

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: Taking their lead from modestly firmer Asian bourses today, European equity markets opened in positive territory on Thursday amid hopes that the meeting between US President Donald Trump and his Chinese counterpart Xi Jinping on the sidelines of this week's G20 summit will likely lead to some reduction in trade tensions. Today's tentative improvement in equity markets' performance and reduced expectations for an aggressive 50bps Fed rate cut at the July policy meeting following less-dovish-than-expected comments by St. Louis Fed President James Bullard earlier this week – seen as one of the most dovish FOMC participants – pushed US government bond yields slightly higher. In FX markets, the USD continued to recover modestly for the second consecutive session. In terms of data releases, today we expect HICP figures from Germany and Spain along with the European Commission's economic confidence indicator, both for June.

GREECE: According to the PDMA Annual Borrowing and Debt 2018 Report, the gross financing needs of the state budget in 2018 (excl. the stock of short-term and repos debt) reached €10,310mn that were covered by: loans of €34,640mn, income from privatisations (sale of shares) €752mn, and revenue from financial transactions of €789mn. As a result, at the end of 2018 cash reserves amounted to €26,819 increased by €25,871mn compared to the end of 2017.

SOUTH EASTERN EUROPE

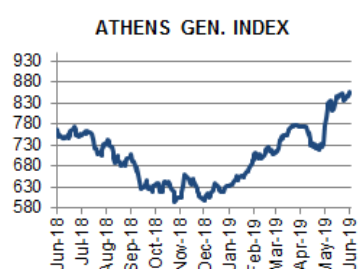
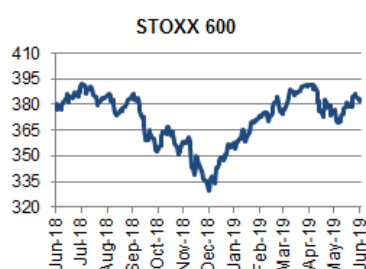
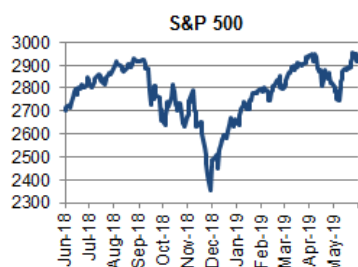
CYPRUS: According to the preliminary fiscal results, the general government in ESA2010 terms recorded a surplus of 2.1% of GDP in Q1-2019.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from modestly firmer Asian bourses today, European equity markets opened in positive territory on Thursday amid hopes that the meeting between US President Donald Trump and his Chinese counterpart Xi Jinping on the sidelines of this week's G20 summit will likely lead to some reduction in trade tensions. According to press reports, the two sides have agreed to a truce ahead of their scheduled meeting on Saturday and are laying an agreement that would help avert the next round of US tariffs on an additional \$325bn of Chinese imports. Nevertheless, gains in European stock markets were limited in early trade on market cautiousness over a scenario whereby a no trade deal is reached and the US imposes tariffs on the remaining Chinese imports. The US President said yesterday that a trade deal with China is possible this week though he warned that, should talks fail, he is prepared to impose a duty on the final \$325bn of Chinese imports of 10%, lower than 25% initially proposed. Today's tentative improvement in equity markets' performance and reduced expectations for an aggressive 50bps Fed rate cut at the July policy meeting following less-dovish-than-expected comments by St. Louis Fed President James Bullard earlier this week – seen as one of the most dovish FOMC participants – pushed US government bond yields slightly higher. The prospect of a 25bps rate cut at next month's FOMC meeting is currently priced-in fully while the implied probability for a more aggressive 50bps rate easing has been reduced to around 20% vs. around 35% a few sessions earlier. Against this background, the 10-yr US bond yield was standing at 2.06% in early European trade at the time of writing, some 1.5bp higher on the day, but still not far from last week's 2½-year trough of 1.97% amid prevailing expectations for lower Fed interest rates in the coming months and lingering uncertainty about the outcome of this week's US/China meeting. In FX markets, the USD continued to recover modestly for the second consecutive session with the DXY index standing close to 96.267 at the time of writing, 0.1% higher on the day and up 0.4% from last week's multi-month lows. The USD's latest gains were more pronounced against the JPY testing levels near 108.00 in early European trade after recording a 5½-month low of 106.77 earlier this week. In terms of data releases, today we expect HICP figures from Germany and Spain along with the European Commission's economic confidence indicator, both for June.

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GREECE

According to the PDMA Annual Borrowing and Debt 2018 Report, the gross financing needs of the state budget in 2018 (excl. the stock of short-term and repos debt) reached €10,310mn that were covered by: loans of €34,640mn, income from privatisations (sale of shares) €752mn, and revenue from financial transactions of €789mn. As a result, at the end of 2018 cash reserves amounted to €26,819 increased by €25,871mn compared to the end of 2017. In particular, the €34,640mn of loans are broken down as follows: long-term ESM loans of €21,700mn with a weighted average cost of 1.43%, 7-year GGB of €3,000mn nominal value (€2,977 cash inflow) with fixed interest rate of 3.375%, EIB loan of €36mn with interest rate of 1.771%, net issuances of treasury bills of €337mn, issuance of new short-term debt REPO of €9,590mn. The average weighted maturity of new borrowing for 2018 reached 19.8 years while the weighted average cost of new borrowing, excl. REPO agreements, stood at 1.39%. Meanwhile, on the privatisations front, Lamda Development, the concessionaire of Hellinikon, requested that before the pending issuance of the Joint Ministerial Decisions concerning the planning specifications of the site, the authorities should settle outstanding cadastre matters. Otherwise, delays may occur in the future.

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Thursday 27 June 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

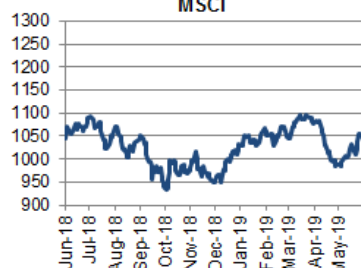
Source: Reuters, Bloomberg, Eurobank Research, National Authorities

According to the preliminary fiscal results released by CYSTAT, the general government in ESA2010 terms recorded a €452,4mn surplus in Q1-2019 compared to a €344,2mn surplus in Q1-2018. As a percentage of GDP, the general government surplus climbed at 2.1% in Q1-2019 vs. a 1.7% surplus in the same period a year ago. Total revenues improved by +7.4% YoY, driven by robust growth in taxes on income and wealth (+10.5% YoY), and social security contributions (+11.9% YoY). Taxes on production and imports recorded a 0,8% decrease compared to the Q1-2018), of which net VAT was €507,6 mn (3,7% increase). On the other hand, total expenditure remained relatively contained, expanding by +6.2% YoY driven by higher spending on public wages (+6.0% YoY), social transfers (+2.5% YoY) and intermediate consumption (+12.3% YoY).

The state intervention in the banking system last year occurred at the expense of temporarily reversing the downward trend in public debt dynamics. The one-off banking system state injection pushed the projected public debt to GDP ratio temporarily up to 102.5% of GDP in 2018 from 95.8% in 2017 and a multi-year peak at 108.0% in 2015. This increase is not expected to reverse the overall downward trajectory of debt-to-GDP, provided fiscal policy remains prudent and nominal GDP growth remains robust. Under the latest projections in the Stability & Growth program of the Ministry of Finance, the public debt-to-GDP ratio is expected to decline to 95.7% in 2019 and further to 89.1% in 2020 and to 83% in 2021.

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MSCI



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+

Thursday 27 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	2913.78	-0.1%	16.2%	EUR/USD	1.1365	0.0%	-0.9%	UST - 10yr	2.05	1	-63	GOLD	1403	-0.4%	9.4%
Nikkei 225	21338.17	1.2%	6.6%	GBP/USD	1.2678	-0.1%	-0.6%	Bund-10yr	-0.30	1	-54	BRENT CRUDE	66	-0.6%	22.9%
STOXX 600	383.19	0.3%	13.5%	USD/JPY	108	-0.2%	1.6%	JGB - 10yr	-0.14	-1	-14	LMEX	2823	-0.6%	0.8%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.19	-1	-25
1-week	2.29	-1	-27
1-month	2.52	-1	-21
3-month	2.95	0	-8
6-month	3.07	-2	-11

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.87	-2	-19
5Y RSD	3.32	0	-19
7Y RSD	3.54	0	-61

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.66	-1	-134

CDS

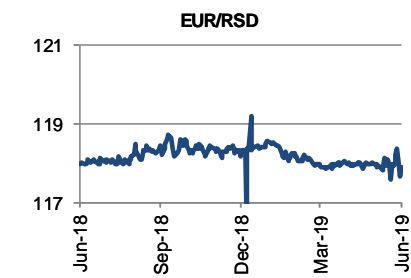
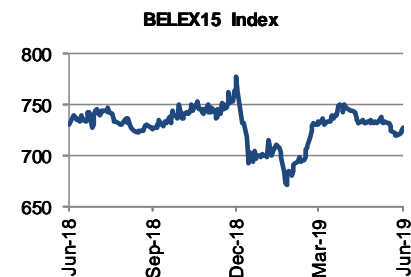
	Last	ΔDbps	ΔYTD bps
5-year	91	0	-27
10-year	139	6	-23

STOCKS

	Last	ΔD	ΔYTD
BELEX15	727.6	0.48%	-4.48%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.76	0.19%	0.40%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.61	0	152
1-month	3.01	0	114
3-month	3.23	0	118
6-month	3.37	0	110
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	4.42	0	-39

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.81	-	-73
USD Jan-24	2.90	2	-134

CDS

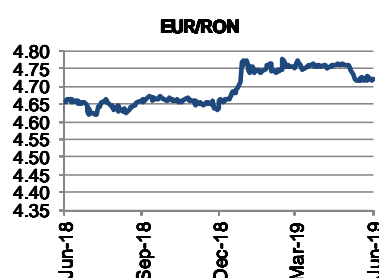
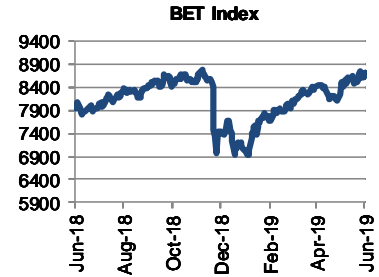
	Last	ΔDbps	ΔYTD bps
5-year	88	1	-2
10-year	133	1	0

STOCKS

	Last	ΔD	ΔYTD
BET	8700.1	0.58%	17.83%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7205	-0.03%	-1.41%



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	-5	-23
5Y BGN	-0.03	-3	-14
10Y BGN	0.28	0	-47

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.16	0	-11
EUR Sep-24	0.05	-8	-43

CDS

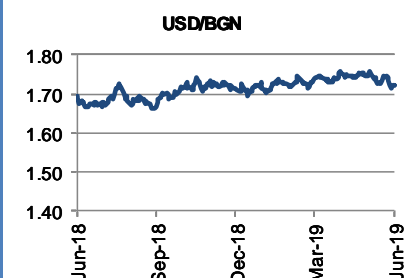
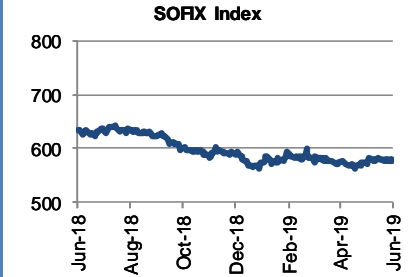
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-12

STOCKS

	Last	ΔD	ΔYTD
SOFIX	578.9	0.22%	-2.61%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.721	-0.04%	-0.90%



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

Data updated as of 10:30 EEST

Thursday 27 June 2019

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