

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- June 24: Chicago Fed National Activity index (May)
- June 25:
 - New Home Sales (May)
 - S&P/Case-Schiller National Home Price Index (Apr)
 - Conference Board Consumer Confidence (Jun)
- June 26:
 - Advance Goods Trade Balance (May)
 - Core Capital Goods Orders (May, P)
- June 27:
 - GDP (Q1, 3rd estimate)
 - Initial Jobless Claims (Jun 22)
 - Pending Home Sales (May)
- June 28:
 - Personal income & Spending (May)
 - Core PCE (May)
 - Chicago PMI (Jun)
 - U. Of Michigan Sentiment

EUROZONE

- June 24:IFO Business Climate (Jun, Germany)
- June 27: Economic & Consumer Confidence (Jun)
- June 28: CPI (Jun)

GREECE

- June 28
 - Retail Sales (Apr)
 - PPI (May)

SEE

BULGARIA:

- Jun 27: Gross External Debt (Apr)
- Jun 28: Key Policy Rate Meeting

SERBIA

- June 28:
 - Industrial Output (May)
 - Retail Sales (May)
 - Trade Balance (May)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Fixed income assets retained a firm tone in early European trade on Tuesday as the recent shift to a more dovish policy stance from both the Fed and the ECB continued to exert a positive impact. In addition, tensions between the US and Iran, continued to run high. Market anxiety over whether this week's scheduled meeting between the US President and his Chinese counterpart Xi Jinping on the sidelines of the G20 meeting on 28-29 June will open the way for a resumption of trade talks or we will be heading towards renewed escalation, added to core fixed markets' bullish tone. In FX markets, the USD continued to suffer from increased expectations for lower Fed interest rates in the coming months with the EUR/USD hitting a one-month peak slightly above 1.1400 earlier today. On the data front, yesterday's Germany's Ifo business climate survey for June disappointed, adding to the view for a slowdown in economic activity in Q2 following a higher than expected 0.4%QoQ growth rate in Q1, the first positive quarterly growth rate after stagnation in Q4 2018 and a 0.2%QoQ contraction in Q3 2018. Looking at today's calendar, focus is on a string of FOMC speeches, including that of Fed Chair Jerome Powell, while, in terms of data, we expect US CB consumer confidence for June.

GREECE: The platform for the new household insolvency framework is expected to be launched on Monday, 1 July. The new framework, which was legislated in April 2019, had raised concerns as being too lax, leaving room for strategic defaulters.

SOUTH EASTERN EUROPE

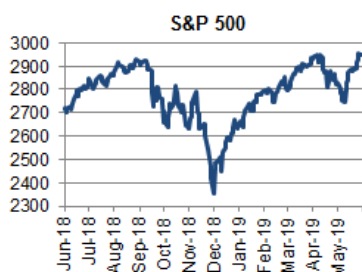
CESEE MACRO & MARKET DEVELOPMENTS: Investors adopt today a cautious stance towards the majority of emerging market assets ahead of the meeting between the US President Donald Trump and his Chinese counterpart, Xi Jinping on the sidelines of the G20 meeting in Osaka on 28/29 June. Elsewhere, on the regional market news front, according to an announcement yesterday by the Public Debt Administration, Serbia will offer a total of RSD 45bn in 7-year bonds in Q3 2019.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Fixed income assets retained a firm tone in early European trade on Tuesday as the recent shift to a more dovish policy stance from both the Fed and the ECB continued to exert a positive impact. In addition, tensions between the US and Iran, continued to run high. US President Donald Trump targeted Iranian Supreme Leader Ayatollah Ali Khamenei and other senior Iranian officials with new sanctions on Monday, taking an unprecedented step to increase pressure on Iran following Tehran's downing of a US drone. The latest sanctions are aimed at preventing Iran's leadership access to the US financial system or to any assets in the US, in an effort to force Iran to open talks on its nuclear and missile programs. Adding to US/Iran increased tensions, the US President warned that he has the authority to strike Iran even without the Congressional approval. Market anxiety over whether this week's scheduled meeting between the US President and his Chinese counterpart Xi Jinping on the sidelines of the G20 meeting on 28-29 June will open the way for a resumption of trade talks or we will be heading towards renewed escalation, added to core fixed markets' bullish tone. Against this background, the 10-yr US yield was more than 1.5bps lower on the day hovering around 2.0% at the time of writing, approaching last week's 2-1/2 year trough of 1.97%. Along these lines, the 10-yr Bund yield hit a fresh record low of -0.33% earlier today, also favored by yesterday's poor Ifo business climate survey in Germany. The June index dropped further by 0.5points to 97.4, its lowest level since November 2014, weighed down by a significant deterioration in business expectations. The above added to a string of disappointing real activity and sentiment indicators pertaining to the early months of Q2, adding to the view for a slowdown in Germany's economic activity following a higher than expected 0.4%QoQ growth rate in Q1, the first positive quarterly growth rate after stagnation in Q4 2018 and a 0.2%QoQ contraction in Q3 2018. In FX markets, the USD continued to suffer from increased expectations for lower Fed interest rates in the coming months. Favored by the USD's broad-based selling pressure, the EUR/USD extended further post-FOMC gains, hitting a one-month peak slightly above 1.1400 earlier today, 0.2% higher on the day and near 2.0% up from levels that prevailed mid-last week ahead of the FOMC meeting. Looking at today's calendar, focus is on a string of FOMC speeches, including that of Fed Chair Jerome Powell, while, in terms of data, we expect US CB consumer confidence for June.

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GREECE

The platform for the new household insolvency framework is expected to be launched on Monday, 1 July. The new framework, which was legislated in April 2019, had raised a number of concerns on behalf of the institutions that feared it may be too lax, leaving room for strategic defaulters. On the matter, the 3rd EPPS review (June 2019) notes that the process of the gradual elimination of the backlog cases in the context of the household insolvency framework is significantly behind schedule while preliminary data indicates an increase of cases in Q1-2019. The backlog of cases is to be fully eliminated by 2021.

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Latest economic & market developments in the CESEE region

CESEE MACRO & MARKET 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

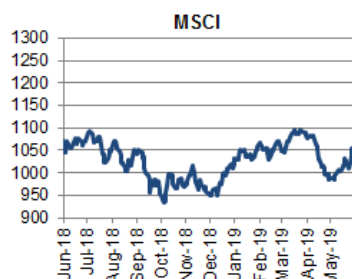
* ESA 2010

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+

Investors adopt today a cautious stance towards the majority of emerging market assets ahead of the meeting between the US President Donald Trump and his Chinese counterpart, Xi Jinping on the sidelines of the G20 meeting in Osaka on 28/29 June. As such, the MSCI Emerging Market Equity index has been consolidating around 1,053 so far this week, after a three day positive streak in the previous week. Equivalently, the respective currency index was little changed on the day standing close to 1,645.43, following 1.3% gains last week.

Elsewhere, on the regional market news front, according to an announcement yesterday by the Public Debt Administration, Serbia will offer a total of RSD 45bn in 7-year bonds in Q3 2019. The Ministry of Finance will organize three auctions - on July 9, August 6 and September 3- reopening the January 9, 2019 bond issue. The target of each auction will be RSD 15bn. While the Serbian Ministry of Finance initially planned to offer dinar bonds for RSD 58.3bn and EUR-denominated securities for EUR 329mn in Q2, eventually, we reckon that Serbia borrowed RSD 72.9bn in dinar bonds and EUR 218.6mn in EUR-denominated notes.

Today's calendar includes the National Bank of Hungary (NBH) Policy Meeting and with Serbian wage data for May. Regarding the former, the NBH will most probably keep interest rates unchanged, shrugging of increased inflation pressure –May's headline CPI at 3.9% YoY and core at 3.7% YoY- in line with the recent shift to a more dovish stance from both the ECB and the Fed.

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Tuesday 25 June 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	2945.35	-0.2%	17.5%	EUR/USD	1.1394	0.0%	-0.7%	UST - 10yr	2.00	-1	-68	GOLD	1430	0.8%	11.5%
Nikkei 225	21193.81	-0.4%	5.9%	GBP/USD	1.2765	0.1%	0.0%	Bund-10yr	-0.32	-1	-56	BRENT CRUDE	65	-0.4%	20.1%
STOXX 600	382.68	-0.3%	13.3%	USD/JPY	107.03	0.3%	2.5%	JGB - 10yr	-0.16	0	-16	LME X	2801	0.5%	0.0%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.20	-1	-24
1-week	2.30	0	-26
1-month	2.52	-1	-21
3-month	2.95	-2	-8
6-month	3.08	-3	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.88	-1	-18
5Y RSD	3.32	0	-19
7Y RSD	3.55	0	-61

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.50	0	-150

CDS

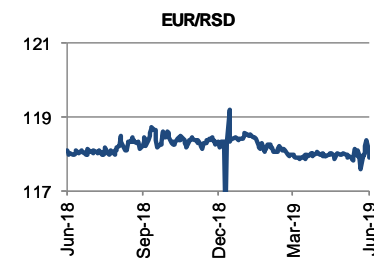
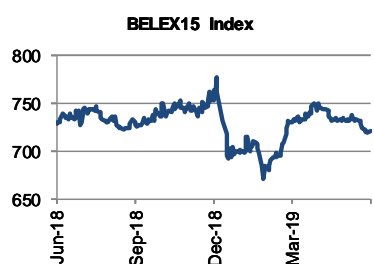
	Last	ΔDbps	ΔYTD bps
5-year	90	-6	-28
10-year	133	-7	-29

STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.4	0.02%	-5.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.76	0.35%	0.40%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.7	0	161
1-month	3.01	0	114
3-month	3.23	0	118
6-month	3.36	0	109
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.67	0	-36
5Y RON	4.02	0	-32
10Y RON	4.41	0	-40

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.84	-	-70
USD Jan-24	2.85	-1	-139

CDS

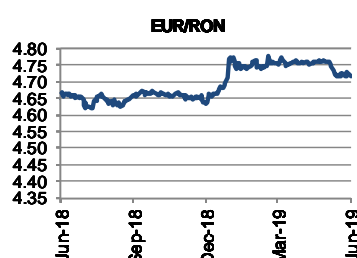
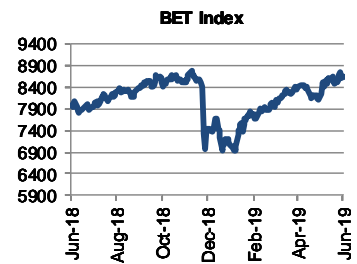
	Last	ΔDbps	ΔYTD bps
5-year	85	-3	-5
10-year	129	-3	-5

STOCKS

	Last	ΔD	ΔYTD
BET	8640.1	0.16%	17.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7186	0.06%	-1.37%



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	-4	-18
5Y BGN	0.00	0	-11
10Y BGN	0.28	#N/A	N/A

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.15	0	-11
EUR Sep-24	0.05	-1	-44

CDS

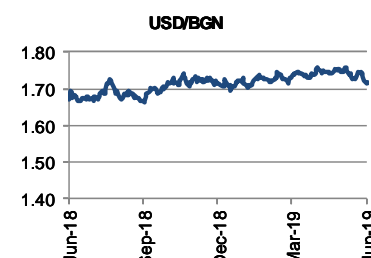
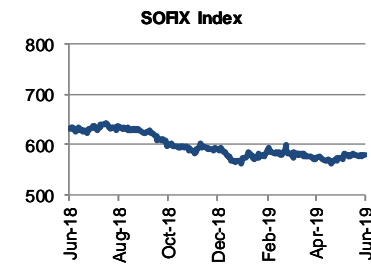
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	130	0	-12

STOCKS

	Last	ΔD	ΔYTD
SOFIX	580.1	0.00%	-2.41%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7165	-0.02%	-0.64%



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

Data updated as of 9:30 EEST

Tuesday 25 June 2019

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