

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday 29 July 2019

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- July 30:
  - Personal Spending (Jun)
  - Personal Income (Jun)
  - PCE Core Deflator (Jun)
  - Conference Board Consumer Confidence (Jul)
- July 31:
  - ADP Employment (Jul)
  - FOMC Rate Decision
- August 01:
  - ISM Manufacturing (Jul)
  - Construction spending (Jun)
  - Total Vehicles Sales (Jul)
- August 02:
  - Change in Nonfarm Payrolls (Jul)
  - Unemployment Rate (Jul)
  - Average Weekly Hours (Jul)

#### EUROZONE

- July 30:
  - European Commission Economic Confidence (Jul)
  - Consumer Confidence (Jul, F)
- July 31:
  - Unemployment Rate (Jun)
  - Real GDP (Q2)
  - CPI (Jul)
- August 01:
  - Markit Manufacturing PMI (Jul)
- August 02: Retail Sales (Jun)

#### GREECE

August 2: Sovereign Debt to be rated by Fitch

#### SEE

##### BULGARIA:

- July 29: Gross External Debt (May)
- July 30: PPI (Jun)
- July 31:
  - Budget Balance (Jun)
  - MPC Meeting

##### SERBIA:

- July 31:
  - Industrial Output (Jun)
  - GDP (Q2)
  - Retail Sales (Jun)
  - Trade Balance (Jun)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Asian equity indices started the week on a soft note, with the Hang Seng and Kospi indices reporting heavy losses on Hong Kong's continued local protests as well as South Korea's weak earnings outlook. Adding to the above, industrial profits in China contracted by 3.1%YoY in June, fueling market concerns that a manufacturing slowdown amid trade war frictions will weigh on the economic growth outlook. In FX markets, the DXY dollar index surged to a 2-month high of 98.092 in European trade on Monday following better-than-expected US Q2 GDP data reported on Friday. Elsewhere, the GBP/USD was trading around a 28-month low of 1.2332 at the time of writing, following senior ministers' comments on Sunday that the British government under the new Prime Minister Boris Johnson prepares the ground to leave the European Union on Oct. 31 without an agreement.

**GREECE:** According to ELSTAT's quarterly non-financial sector accounts, the nominal disposable income of Greek households increased on an annual basis for an 8th quarter in a row in 2019Q1. However, the respective gross saving rate (gross saving / gross disposable income) remained on a negative territory, registering a value of -6.8% or -4.9% in terms of a 4 quarters moving average.

### SOUTH EASTERN EUROPE

**BULGARIA:** The Blue chip Bulgarian SOFIX gained 0.25% to 584.03 points in the past week. Local and external bond yields registered small drops.

**SERBIA:** The EUR/RSD ended at 117.73/83 last week following the NBS intervention on Friday.

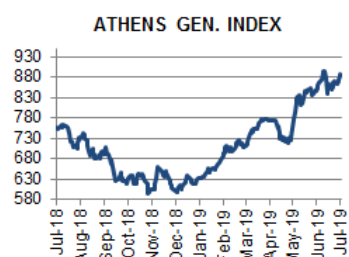
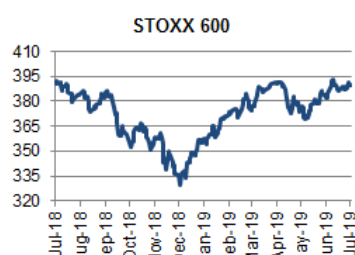
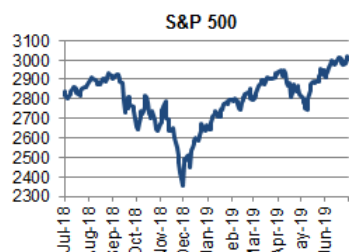
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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank  
Research

Asian equity indices started the week on a soft note, with the Hang Seng and Kospi indices reporting heavy losses on Hong Kong's continued local protests, which began over a proposed extradition bill that would allow wanted suspects to be sent to mainland China, as well as South Korea's weak earnings outlook. Adding to the above, industrial profits in China contracted by 3.1%YoY in June, after a brief 1.1% gain in the prior month, fueling market concerns that a manufacturing slowdown amid trade war frictions will weigh on the economic growth outlook. In the meantime, U.S. Treasury Secretary Steven Mnuchin and Trade Representative Robert Lighthizer are travelling to Shanghai today to meet with Chinese Vice Premier Liu He for trade negotiations starting tomorrow. In FX markets, the DXY dollar index surged to a 2-month high of 98.092 in European trade on Monday following better-than-expected US Q2 GDP data reported on Friday and comments from White House economic adviser Larry Kudlow on Friday that the Trump administration has "ruled out" intervening in markets to lower the USD's value. In more detail, the BEA's advance estimate of Q2 GDP growth came in at 2.1%QoQ saar (vs 1.8% expected), down from 3.1% in Q1, as robust personal consumption (+4.3%QoQ saar from 1.1% in Q1) and government spending (+5.0%QoQ saar from 2.9% in Q1) offset weakness in business investment (-0.8%QoQ saar +3.2% in Q1) from and other expenditure categories. Elsewhere, the GBP/USD was trading around a 28-month low of 1.2332 at the time of writing on Monday, after senior ministers' comments on Sunday that the British government under the new Prime Minister Boris Johnson prepares the ground to leave the European Union on Oct. 31 without an agreement fueled market worries for a no-deal Brexit. Looking at this week's calendar, apart from US/China trade talks that start on Tuesday, the main events are the BoJ's, the Fed's and the BoE's monetary policy meetings on Tuesday, Wednesday and Thursday, respectively. On the data front, Eurozone's June unemployment rate and July confidence indicators (Tuesday), China's July PMI and Eurozone's Q2 GDP (Wednesday) are due later in the day. Furthermore, final July manufacturing PMIs for Japan, China and the Eurozone and US ISM manufacturing (Thursday), as well as US July's nonfarm payrolls (Friday), are also expected to lure market attention.

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### GREECE

According to ELSTAT's quarterly non-financial sector accounts, the nominal disposable income of Greek households, backed by a rise in employment, increased on an annual basis for an 8th quarter in a row in 2019Q1. More specifically, its annual percentage change accelerated to 4.9% (€1.3 bn in current prices) from 1.7% and 1.6% in 2018Q4 and 2018Q1 respectively. However, given the current levels of gross disposable income and private consumption, the respective gross saving rate (gross saving / gross disposable income) remained on a negative territory, registering a value of -6.8% or -4.9% in terms of a 4 quarters moving average. The negative gross saving rate of Greek households is a major downside risk for the sustainability of private consumption growth in the future.

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## Latest economic & market developments in the CESEE region

### BULGARIA

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

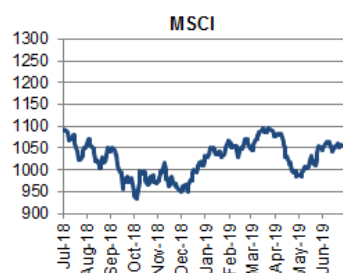
CYPRUS: Indicators	2017	2018	2019F
Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

\* 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+

The Blue chip Bulgarian SOFIX gained 0.25% to 584.03 points, recovering the loss from the previous week. The volume remained subdued at a little over €0.5mn. External bond yields continued to slide down with a range of 4-5 bps for the short and medium range and 6 bps for the 2035 tenor. Local bond yields exhibited a similar pattern, with the 4 and 5 year tenors dropping within 2-3 bps and the 10 year tenor registering the largest drop – 5 bps.

### SERBIA

The EUR/RSD pair held on to its mildly positive tone after being slightly pushed higher earlier in the week. Seems that the correction was only consolidative as appreciation pressure turned back to the domestic currency. The National Bank of Serbia (NBS), during Friday session, had to intervene with an amount of €15mn to balance out created discrepancies between supply and demand. The central bank's intervention has kept EUR/RSD pair above 117.7186, the lowest year-to-date cross rate achieved on July 15. The market closed at 117.73/83 after Friday's intervention. Finally, the average May 2019 net salary in Serbia stood at RSD 55,380, which is a 9.9% rise in nominal and a 7.5% rise in real terms compared to the same month last year, according to the Statistical Office of the Republic of Serbia.

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\*We would like to thank Djordje Lucic from Eurobank Beograd and Ruslan Raychev from Eurobank Bulgaria for their valuable contribution in today's issue.

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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	3025.86	0.7%	20.7%	EUR/USD	1.1124	0.0%	-3.0%	UST - 10yr	2.06	-1	-62	GOLD	1419	0.0%	10.7%
Nikkei 225	21616.80	-0.2%	8.0%	GBP/USD	1.2337	-0.4%	-3.3%	Bund-10yr	-0.40	-2	-64	BRENT CRUDE	63	-0.5%	17.3%
STOXX 600	391.69	0.2%	16.0%	USD/JPY	108.64	0.0%	1.0%	JGB - 10yr	-0.14	1	-15	LMEX	2824	-0.8%	0.8%

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	1.80	0	-64
1-week	1.91	0	-65
1-month	2.19	0	-54
3-month	2.45	0	-58
6-month	2.65	0	-53

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.61	0	-45
5Y RSD	3.00	0	-50
7Y RSD	3.25	0	-91

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.74	-1	-126

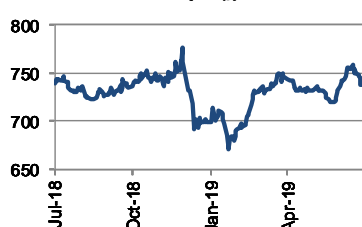
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	737.4	-0.01%	-3.19%

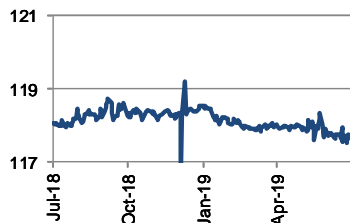
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.75	-0.06%	0.41%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.8	-53	171
1-month	2.8	-1	93
3-month	3.08	-1	103
6-month	3.22	-1	95
12-month	3.37	-3	105

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.40	0	-63
5Y RON	3.80	0	-54
10Y RON	4.15	0	-66

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.76	-	-79
USD Jan-24	2.97	-1	-126

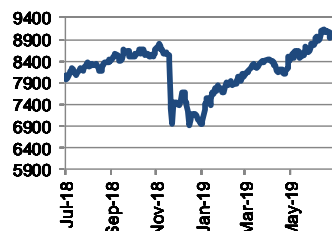
## STOCKS

	Last	ΔD	ΔYTD
BET	8985.2	0.27%	21.69%

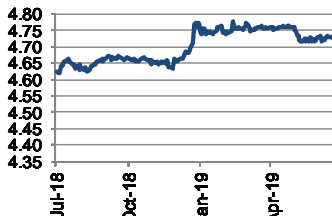
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7278	-0.09%	-1.56%

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	-0.31	-4	-26
5Y BGN	-0.11	-2	-23
10Y BGN	0.28	0	-47

87.94

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.20	-12	-18
EUR Sep-24	-0.02	4	-50

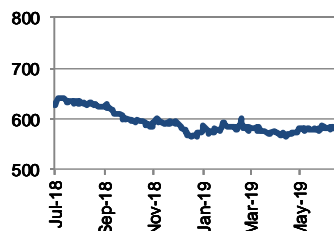
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	585.0	0.17%	-1.58%

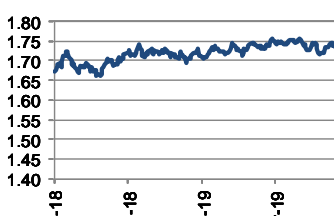
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7583	-0.02%	-3.00%

SOFIX Index



USD/BGN



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

Data updated as of 11:45 EEST

Monday 29 July 2019

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- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
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