

Friday 28 June 2019

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: Investors adopt a cautious stance ahead of the eagerly-awaited 1½-hour meeting between US President Donald Trump and his Chinese counterpart Xi Jinping, scheduled around noontime on Saturday, on the sidelines of this week's G20 summit in Osaka, Japan. With both sides expressing a desire to resume trade talks, investors see increasing chances for a trade war ceasefire and the resumption of negotiations that could lead to some reduction in trade tensions. However, reviving trade talks does not guarantee a final deal down the road and, therefore, a renewed escalation in the US/China trade dispute cannot be ruled out completely. Amid rising doubts about the outcome of the meeting, European equity markets were in a consolidation mood in early trade following Asian bourses' poor performance in today's session. Meanwhile, fixed income assets were moving almost sideways. Looking at today's calendar, the main data release is the flash estimate for June euro area CPI, while, in the US, we await the core PCE index, the Fed's preferred gauge of inflation.

GREECE: The HRADF launched today the invitation for the submission of expressions of interest for the acquisition of 30% in the share capital of Athens International Airport. Interested parties are invited to express their interest by 30 September 2019, by no later than 17:00 hours (Greek time, GMT +2). The Economic Sentiment Indicator for June 2019 recorded a small increase to 101 units from 100.8 in May.

SOUTH EASTERN EUROPE

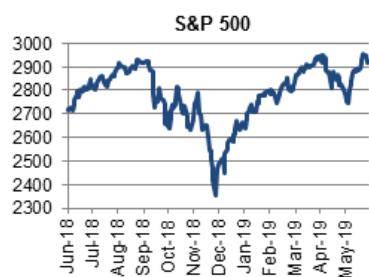
CESEE MACRO & MARKET DEVELOPMENTS: Emerging market equities were boosted in the past two sessions amid hopes of a de-escalation in the US-Chinese trade dispute at the sidelines of the G20 summit on 28/29 June. The picture in the CESEE region is broadly similar with domestic bourses in Warsaw, Prague & Budapest trading in the red yesterday but with the respective currencies consolidating against the Euro as investors keep digesting the provided guidance in the Hungarian and the Czech Central banks' meetings that were both held earlier this week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank
Research

Investors adopt a cautious stance ahead of the eagerly-awaited 1½-hour meeting between US President Donald Trump and his Chinese counterpart Xi Jinping, scheduled around noontime on Saturday, on the sidelines of this week's G20 summit in Osaka, Japan. With both sides expressing a desire to resume trade talks, investors see increasing chances for a trade war ceasefire and the resumption of negotiations that could lead to some reduction in trade tensions. However, reviving trade talks does not guarantee a final deal down the road and, therefore, a renewed escalation in the US/China trade dispute cannot be ruled out completely. The risk is the US President to exert maximum pressure to secure a more favourable deal for the US, ignoring China's demands when it has been clear since the May breakdown that there are three points where it cannot compromise: (i) removal of all US tariffs imposed during the trade war; (ii) agreement on a realistic amount of purchases of US goods; and (iii) a balanced agreement text.

Amid rising doubts about the outcome of the meeting, European equity markets were in a consolidation mood in early trade following Asian bourses' poor performance in today's session. Meanwhile, fixed income assets moved almost sideways. The 10-yr US yield was 1.5bp higher on the day to stand at 2.02% at the time of writing, not far from last week's 1.94% multi-month low, while the 2-yr note was yielding levels around 1.74%, just 4bps above recent lows, reflecting the prevailing market view for a rate cut by the Fed at the July policy meeting. In FX markets, the combination of the end of the month and market anxiety ahead of tomorrow's meeting, suggest scope for some EUR/USD consolidation. Looking at today's calendar, the main data release is the flash estimate for June euro area CPI with market consensus pointing to a technical rebound for core inflation to 1.0%YoY from 0.8%YoY in the prior month and an unchanged print for the headline at 1.2%YoY. In the US, we await the core PCE index, the Fed's preferred gauge of inflation, that is expected to remain stable at 1.6%YoY in May, below the Fed's 2.0% medium-term inflation target.

ppetropoulou@eurobank.gr

GREECE

The HRADF launched today the invitation for the submission of expressions of interest for the acquisition of 30% in the share capital of Athens International Airport. Interested parties are invited to express their interest by 30 September 2019, by no later than 17:00 hours (Greek time, GMT +2). It is reminded that in February 2019, the concession of the Athens International Airport "Eleftherios Venizelos" was to "Athens International Airport SA" was extended by 20 years (until 2046) for a total consideration of €1.4bn (incl. VAT). On the economic data front, the Economic Sentiment Indicator for June 2019 recorded a small increase to 101 units from 100.8 in May. Improved expectations were recorded in services (+0.6 units from +1.7 units in May), among consumers (+1.7 units from +1.4 units in May), and in retail (+9.9 units from -2.1 units in May). On the contrary, expectations appeared subdued in industry (-0.4 units from +0.7 in May) and building activity (-1.9 units from -4.1 units in May).

andimitradiou@eurobank.gr

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

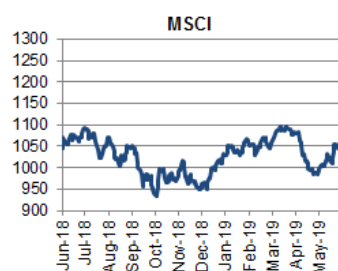
* ESA 2010

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+

Emerging market equities were boosted in the past two sessions amid hopes of a de-escalation in the US-Chinese trade dispute at the sidelines of the G20 summit on 28/29 June.

The MSCI Emerging Markets Equity index is up by ca 1% so far this week, concluding yesterday's session at 1055 after starting the week in the red but kicking off by 0.25% and 0.66% in the last two sessions respectively. Expectations for a positive outcome at the upcoming meeting between the two leaders had a favorable spillover in the emerging currencies as well, but to a lesser extent. As such, the respective MSCI EM currency index is still in a consolidating mode around 1646, posting tiny gains on a weekly basis.

The picture in the CESEE region is broadly similar with domestic bourses in Warsaw, Prague & Budapest closing in the red territory yesterday but with the respective currencies, i.e the Polish Zloty, the Czech crown and the Hungarian forint consolidating against the Euro as investors keep digesting the provided guidance in the Hungarian and the Czech Central banks' meetings on Tuesday and Wednesday respectively. In detail, the National Bank of Hungary (MNB) left both the policy rate flat at 0.9% and the Overnight deposit rate unchanged at -0.05%, aligned with market expectations but decided to continue the slight decrease in the outstanding amount of its surplus liquidity. The Czech National Bank (CNB) left the policy rate unchanged at 2.0% as broadly expected. In the post-meeting press conference Governor Rusnok repeated the central bank's previous statement that the recent increase in inflation is expected to subside as it was mainly driven by volatile food and fuel prices. He concluded that the key interest rate is close to its neutral level and as such a move towards any direction cannot be ruled out going forward.

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	2924.92	0.4%	16.7%	EUR/USD	1.1389	0.2%	-0.7%	UST - 10yr	2.02	1	-66	GOLD	1414	0.3%	10.2%
Nikkei 225	21275.92	-0.3%	6.3%	GBP/USD	1.2678	0.1%	-0.6%	Bund-10yr	-0.31	1	-55	BRENT CRUDE	66	-0.4%	23.3%
STOXX 600	382.59	0.1%	13.3%	USD/JPY	107.65	0.2%	1.9%	JGB - 10yr	-0.16	-2	-16	LMEX	2814	-0.3%	0.4%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.20	1	-24
1-week	2.29	0	-27
1-month	2.53	1	-20
3-month	2.95	0	-8
6-month	3.08	1	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.87	-1	-19
5Y RSD	3.32	0	-19
7Y RSD	3.54	0	-61

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.68	-2	-132

CDS

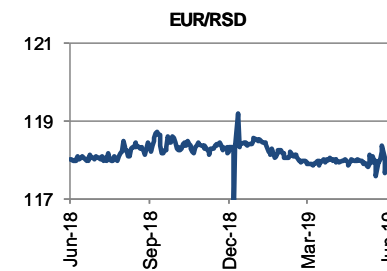
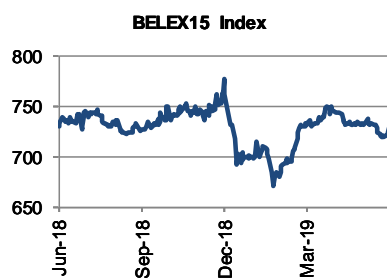
	Last	ΔDbps	ΔYTD bps
5-year	90	0	-27
10-year	138	0	-24

STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.1	0.83%	-4.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.07	-0.22%	0.14%



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	3.68	0	-35
5Y RON	4.12	0	-22
10Y RON	4.54	0	-27

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.79	-	-75
USD Jan-24	2.91	1	-132

CDS

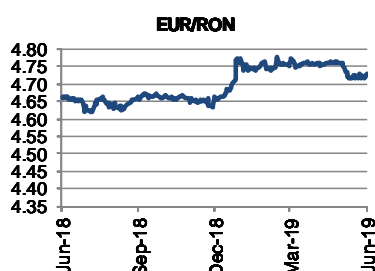
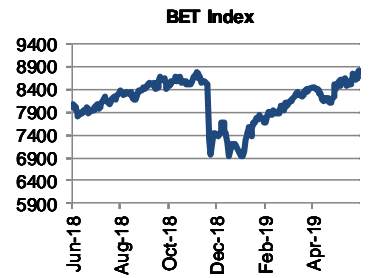
	Last	ΔDbps	ΔYTD bps
5-year	89	1	-1
10-year	134	1	1

STOCKS

	Last	ΔD	ΔYTD
BET	8808.3	0.67%	19.29%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7288	-0.09%	-1.58%



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	-1	-19
5Y BGN	-0.03	0	-14
10Y BGN	0.26	0	-49

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.16	0	-12
EUR Sep-24	0.05	-3	-43

CDS

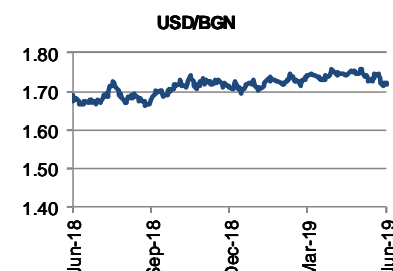
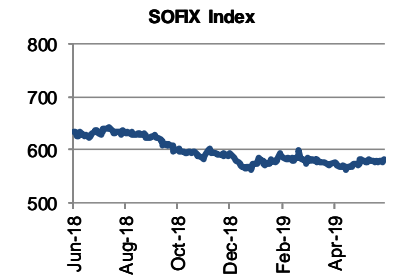
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-12

STOCKS

	Last	ΔD	ΔYTD
SOFIX	580.9	-0.18%	-2.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7174	0.17%	-0.69%



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

Data updated as of 10:30 EEST

Friday 28 June 2019

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 37 18 793

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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