banks was almost zero at ca €2.7 mn from €86.8 bn in June 2015. ECB Funding was at €8.5 bn registering a year-to-date decrease of 17.4%.

SOUTH EASTERN EUROPE

CYPRUS: Rating agencies remained on hold in the last round of sovereign rating assessments.

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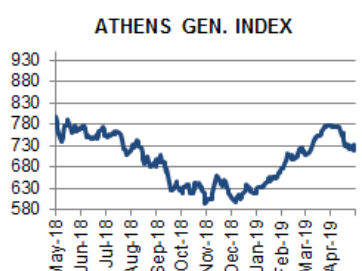
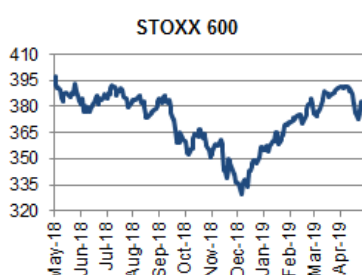
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Thursday 23 May 2019

Latest world economic & market developments

GLOBAL MARKETS

Mirroring the negative tone in Wall Street overnight, Asian equity indices hit 4-month lows on Thursday, with Chinese bourses experiencing the heaviest losses, as negative trade headlines continued to take centre stage. The US administration is reportedly considering putting sanctions on Chinese video surveillance firms, while certain global phone companies decided to stop cooperating with Huawei following the US's decision to block Huawei's access to American technology last week. Risk-off sentiment favored US Treasuries, with the 10-yr yield dropping by 2 bps to a five-session low of 2.37% in early European trade. In Europe, core government bond markets advanced as well, with the 10-yr Bund yield falling by 2bps to a multi session low of -0.10% at the time of writing, following the Leader of the House of Commons Andrea Leadsom's resignation from the British government, a prominent Brexiter, as she no longer believes that the UK Prime Minister Theresa May's new Brexit proposal will honor the result of the 2016 referendum. In FX markets, the GBP dipped another 0.5% on Thursday following Theresa May's heightened pressure from her own MPs to resign, with the GBP/USD falling to a more than 5-month low of 1.2603 in European trade at the time of writing and having reported a cumulative decline of ca. 4.0% in the last thirteen sessions. Elsewhere, the JPY advanced broadly on Thursday amid increased trade war woes and Brexit related uncertainty, with the USD/JPY hovering in the area of 110.21/22 at the time of writing, having pulled back from a 2-week intraday low of 110.67 on Tuesday. Looking at yesterday's minutes from the FOMC May meeting, policymakers adopted a rather optimistic tone about the US economic outlook, albeit puzzled about the recent weakness in inflation which many of them considered to be "transitory". Looking at today's calendar, where the EU Parliamentary elections are at the top of the agenda, flash global May PMIs are expected to lure market attention, while the May IFO survey in Germany is also due later in the day.

okosma@eurobank.gr

Source: Reuters, Bloomberg, Eurobank
Research

GREECE

According to the Bank of Greece, in April 2019 the Emergency Liquidity Assistance (ELA) to the Greek banks was almost zero at ca €2.7 mn from €86.8 bn in June 2015. ECB Funding was at €8.5 bn registering a year-to-date decrease of 17.4%.

tstamatiou@eurobank.gr

Thursday 23 May 2019

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

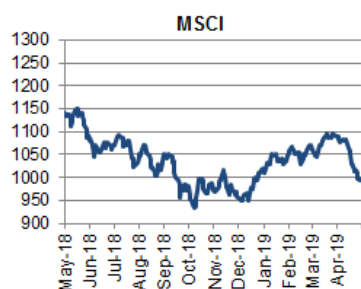
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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+

In its latest review, DBRS affirmed the long-term sovereign rating of Cyprus unchanged at BBB- with a stable outlook ('trend' according to DBRS terminology). According to DBRS, the stable outlook reflects the view that while the Cypriot economy continues to perform robustly, more progress is needed to reduce risks to financial stability further. DBRS took note of the sizeable and material decline in NPEs last year following the orderly exit of CBB, the sale of NPEs by private banks and the government ESTIA scheme, which is expected to push retail mortgages NPEs down upon implementation later this year. However, Cyprus still faces significant credit challenges related to still sizable NPEs in the banking sector, high levels of private and public sector debt, external imbalances, and the small size of its service-driven economy, which exposes its economy to adverse changes in external demand. Further on, Cyprus' ratings could come under upward pressure from sustained healthy economic growth and sound fiscal position, which would contribute to the downward trajectory in the public debt ratio. Moreover, further progress in substantially reducing banks' NPEs and private sector debt, and the strengthening of the banking sector would be positive for the ratings. However, Cyprus' ratings could come under downward pressure in a period of significantly weak growth, combined with large fiscal imbalances or materialization of large contingent liabilities. Finally, a reversal of the downward trajectory in NPEs could also be negative.

Overall, all major rating agencies (DBRS, FITCH, Moody's, S&P) upgraded their long-term sovereign rating of Cyprus in 2018, awarding at least one notch in their respective rankings. However, in the last round of assessments, the rating agencies appeared reluctant to make public their latest views. Recall, that Standard & Poor's postponed the scheduled sovereign rating assessment of Cyprus on March 9th while Moody's followed suit on March 29th. This is not the first time rating agencies postpone their ratings, for instance, Moody's had done so in February 2018 as well. Nevertheless, this time it was widely expected that Moody's would upgrade the sovereign rating of Cyprus by at least one notch. In the press release, Moody's cited that it had completed a periodic review of sovereign issuers including Cyprus. However, it clarified that the review did not involve a rating committee, and its publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Last but not least, on April 12th FITCH affirmed the sovereign rating of Cyprus at BBB- with a stable outlook. Following the last round of assessments, there still remains a slight divergence of views between the rating agencies on the sovereign rating of Cyprus with Moody's being the only agency among the four major ones, which classifies Cyprus two notches below investment grade status.

igkionis@eurobank.gr

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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	2858.31	-0.2%	14.0%	EUR/USD	1.1164	0.0%	-2.7%	UST - 10yr	2.40	-3	-29	GOLD	1274	0.0%	-0.6%
Nikkei 225	21283.37	0.1%	6.3%	GBP/USD	1.2639	-0.5%	-0.9%	Bund-10yr	-0.08	-2	-33	BRENT CRUDE	72	-0.6%	33.4%
STOXX 600	378.84	-0.2%	12.2%	USD/JPY	110.34	0.1%	-0.6%	JGB - 10yr	-0.06	-1	-6	LMEX	2814	-0.2%	0.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.27	1	-17
1-week	2.37	1	-19
1-month	2.61	1	-12
3-month	2.97	0	-6
6-month	3.10	0	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.02	-1	-5
5Y RSD	3.79	0	28
7Y RSD	4.05	0	-11

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.22	-1	-77

CDS

	Last	ΔDbps	ΔYTD bps
5-year	104	0	-14
10-year	149	-1	-13

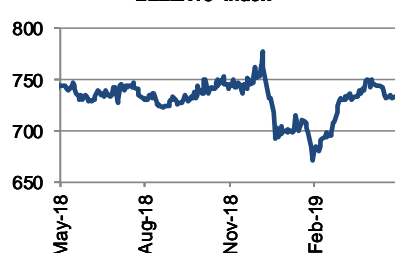
STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.1	-0.04%	-3.75%

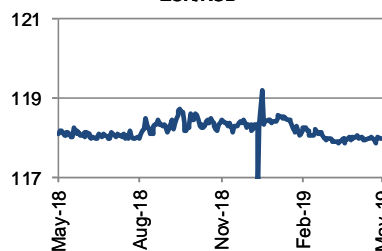
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.94	0.05%	0.26%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.7	0	61
1-month	3.15	0	128
3-month	3.28	0	123
6-month	3.39	0	112
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.83	0	-20
5Y RON	4.46	0	12
10Y RON	4.96	0	15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.38	-	-16
USD Jan-24	3.44	-1	-80

CDS

	Last	ΔDbps	ΔYTD bps
5-year	92	1	2
10-year	135	1	2

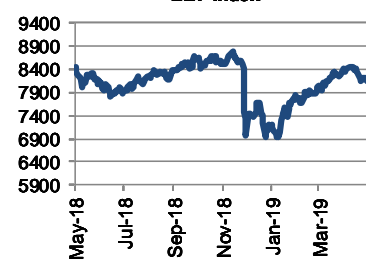
STOCKS

	Last	ΔD	ΔYTD
BET	8152.6	-0.64%	10.41%

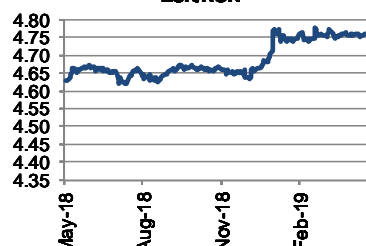
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7632	0.04%	-2.29%

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	-0.24	-3	-16
5Y BGN	-0.03	-1	-13
10Y BGN	0.45	0	-30

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.10	0	-6
EUR Sep-24	0.16	0	-32

CDS

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

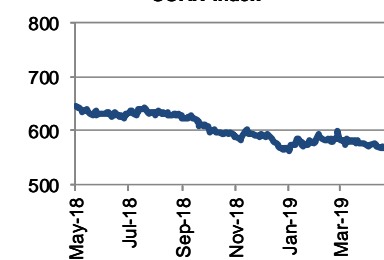
STOCKS

	Last	ΔD	ΔYTD
SOFIX	568.8	-0.09%	-4.31%

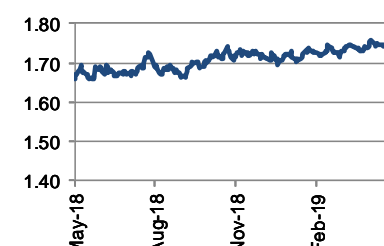
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7535	-0.07%	-2.74%

SOFIX Index



USD/BGN



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

Data updated as of 18:40 EEST of the previous session

Thursday 23 May 2019

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank
Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Ioannis Gkionis
Senior Economist, Eurobank
Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank
Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma
(Special Contributor)
Research Economist, Eurobank
Ergasias
+30 210 3371227
okosma@eurobank.gr

Stelios Gogos
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371226
sgogos@eurobank.gr

Theodoros Stamatiou
(Special Contributor)
Senior Economist, Eurobank
Ergasias
+30 210 3371228
tstamatiou@eurobank.gr

Maria Kasola
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371224
mkasola@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, +30 214 40 59 706

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Marisa Yiannissis: Administrator
magiannisi@eurobank.gr, +214 40 59 711

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr, +30 214 40 59 707

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 37 18 733

Maria Kasola: Economic Analyst
mkasola@eurobank.gr, +30 210 33 18 708

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 37 18 728

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, +30 210 37 18 991

Dr. Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 214 40 59 708

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 214 40 59 712

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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