

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday 25 July 2019

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- July 22: Chicago Fed Nat Activity Index (Jun)
- July 23:
  - FHFA House Price Index (May)
  - Existing Home Sales (Jun)
- July 24: New Home Sales (Jun)
- July 25:
  - Wholesale Inventories (Jun,P)
  - Durable Goods Orders (Jun,P)
  - Initial Jobless Claims (20/07)
- July 26: GDP (Q2,A)

#### EUROZONE

- July 23:
  - Consumer Confidence (Jul,A)
- July 24:
  - Markit Manufacturing, Services, Composite (Jul, P)
  - M3 Supply (Jun)
- July 25:
  - ECB Policy Meeting
  - Germany's IFO Business Climate (Jul)

#### UK

- July 23: Conservatives to Name new Party Leader

#### SEE

##### ROMANIA:

- July 23: M3 Supply (Jun)

##### SERBIA:

- July 25: Real Gross Wages (May)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Global equity markets advanced on Thursday as investors looked with hope to Treasury Secretary Steven Mnuchin's and U.S. Trade Representative Robert Lighthizer's visit to Shanghai next week for direct trade talks with Chinese negotiators. The weak global environment fueled market expectations for further monetary policy easing by major central banks, leading to lower core government bond yields. The 10-yr Treasury yield fell to a 17-session low of 2.02% in European trade at the time of writing, while the respective Bund yield was trading around record lows of -0.40% in early European trade. In FX markets, the EUR/USD traded around 1.1120, its lowest level since 30 May, ahead of today's ECB monetary policy meeting with market participants pricing in currently a probability slightly above 50% for a 10bps interest rate cut. Elsewhere, the GBP was little changed around 1.2480 against the USD in early European trade, not far from the recent two-year low of 1.2380 on 17 July, shrugging off Boris Johnson's aggressive tone on Brexit after his appointment with the Queen.

**GREECE:** According to Bank of Greece data, private sector domestic deposits amounted to €136.9 bn in June 2019 from €135.3 bn in May 2019 and €129.4 bn in June 2018, registering an increase of 1.2% and 5.8% on a monthly and annual basis, respectively.

### SOUTH EASTERN EUROPE

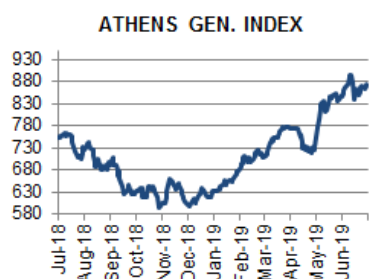
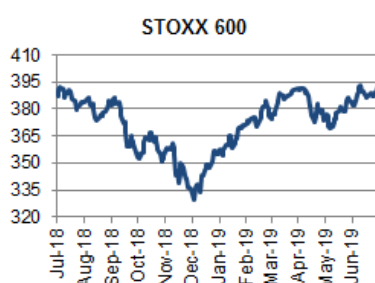
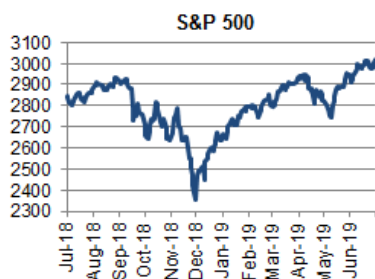
**CESEE MACRO & MARKET DEVELOPMENTS:** In the absence of major market-moving events and data, the majority of emerging market assets concluded yesterday's session with no major movements. Elsewhere, in the CESEE region, the picture is broadly similar; local currencies remained broadly unchanged as regional central banks remain in a wait-and-see mode ahead of today's key policy meeting of the ECB. This being the case, the National Bank of Hungary (MNB) left both the policy rate flat at 0.9% and the overnight deposit rate unchanged at -0.05% at its policy meeting two days ago. On the flipside, in today's policy meeting to be held by the Central Bank of Turkey, substantial rate easing in the range of 200-300 bps is widely expected.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets advanced on Thursday as investors looked with hope to Treasury Secretary Steven Mnuchin's and U.S. Trade Representative Robert Lighthizer's visit to Shanghai next week for direct trade talks with Chinese negotiators. The weak global environment fueled market expectations for further monetary policy easing by major central banks, leading to lower core government bond yields. In the euro area, the July composite PMI fell to a 3-month low of 51.5 from 52.2 in June, with the manufacturing sub-index plunging to a 6.5-year low of 46.4 from 47.6 in the prior month. In the US, while the flash PMI services proved better than expected (+0.7pt at 52.2 vs 51.8 expected), the manufacturing sector fell by 0.6pt to 50.0, its lowest level since 2009, while new home sales disappointed in June at a pace of 646k units, lower than 658k expected coupled with downward revisions in the prior two months. Against this backdrop, the 10-yr Treasury yield fell to a 17-session low of 2.02% in European trade at the time of writing, while the respective Bund yield was trading around record lows of -0.40% in early European trade. In FX markets, against a broadly firmer USD, the EUR/USD traded around 1.1120, its lowest level since 30 May, ahead of today's ECB monetary policy meeting with market participants pricing in currently a probability slightly above 50% for a 10bps interest rate cut. Elsewhere, the GBP was little changed around 1.2480 against the USD in early European trade, not far from the recent two-year low of 1.2380 on 17 July, shrugging off Boris Johnson's aggressive tone on Brexit (he highlighted that the 2016 referendum must be respected) after his appointment with the Queen. Looking at today's calendar, the ECB monetary policy meeting and Boris Johnson's first appearance as UK Prime Minister in the House of Commons take centre stage. In terms of data releases, US durable goods orders (June), wholesale inventories (June), the Kansas City Fed's manufacturing index (July) and weekly initial jobless claims are due later in the day, while the German Ifo Survey (July) will also likely be closely-watched.

[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

### GREECE

According to Bank of Greece data, private sector domestic deposits amounted to €136.9 bn in June 2019 from €135.3 bn in May 2019 and €129.4 bn in June 2018, registering an increase of 1.2% and 5.8% on a monthly and annual basis, respectively. Private sector deposits registered a year to date increase of 1.8% and a 13.3% increase compared to their record low level in July 2015, a month after the imposition of capital controls. According to press reports, in collaboration with the government, the Bank of Greece started the preparation for the full abolishment of capital controls currently expected at the end of September 2019 mainly on the back of increased market confidence towards the Greek economy. Against this background, the yields of the Greek sovereign bonds continued their downward trend favoured by improved domestic conditions, expectations for further ECB policy easing and the shrinking share of positive-yielding Eurozone government bonds. The yield of the 10YR GGB moved below 2.0% for the first time ever hovering around 1.9%, at the time of writing in early European trade, some 47bps lower so far this month.

[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

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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

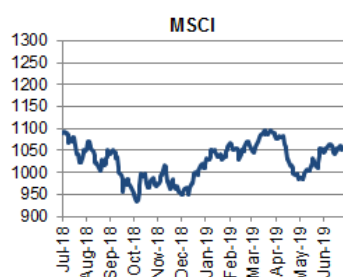
\* ESA 2010

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+

In the absence of major market-moving events and data, the majority of emerging market assets concluded yesterday's session with no major movements. That said, the MSCI Emerging Markets Equity Index ended at a 10-week closing high of 1.055 for the second session in a row, having recovered from a year to date low of 987 at the end of May when trade negotiations between the US and China collapsed abruptly. The respective currency index was also steady on the day at 1.653, recovering from the recent four-month low of 1.645 two weeks earlier.

Elsewhere, in the CESEE region, the picture is broadly similar; local currencies remained broadly unchanged as regional central banks remain in a wait-and-see mode ahead of today's key policy meeting of the ECB. This being the case, the National Bank of Hungary (MNB) left both the policy rate flat at 0.9% and the overnight deposit rate unchanged at -0.05% at its policy meeting two days ago, in line with market expectations. Meanwhile, in today's policy meeting, the Central Bank of Turkey (CBRT) is widely expected to proceed with some monetary easing under the new governor, Murat Uysal. Market expectations concentrate around a 200-300bps cut in the key policy interest rate amid recently improved inflation dynamics. Concluding with other news, the Bulgarian government decided to nominate Mariya Gabriel for Bulgaria's EC Commissioner. Mrs. Gabriel was EC Commissioner for the digital economy in the outgoing Commission's composition. She also led ruling GERB list for the European Parliament elections and was elected as a Member of Parliament. Her nomination for EC Commissioner came as no surprise as the government considered her a promising candidate.

[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

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## GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	
S&P 500	3019.56	0.5%	20.5%	EUR/USD	1.1133	-0.1%	-2.9%	UST - 10yr	2.03	-1	-65	GOLD	1425	0.0%	11.1%
Nikkei 225	21756.55	0.2%	8.7%	GBP/USD	1.2486	0.1%	-2.1%	Bund-10yr	-0.38	-1	-63	BRENT CRUDE	63	0.5%	18.0%
STOXX 600	391.73	0.0%	16.0%	USD/JPY	108.1	0.1%	1.5%	JGB - 10yr	-0.15	-1	-16	LME X	2854	0.9%	1.9%

## SERBIA

### Money Market

BELIBOR	Last	ΔD	ΔYTD
T/N	1.85	-1	-59
1-week	1.95	0	-61
1-month	2.26	0	-47
3-month	2.50	-2	-53
6-month	2.69	0	-49

### RS Local Bonds

	Last	ΔD	ΔYTD
3Y RSD	2.52	-3	-55
5Y RSD	3.00	0	-51
7Y RSD	3.25	-1	-90

### RS Eurobonds

	Last	ΔD	ΔYTD
USD Feb-20	2.73	-3	-127

### CDS

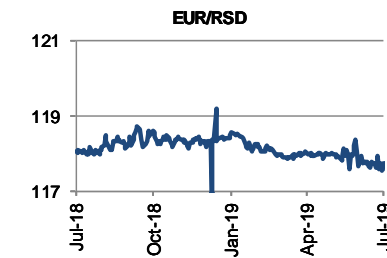
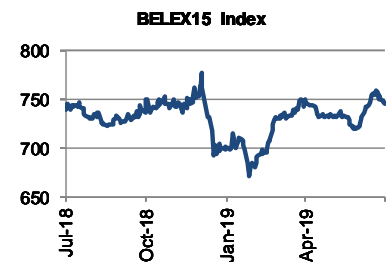
	Last	ΔD	ΔYTD
5-year	n/a		
10-year	135	0	-27

### STOCKS

	Last	ΔD	ΔYTD
BELEX15	745.8	-0.16%	-2.08%

### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.70	0.00%	0.46%



## ROMANIA

### Money Market

ROBOR	Last	ΔD	ΔYTD
O/N	2.64	0	155
1-month	2.82	0	95
3-month	3.11	0	106
6-month	3.25	0	98
12-month	3.43	0	111

### RO Local Bonds

	Last	ΔD	ΔYTD
3Y RON	3.43	0	-61
5Y RON	3.89	0	-45
10Y RON	4.20	0	-62

### RO Eurobonds

	Last	ΔD	ΔYTD
EUR Oct-25	0.76	-	-79
USD Jan-24	3.01	0	-123

### CDS

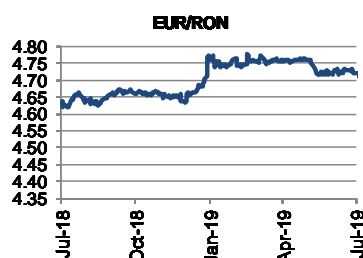
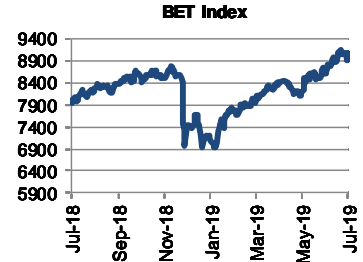
	Last	ΔD	ΔYTD
5-year	87	0	-3
10-year	129	0	-5

### STOCKS

	Last	ΔD	ΔYTD
BET	8958.2	0.39%	21.32%

### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7211	-0.05%	-1.42%



## BULGARIA

### Money Market

SOFIBOR	Last	ΔD	ΔYTD
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	ΔD	ΔYTD
3Y BGN	-0.29	-1	-23
5Y BGN	-0.09	0	-21
10Y BGN	0.27	0	-48

### BG Eurobonds

	Last	ΔD	ΔYTD
EUR Mar-22	-0.19	0	-17
EUR Sep-24	-0.01	0	-49

### CDS

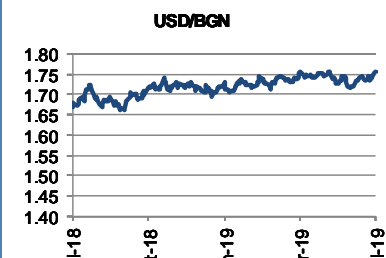
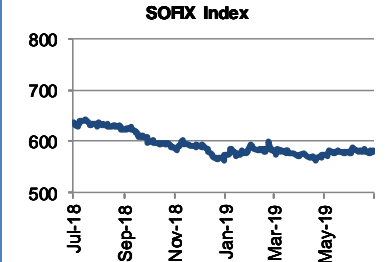
	Last	ΔD	ΔYTD
5-year	79	0	-18
10-year	120	0	-21

### STOCKS

	Last	ΔD	ΔYTD
SOFIX	581.0	0.32%	-2.27%

### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7568	-0.06%	-2.92%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 09:10 EEST of the previous session

Thursday 25 July 2019

## Contributors

## Paraskevi Petropoulou

Senior Economist,  
Eurobank Ergasias  
+30 210 37 18 991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

## Ioannis Gkionis

Senior Economist,  
Eurobank Ergasias  
+30 214 40 59 707  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

## Anna Dimitriadou

Economic Analyst,  
Eurobank Ergasias  
+30 210 37 18 793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

## Maria Kasola

Economic Analyst,  
Eurobank Ergasias  
+30 210 33 18 708  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

## Olga Kosma

(Special Contributor)  
Research Economist,  
Eurobank Ergasias  
+30 210 37 18 728  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

## Stelios Gogos

(Special Contributor)  
Economic Analyst,  
Eurobank Ergasias  
+30 210 37 18 733  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

## Theodoros Stamatou

(Special Contributor)  
Senior Economist,  
Eurobank Ergasias  
+30 214 40 59 708  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 214 40 59 706

## Research Team

Anna Dimitriadou: Economic Analyst  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

Marisa Yiannisis: Administrator  
[magiannisi@eurobank.gr](mailto:magiannisi@eurobank.gr), +214 40 59 711

Ioannis Gkionis: Senior Economist  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 214 40 59 707

Dr. Stylianos Gogos: Economic Analyst  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 37 18 733

Maria Kasola: Economic Analyst  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr), +30 210 33 18 708

Olga Kosma: Research Economist  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 37 18 728

Paraskevi Petropoulou: Senior Economist  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

Dr. Theodoros Stamatou: Senior Economist  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 214 40 59 708

Elia Tsiampaou: Economic Analyst  
[etsiampaou@eurobank.gr](mailto: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](mailto:Research@eurobank.gr)

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