



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 27 May 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- May 28:
 - Conference Board Consumer Confidence (May)
 - Dallas Fed Manufacturing (May)
- May 29:
 - Richmond Fed Manufacturing Index (May)
- May 30:
 - Wholesale Inventories (Apr, prel)
 - GDP (Q1)
 - Personal Consumption (Q1)
 - Initial Jobless Claims (May 25)
- May 31:
 - Personal Income & Spending (Apr)
 - MNI Chicago PMI (May)
 - U. of Michigan Sentiment (May, final)

EUROZONE

- May 28:
 - M3 Money Supply (Apr)
 - Consumer Confidence (May, final)

GREECE

- May 30: PPI (Mar)
- May 31: Retail Sales (Mar)

SEE

BULGARIA:

- May 29:
 - Gross External Debt (Mar)
- May 31:
 - Budget Balance (Apr)
 - MPC

SERBIA

- May 31:
 - Real Gross Wages (Mar)
 - GDP (Q1, final)
 - Retail Sales (Apr)
 - Trade Balance (Apr)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The outcome of the European elections was in line with expectations as the four pro-EU parties, the conservative European People's Party (EPP), the Progressive Alliance of Socialists & Democrats (S&P), the Liberals (ALDE) and the Greens/EFA, secured two-thirds of the total seats. In FX markets, the EUR was little moved while US\$ and German government bonds remained well supported, favored by the renewed tension in the US/China trade war and increased concerns about the global growth outlook.

GREECE: The main opposition party New Democracy (ND) achieved a substantial victory at yesterday's European Parliament (EP) elections receiving 33.3% (22.7% in EP elections 2014) of the vote against 23.7% (26.6% in EP elections 2014) for the ruling party SYRIZA, compelling the Greek PM Alexis Tsipras to call snap general elections.

SOUTH EASTERN EUROPE

CESEE POLITICAL DEVELOPMENTS: Following the completion of the Euro parliament elections in all EU member states, which started on past Thursday and concluded yesterday and while results are still gathered and assessed at the time of writing, at first glance, the common denominator between the region and the whole EU is the increased turnout in the elections compared to that in 2014. Participation in the EU rose above 50% for the first time since 1979 when turnout was close to 62% and slid to the historical low of 42.6% in 2014. In detail, the turnout in Poland reached 43% from 24% in 2014 while in Hungary it stood at 43.4% from 29% in the 2014 elections.

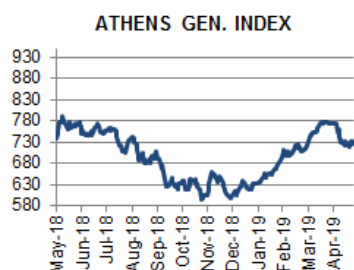
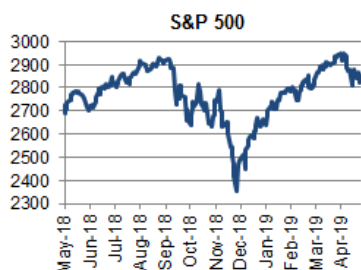
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Monday 27 May 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The outcome of the European elections was in line with expectations as the four pro-EU parties, the conservative European People's Party (EPP), the Progressive Alliance of Socialists & Democrats (S&P), the Liberals (ALDE) and the Greens/EFA, secured two-thirds of the total seats, 505 out of 751. The EPP remained the largest party but its long-standing alliance with the S&P no longer has a majority, having lost seats to the Liberals and the Greens/EFA. The Eurosceptic group, which mainly comprises of right and far-right parties, secured about 25% of total seats. Looking at individual countries, Marine Le Pen's RN came first in France, around 1.0% ahead of Emmanuel Macron's La République en Marche, Matteo Salvini's Lega in Italy doubled its popularity rate compared to last year's general election and Farage's Brexit Party was a clear winner in the UK. In an environment of subdued trading today due to market holidays in London and N.Y, the EUR was barely changed against the USD, showing no reaction to the outcome of the European elections. The EUR/USD was hovering around 1.1200 at the time of writing, near a recent 1½ week high of 1.1265 and off a two-year low of 1.1105 recorded early last week. Meanwhile, the DXY index remained under some pressure, standing close to 97.678 at the time of writing, 0.8% lower compared to last week's year-to-day highs, amid concerns that the US/China trade war is becoming more protracted and the US economy may be hurt more than previously thought. Against this background, the GBP rebounded to levels around 1.2700 in early European trade, 0.1% higher on the day and up from a near five-week low near 1.2600 marked late last week on the back of mounting UK political uncertainty. Elsewhere, core government bonds remained well supported favored by the renewed tension in the US/China trade war and increased concerns about the world growth outlook following last week's poor PMI releases across the globe. The 10-yr Bund yield was standing close to the cyclical low of -0.13% at the time of writing while the 10-yr UST was yielding levels around 2.33%, within distance from a six-month low of 2.29% marked two sessions ago, following disappointing US data which showed a sharp drop in both manufacturing and services PMI. Looking at this week's calendar, major data releases include inflation data for May from the Eurozone's biggest economies while in the US, focus is on core PCE for April, the Fed's most important inflation measure, due for release on Friday.

ppetropoulou@eurobank.gr

GREECE

The main opposition party New Democracy (ND) achieved a substantial victory at yesterday's European Parliament (EP) elections receiving 33.3% (22.7% in EP elections 2014) of the vote against 23.7% (26.6% in EP elections 2014) for the ruling party SYRIZA. ND also led in 52 out of 59 constituencies. The difference of 9.5 percentage points – the highest ever recorded in EP elections in Greece – obliged the Greek PM Alexis Tsipras to call snap general elections, a few months earlier than the expiration of this government's term in October 2019. According to press, potential dates for the snap general elections are 30 June and 7 July.

andimitriadou@eurobank.gr

Latest economic & market developments in the CESEE region

CESEE POLITICAL 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

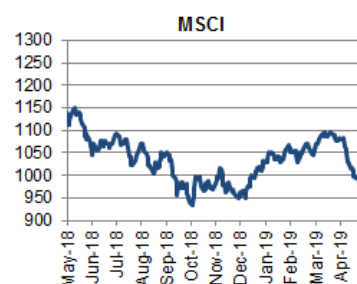
* ESA 2010

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+

Following the completion of the Euro parliament elections in all EU member states, which started on past Thursday and concluded yesterday and while results are still gathered and assessed at the time of writing, the common denominator between the region and the whole EU is the increased turnout in the elections compared to that in 2014. Participation in the EU rose above 50% for the first time since 1979 when turnout was close to 62% and slid to the historical low of 42.6% in 2014. In detail, the turnout in Poland reached 43% from 24% in 2014 while in Hungary it stood at 43.4% from 29% in the 2014 elections.

Regarding the political outcome in those two core CEE countries, Poland's ruling Law and Justice Party (PiS - Christian democratic party), which has conflicted with the EU institutions over immigration, European common values and rule of law issues, appears to have won 46% of votes, according to results from 96% of the polling districts. The European Coalition (KE - pro European and centrist political coalition of former prime ministers) followed with 37.9%.

In Hungary, ruling Fidesz won the elections with 52.3% of the votes, according to official data from the national election committee after having processed 99.98% of the votes. Fidesz will have thirteen MEPs in the new European Parliament, i.e. one more compared to the current status. The party increased its vote share compared both to 51.5% in the previous elections in 2014 and 49.3% in the 2018 general elections. Fidesz succeeded in prevailing in the capital of Budapest, albeit with a relatively lower vote share of 41.2%.

In the periphery of the region, the ruling centre – right GERB in Bulgaria prevailed with 30.6% of the votes against the BSP (democratic left coalition), which gained 26.4%.

Concluding, this week's regional calendar is filled with final GDP Q1 2019 data for a plethora of CESEE countries. Croatia's reading is due on Thursday while the prints for the Czech Republic, Poland, Slovenia and Serbia are due on Friday.

mkasola@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	2826.06	0.1%	12.7%	EUR/USD	1.1204	0.0%	-2.3%	UST - 10yr	2.32	0	-36	GOLD	1286	0.1%	0.3%
Nikkei 225	21182.58	0.3%	5.8%	GBP/USD	1.2741	0.2%	-0.1%	Bund-10yr	-0.12	0	-36	BRENT CRUDE	69	0.1%	27.8%
STOXX 600	375.89	0.6%	11.3%	USD/JPY	109.54	-0.2%	0.1%	JGB - 10yr	-0.07	0	-7	LME X	2811	0.8%	0.3%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.24	0	-20
1-week	2.35	0	-21
1-month	2.58	0	-15
3-month	2.97	0	-6
6-month	3.11	0	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.99	-1	-8
5Y RSD	3.76	0	25
7Y RSD	4.03	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.24	0	-76

CDS

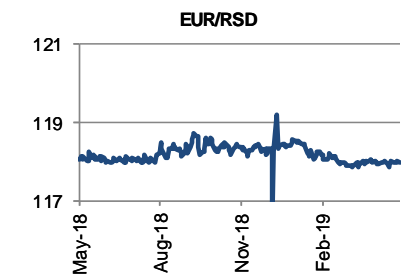
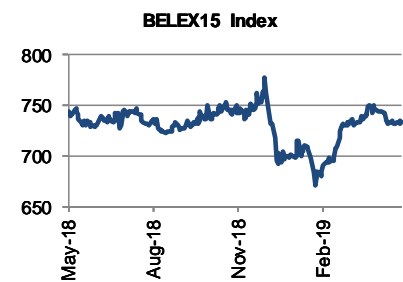
	Last	ΔDbps	ΔYTD bps
5-year	103	-1	-15
10-year	148	-1	-14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.7	-0.26%	-3.81%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.93	0.15%	0.26%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.91	0	182
1-month	3.17	0	130
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	4.45	0	11
10Y RON	4.95	0	14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.37	-	-17
USD Jan-24	3.47	0	-76

CDS

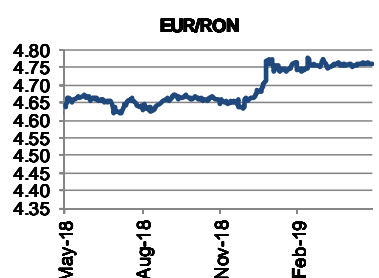
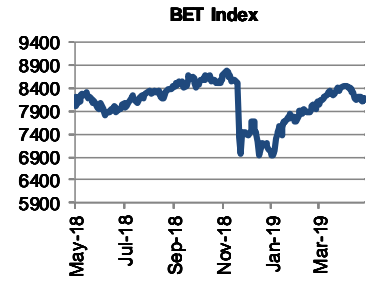
	Last	ΔDbps	ΔYTD bps
5-year	92	0	2
10-year	135	0	2

STOCKS

	Last	ΔD	ΔYTD
BET	8189.1	0.98%	10.91%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7619	-0.02%	-2.26%



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	-0.28	-1	-22
5Y BGN	-0.02	0	-13
10Y BGN	0.46	0	-29

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.11	0	-7
EUR Sep-24	0.16	0	-33

CDS

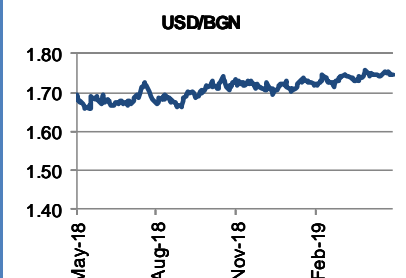
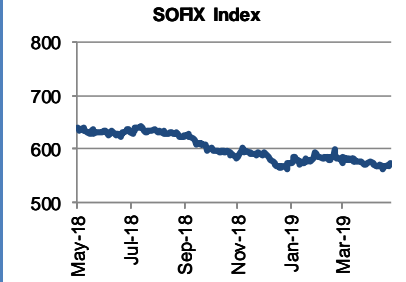
	Last	ΔDbps	ΔYTD bps
5-year	79	-1	-18
10-year	128	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	573.5	0.10%	-3.52%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7459	-0.01%	-2.31%



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

Data updated as of 9:20 EEST

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Contributors

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

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

Anna Dimitriadou
Economic Analyst, Eurobank
Ergasias
+30 210 37 18 793
andimitriadou@eurobank.gr

Olga Kosma
(Special Contributor)
Research Economist, Eurobank
Ergasias
+30 210 37 18 728
okosma@eurobank.gr

Stelios Gogos
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 37 18 733
sgogos@eurobank.gr

Theodoros Stamatou
(Special Contributor)
Senior Economist, Eurobank
Ergasias
+30 214 40 59 708
tstamatou@eurobank.gr

Maria Kasola
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 33 18 708
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 Yiannisis: 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 Stamatou: Senior Economist
tstamatou@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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