



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday 31 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: Major European bourses were generally down in early trade today recording losses of around 1.0% at the time of writing, while US stock futures point to a lower opening amid increased trade war jitters. US President Donald Trump issued a statement yesterday threatening to impose a 5% tariff on all goods imported from Mexico, starting on 10 June, unless Mexico takes swift measures to curtail the flows of illegal immigrants into the US. USTs and German Bunds gained while in the EMU periphery, Italy's sovereign bonds underperformed on increased political jitters. In FX markets, the JPY firmed favored by its safe-haven appeal, with the USD/JPY dropping to a three-month intraday low of 108.74 earlier today.

GREECE: According to the Hellenic Statistical Authority, the overall producer price index in industry (PPI) in April 2019 increased by 3.6%YoY (against an increase of 2.0%YoY in April 2018) and 1.2%MoM (against an increase of 2.0%MoM in April 2018).

SOUTH EASTERN EUROPE

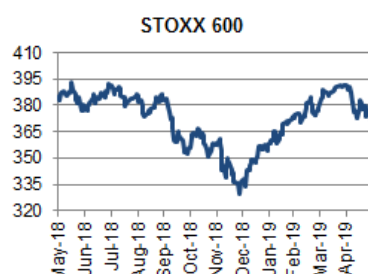
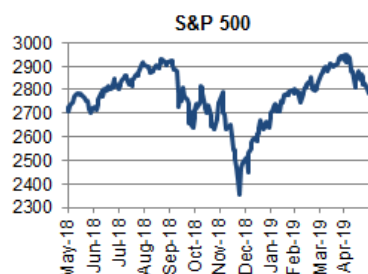
CESEE MACRO & MARKET DEVELOPMENTS: The majority of emerging market assets posted modest gains in early European trade today despite the release of disappointing data in major emerging economies. The Chinese manufacturing PMI index for May came in at 49.4 from 50.1 in April, which is below the market estimate at 49.9 while Brazil's economic activity took its first dip since 2016 as GDP in Q1-2019 contracted by 0.2% QoQ, compared to a marginal growth of 0.1% QoQ in Q4-2018. Elsewhere in the region, amid lack of market-driven news, markets were relatively quiet. Later today we anticipate Serbia's final GDP print for Q1-2019.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European bourses were generally down in early trade today recording losses of around 1.0% at the time of writing, while US stock futures point to a lower opening amid increased trade war jitters. US President Donald Trump issued a statement yesterday threatening to impose a 5% tariff on all goods imported from Mexico, starting on 10 June, unless Mexico takes swift measures to curtail the flows of illegal immigrants into the US. If Mexico does not comply, the US President warned that tariffs will increase further by 5% each month reaching 25% on 1 October. Market speculation that, besides increased tariffs on US imported goods, China is considering to use as a leverage to the trade war some new countermeasures, including reduced exports to the US of rare earths, also dented market sentiment towards risk assets. In addition, data from China disappointed showing May's PMI manufacturing dropping more than expected into contractionary territory, raising questions about the effectiveness of the Chinese authorities' stimulus steps. Against this background, USTs gained. Dovish comments by Fed Vice Chair Richard Clarida that the Central Bank would act if inflation stays too low or global and financial risks endangers the economic outlook, had also had an impact. In addition, US Q1 GDP was revised a tad lower to an annualized rate of 3.1%QoQ from an advance estimate of 3.2%QoQ but, more importantly for market participants, the core PCE price index, the Fed's preferred gauge for inflation, was reassessed to 1.0%QoQ from 1.3%QoQ previously. The 10-yr UST yield dropped close to 2.16% earlier today, the lowest level since September 2017, some 5bps lower on the day, while the 2-yr paper was yielding levels around 2.0% for the first time in more than a year. German Bunds also gained but to a lesser extent than USTs. The 10-yr Bund yield was down 2.5bps compared to Thursday's close testing -0.20% record lows, with the spread against its US counterpart narrowing close to 236bps earlier today, the lowest level since August 2016. In the EMU periphery, Italy's sovereign bonds underperformed amid mounting political jitters. The 10-yr BTP/Bund yield spread moved above 290bps for the first time this year after a Bloomberg report suggested that Italy's Deputy Prime Minister Matteo Salvini said to his party's lawmakers that he is ready to trigger the collapse of the coalition government if he cannot push through his flat tax plans and other priority measures. In FX markets, the JPY gained favored by its safe-haven appeal with the USD/JPY dropping 0.7% on the day to a three-month intraday low of 108.74. Meanwhile, the EUR/USD gained 0.2% on the day rebounding modestly to levels around 1.1150/55 in early European trade after falling to a multi-session intraday low of 1.1114 overnight, within distance from 1.1106 year-to-date lows marked earlier this month.

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GREECE

According to the Hellenic Statistical Authority, the overall producer price index in industry (PPI) in April 2019 increased by 3.6%YoY (against an increase of 2.0%YoY in April 2018) and 1.2%MoM (against an increase of 2.0%MoM in April 2018). For the 12-month period from May 2018 to April 2019 the average overall (PPI) index rose by 4.9% compared to the 12-month period from March 2017 to April 2018, while the corresponding change between the previous 12-month periods was 2.6%. On the privatisations front, according to press, the CEO of DEPA resigned from his post on the back of a dispute with the competent Ministry regarding the employment status of c. 140 freelancers that work for the company. The said resignation in conjunction with the upcoming general elections is likely to have an impact on the privatisation of DEPA.

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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

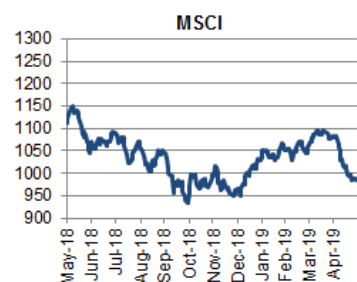
* ESA 2010

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+

The majority of emerging market assets posted modest gains in early European trade today despite the release of disappointing data in major emerging economies. The Chinese manufacturing PMI index for May came in at 49.4 from 50.1 in April, which is below the market estimate of 49.9. Moreover, Brazil's economic activity took its first dip since 2016 as GDP in Q1-2019 contracted by 0.2% QoQ, compared to a marginal growth of 0.1% QoQ in Q4-2018. That said, the MSCI Emerging Markets Equity Index concluded yesterday's session at 998 ca 1% higher for the day while the MSCI EM currency index and the EMBI PLUS for EM bonds rose by 0.21% and 0.23% respectively.

Elsewhere in the region, amid lack of market-driven economic news, markets were relatively quiet. The Polish Zloty firmed slightly against the Euro and, at the time of writing, continues to maintain a relatively positive momentum. The EUR/PLN is currently trading at 4.2875, down by ca 0.1%, with regional markets, presumably, having already discounted the expected positive reading in Poland's Q1 GDP growth due later within the day. The flash print released in mid-May pointed to 4.6% YoY GDP growth and today's figure is expected to come in at 4.7% YoY, slightly lower from Q4 2018, but still the highest within the CESEE region and the EU, after Hungary and Malta. In other news, in Serbia, the Minister of Finance, Mr. Sinisa Mali stated yesterday that the minimum wage will increase in September. He also expressed his belief that there will be room for another, significant increase of public sector wages and pensions. The minimum wage increased by 8.6% to RSD 27,000 as of January and President Aleksandar Vucic has recently said that it will grow further to RSD 30,000, translating to an 11.1% hike. Concluding, later today we anticipate Serbia's final GDP print for Q1-2019, following the flash estimate of 2.3% YoY released one month ago, much lower than 4.3% YoY GDP growth ratio in FY 2018, the highest since 2008.

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Friday 31 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	2786.62	0.1%	11.2%	EUR/USD	1.1139	0.1%	-2.9%	UST - 10yr	2.24	-2	-44	GOLD	1287	0.6%	0.4%
Nikkei 225	20942.53	-0.3%	4.6%	GBP/USD	1.2616	-0.1%	-1.1%	Bund-10yr	-0.18	0	-42	BRENT CRUDE	68	-2.6%	25.7%
STOXX 600	372.07	0.4%	10.2%	USD/JPY	109.67	-0.1%	0.0%	JGB - 10yr	-0.08	1	-8	LME X	2780	-1.1%	-0.8%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.25	-1	-19
1-week	2.34	-1	-22
1-month	2.58	0	-15
3-month	2.97	1	-6
6-month	3.11	2	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.99	-8	-7
5Y RSD	3.73	0	22
7Y RSD	3.96	0	-20

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.28	-1	-72

CDS

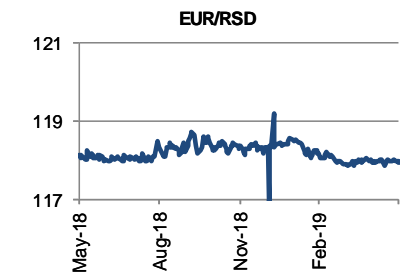
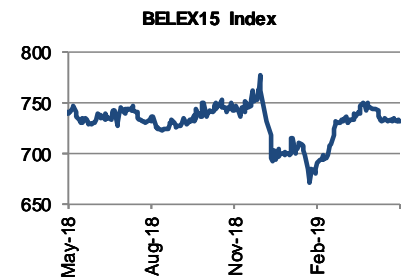
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-14
10-year	149	0	-14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.1	0.00%	-3.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.02	-0.20%	0.18%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.81	-4	172
1-month	3.11	0	124
3-month	3.25	-1	120
6-month	3.38	0	111
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.80	0	-23
5Y RON	4.39	0	5
10Y RON	4.86	0	5

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.32	-	-21
USD Jan-24	3.40	-2	-84

CDS

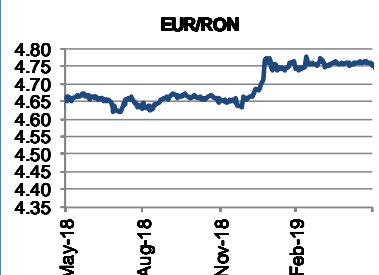
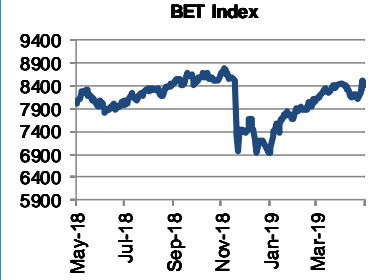
	Last	ΔDbps	ΔYTD bps
5-year	91	1	1
10-year	137	2	3

STOCKS

	Last	ΔD	ΔYTD
BET	8403.1	-0.86%	13.81%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7522	0.14%	-2.06%



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	-3	-14
10Y BGN	0.40	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.12	-3	-7
EUR Sep-24	0.15	-3	-33

CDS

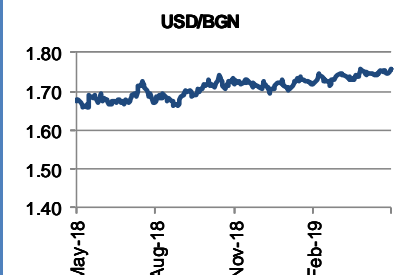
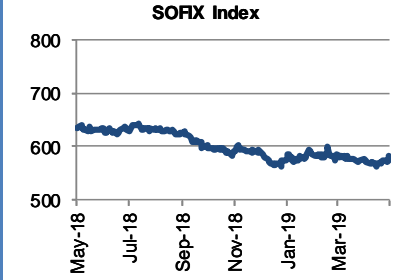
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	129	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	582.1	1.67%	-2.07%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.756	0.07%	-2.88%



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

Data updated as of 19:45 EEST of the previous session

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Friday, 31 May 2013

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