

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday 29 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: European bourses were mostly down in early trade today, taking their cue from Asian equity markets' negative tone, while US stock index futures point to a lower opening, amid mounting worries over the global growth outlook following recent poor PMI releases for May across the globe. Meanwhile, the US/China trade dispute shows no signs of easing, while political uncertainty in Europe prevails after the European Parliament election result leaves a more fragmented parliament. In addition, market worries are mounting over a new confrontation between Italy and the European Commission, following yesterday's Bloomberg reports that the European Commission is considering proposing a disciplinary procedure for Italy over its failure to rein in public debt. Global equity markets' lackluster performance favored USTs and German Bunds, while, in FX markets, major pairs were still standing within tight trading ranges.

GREECE: The date for the general elections has been set at 7 July. Meanwhile, the leader of the party 'POTAMI', Stavros Theodorakis resigned due to poor results in the European Parliament (EP) and the party may not participate in the upcoming general elections. On the economic data front, according to the Bank of Greece, in April 2019, deposits by the private sector increased by €1,5 billion while the monthly net flow of credit to the private sector was negative at €314 million. In May 2019, the Economic Sentiment Indicator rose by 0.5 points backed by higher expectations in industry (+0.7), services (+1.7) and among consumers (+1.4) while sentiment cooled down in both retail (-2.1) and building activity (-4.1).

SOUTH EASTERN EUROPE

TURKEY: Economic confidence slid to the lowest level of the past eight months.

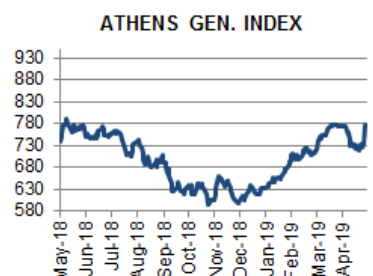
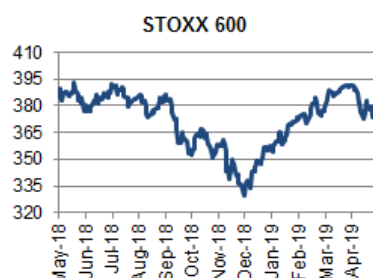
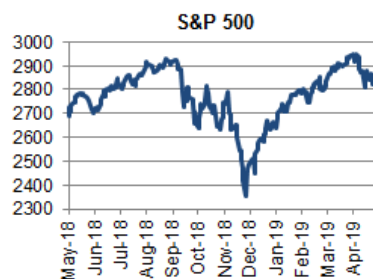
DISCLAIMER

This document has been issued by Eurobank Ergasias SA (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable, but has not been verified by Eurobank, and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice, or an offer to buy or sell, or a solicitation of an offer to buy or sell, or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (expressed or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Wednesday 29 May 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank
Research

European bourses were mostly down in early trade today, taking their cue from Asian equity markets' negative tone, while US stock index futures point to a lower opening today, amid mounting worries over the global growth outlook following recent poor PMI releases for May across the globe. Meanwhile, the US/China trade dispute shows no signs of easing, with US President Donald Trump saying earlier this week that the US is not ready for a deal with China. Political uncertainty in Europe after the European Parliament election result leaves a more fragmented parliament, which will probably make policy-making more complex in the coming years, while also weighing on market sentiment towards risk assets. EU leaders started discussions late yesterday for the appointment of key figures for Europe's top jobs that will become vacant later this year, including the next Presidents of the EU Commission, the EU Council and the ECB. As was expected, no agreement was reached and the EU leaders agreed to finalize their nominations at their next meeting scheduled for June 20-21, in time for the new EU Parliament's first sitting due on 2 July. Meanwhile, market worries are mounting over a new confrontation between Italy and the European Commission following yesterday's Bloomberg reports that the European Commission is considering proposing a disciplinary procedure for Italy over its failure to rein in public debt. Such a move could come as part of the European Union's regular budget monitoring process, most likely on 5 June. Global equity markets' lackluster performance favored USTs and German Bunds. UST yields marked fresh lows with the short-dated paper outperforming. The 2-yr US yield dropped more than 5bps on the day standing close to 2.07% in early European trade, the lowest in more than a year, while the 10-yr bond was yielding levels close to 2.22% intraday lows, the lowest since late September 2017. Along these lines, the 10-yr Bund yield marked a fresh cyclical low of -0.17% earlier today, approaching a record trough of -0.20% marked in July 2016. In FX markets, major pairs were still standing within tight trading ranges, with the EUR/USD hovering around the 1.1150 level at the time of writing, a tad lower on the day but off a two-year low near 1.1100 marked a week earlier.

ppetropoulou@eurobank.gr

GREECE

The date for the general elections has been set at 7 July. Meanwhile, the leader of the party 'POTAMI', Stavros Theodorakis resigned due to poor results in the European Parliament (EP) elections where his party received 1.51% of the vote and no EP seats whereas in the 2014 EP elections it had received 6.61% of the vote and 2 EP seats. According to press, Mr. Theodorakis is considering advising party members to not participate in the upcoming general elections. On the economic data front, according to the Bank of Greece, in April 2019, deposits by the private sector increased by €1.5 billion, compared with an increase of €1.2 billion in the previous month and the annual growth rate stood at 6.0% from 5.5% in the previous month. The annual growth rate of credit to the private sector stood at -0.1% from -0.6% in the previous month. The monthly net flow of credit to the private sector was negative at €314 million, compared with a positive net flow of €198 million in the previous month. Meanwhile, in May 2019, the Economic Sentiment Indicator rose by 0.5 points backed by higher expectations in industry (+0.7), services (+1.7) and among consumers (+1.4) while sentiment cooled down in both retail (-2.1) and building activity (-4.1).

andimitriadou@eurobank.gr

Wednesday 29 May 2019

Latest economic & market developments in the CESEE region

TURKEY

According to the latest national statistics release, the economic confidence index dropped to 77.5 in May – the lowest level since October 2018 – down from 84.7 in April and 81.9 in March. Having slumped to 75.2 in last October, the economic confidence index was on an improving trend throughout late Q4-2018 and Q1-2019, rising by 9.5 points. The deterioration of expectations was broad-based among all sub-indices. The consumer, real sector, services, retail trade and construction confidence indices decreased to 55.3, 94.7, 79.4, 89.9 and 49.8 respectively in May. The most pronounced decline in expectations came from consumer (down by 13%) and construction (down by 7.7%) indices. Market concerns have been building up as of late April fueled by the High Electoral Board (YSK) decision to accept an appeal by the ruling AKP party. The YSK ruled to annul the elections for the mayor of Istanbul in which the AKP candidate had been defeated in late March and order for a redo of the election of the post of the mayor of Istanbul only on June 23rd.

Moreover, political tensions with the US administration have resurfaced over the planned purchase of S-400 missile defense systems putting the domestic currency under pressure. The lira lost 28% of its value in 2018, making it one of the worst-performing EM currencies last year, and has lost another 13% year-to-date. Yesterday's media reports that the Minister of Defense, Mr. Hulusi Akar, stated that the Russian S-400 missile system may not be delivered in June, led to expectations that U.S.-Turkey ties may improve. Thus, lira firmed as much as 5.9940/\$-below the 6.00/\$ threshold – the highest level in a week. In any case, despite the recent improvement, the economic environment remains recessionary and the inflation outlook challenging. GDP contracted by -3.0% YoY in Q4-2018 sharply down from 1.8% YoY in Q3-2018, 5.3% YoY in Q2-2018 and 7.4% YoY in Q1-2018, bringing the FY2018 performance at only 2.6%. On top, according to the Reuters poll announcement, the consensus of economists expects economic activity to contract by -2.5% YoY (with a range of forecasts between -1.7% and -4.3%) in Q1-2019 and -0.1% (with a range of forecasts between -2.6% and +2.3%) in FY2019 against an OECD and IMF forecast for -2.5% and -2.6% respectively.

igkionis@eurobank.gr

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

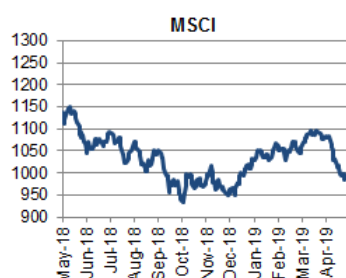
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* 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+

Wednesday 29 May 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	2826.06	0.1%	12.7%	EUR/USD	1.1179	-0.1%	-2.5%	UST - 10yr	2.29	-3	-39	GOLD	1283	-0.4%	0.1%
Nikkei 225	21260.14	0.4%	6.2%	GBP/USD	1.2667	-0.1%	-0.7%	Bund-10yr	-0.15	-1	-39	BRENT CRUDE	70	-0.5%	29.6%
STOXX 600	376.41	-0.1%	11.5%	USD/JPY	109.44	0.1%	0.2%	JGB - 10yr	-0.07	0	-8	LMEX	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	2.96	-1	-7
6-month	3.10	-1	-8

RS Local Bonds

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

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.22	#N/A N/A	-77

CDS

	Last	ΔDbps	ΔYTD bps
5-year	104	1	-14
10-year	149	1	-13

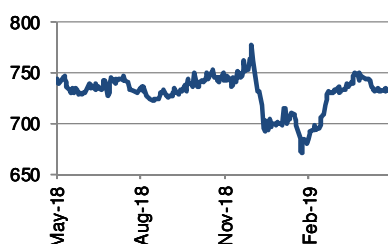
STOCKS

	Last	ΔD	ΔYTD
BELEX15	731.4	-0.18%	-3.98%

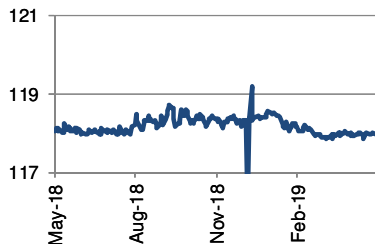
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.96	-0.03%	0.24%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.96	0	187
1-month	3.13	0	126
3-month	3.27	0	122
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	4.43	0	9
10Y RON	4.91	0	10

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.38	-	-16
USD Jan-24	3.47	#N/A N/A	-77

CDS

	Last	ΔDbps	ΔYTD bps
5-year	90	-2	0
10-year	135	-1	1

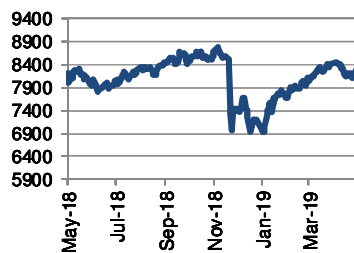
STOCKS

	Last	ΔD	ΔYTD
BET	8292.4	0.61%	12.31%

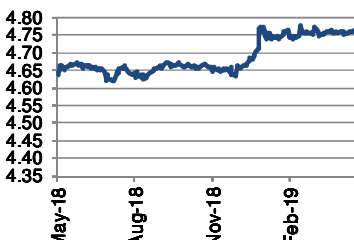
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7607	-0.01%	-2.24%

BET Index



EUR/RON



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	3	-19
5Y BGN	-0.02	-2	-14
10Y BGN	0.50	0	-25

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.14	8	-12
EUR Sep-24	0.12	13	-36

CDS

	Last	ΔDbps	ΔYTD bps
5-year	79	1	-17
10-year	129	0	-13

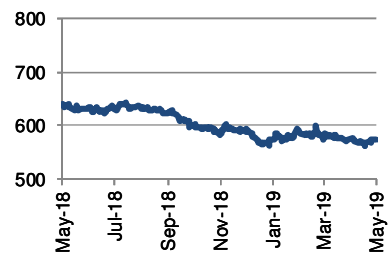
STOCKS

	Last	ΔD	ΔYTD
SOFIX	572.5	0.03%	-3.69%

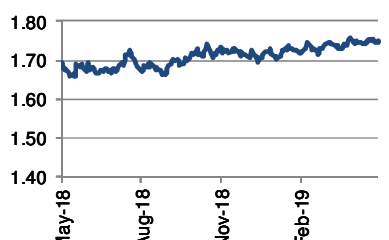
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7496	-0.12%	-2.52%

SOFIX Index



USD/BGN



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

Data updated as of 10:05 EEST

Wednesday 29 May 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 Yiannissis: 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

Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- **7 Ημέρες Οικονομία:** Weekly review of the Greek economy
- **Greece Macro Monitor - Focus Notes:** Periodic publication on the latest economic & market developments in Greece
- **Economy & Markets:** Analysis & research on the Greek and international economy
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Global Macro Themes & Market Implications for the EA Periphery and the CESEE:** Monthly review of the international economy and financial markets
- **Global Markets Special Focus Reports:** Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

Follow us on twitter: https://twitter.com/Eurobank_Group

