



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday 31 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: The majority of global equity markets traded in the red on Wednesday, following President Donald Trump's complaints that China has not been "coming through" in terms of buying US agricultural products or making any progress towards a US/China trade deal, sparking investors' worries regarding US-China trade negotiations that resumed earlier today in Shanghai. In FX markets, the DXY dollar index was hovering around 98.090 in European trade, not too far from yesterday's intraday two-month high of 98.206. Elsewhere, the EUR/USD traded around 1.1143 at the time of writing, having pulled back from an intraday 5-session high of 1.1162, as the data releases added to concerns over the economic slowdown. In the UK, the GBP/USD firmed somewhat to 1.2153 in European trade at the time of writing, having plunged to a 28-month low of 1.2120 on Tuesday amid mounting fears that the UK will leave the EU on Oct. 31 without a deal.

GREECE: In July 2019 the Economic Sentiment Indicator rose for the 3rd consecutive month climbing to 105.3 units, the highest level since April 2008 and 4.3 units higher compared to the reading of the previous month.

SOUTH EASTERN EUROPE

BULGARIA: The Economic Sentiment Index (ESI) climbed on a monthly basis in July.

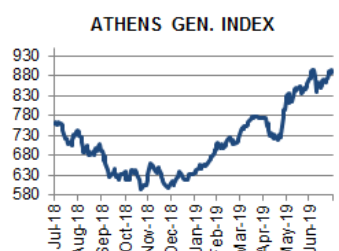
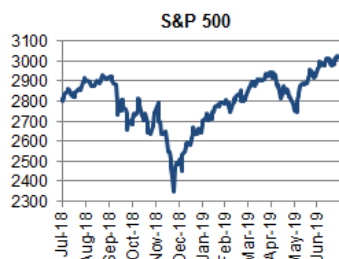
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Wednesday 31 July 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of global equity markets traded in the red on Wednesday, following President Donald Trump's comments on Twitter that "China is doing very badly, worst year in 27 – was supposed to start buying our agricultural product now – no signs that they are doing so. This is the problem with China, they just don't come through". As a result, the official newspaper of the Communist Party reported overnight that China won't compromise against its principles on trade, sparking investors' worries regarding US-China trade negotiations that resumed earlier today in Shanghai. In terms of data, China's July manufacturing PMI came in at 49.7 (vs. 49.6 expected), up from 49.4 in the prior month, reporting the third month in a row in contractionary territory, while the services PMI decelerated to 53.7 (vs. 54.0 expected) from 54.2 in June, though remaining well above the 50-threshold that distinguishes expansion from contraction. In FX markets, the US dollar held firm on Wednesday, ahead of the outcome of the July's FOMC meeting where the Fed is expected to reduce the target range for the fed funds rate by 25bp to 2.00-2.25%, with the DXY dollar index hovering around 98.090 in European trade, not too far from yesterday's intraday two-month high of 98.206. Elsewhere, the EUR/USD traded around 1.1143 at the time of writing, having pulled back from an intraday 5-session high of 1.1162, as the data releases added to concerns over the economic slowdown. More importantly, the EC economic sentiment indicator declined to 102.7 in July from 103.3 in June, its lowest level since March 2016, while the industrial confidence index fell to its lowest level since July 2013 (-7.4 from -5.6 in June) and the services confidence index fell to its lowest level since September 2016 (10.6 from 11.0 in June). In the UK, the GBP/USD firmed somewhat to 1.2153 in European trade at the time of writing, having plunged to a 28-month low of 1.2120 on Tuesday amid mounting fears that the UK will leave the EU on Oct. 31 without a deal. Looking at the day ahead, the outcome of the July FOMC meeting is the main highlight for investors, while, in terms of data, the advance Q2 GDP reading for the Eurozone GDP in Q2, coupled with the unemployment rate (June) and CPI (July) are also expected to lure market attention.

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GREECE

In July 2019 the Economic Sentiment Indicator rose for the 3rd consecutive month climbing to 105.3 units, the highest level since April 2008 and 4.3 units higher compared to the reading of the previous month. It is also the first time since November 2014 that the Greek ESI is higher than that of the EU-28 and since December 2014 that it is higher than that of the Euro area. This development was driven by increases in confidence in all individual sectors as follows: industry +2.3 units, services +14.2 units, consumers +7.6 units, retail +4.5 units and construction +7.4 units. In other news, the Greek government submitted yesterday an amendment to Law 4067/2012 regarding the integrated development plan for Hellinikon with a view to accelerating the investment project.

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Wednesday 31 July 2019

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

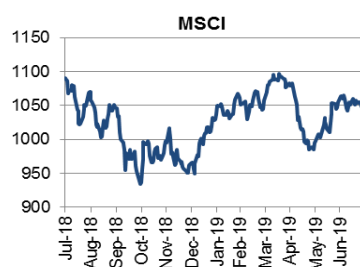
* ESA 2010

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+

According to the latest Eurostat release, the Economic Sentiment Index (ESI) climbed on a monthly basis in July to the highest level since January 2019. The ESI Index increased by 2.2 points to 104.8 in July compared to 102.6 in June up from 103.1 in May. With the exception of construction, all other components of the index (industry, consumer, retail trade and services) improved in July. More specifically, construction declined by 1.9 points to -8.1 compared to -6.2, with the latter being the best performance since November 2018. Overall, the economic sentiment data of July is a good start for GDP growth in Q3-2019. As far as the ESI index trajectory is concerned, Bulgaria moves in the opposite direction than EA-19 and EU-28, which explains to some extent its solid performance in Q1-2019. Economic activity accelerated in Q1-2019 in defiance of an unfavorable world economic environment. The seasonally adjusted Q1-2019 revised GDP growth estimate was raised by 0.1ppts on an annual basis from a flash reading, with economic activity coming in at 1.1% QoQ/3.5% YoY in Q1-2019 up from 0.8% QoQ/3.2% YoY in Q4-2018 and 0.7% QoQ/3.1% YoY in Q3-2018. In our view, solid growth momentum is expected to continue throughout 2019 – our forecast stands at 3.5% unrevised since last year – driven by sound domestic demand dynamics.

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Wednesday 31 July 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	3013.18	-0.3%	20.2%	EUR/USD	1.1146	-0.1%	-2.8%	UST - 10yr	2.05	-1	-63	GOLD	1431	0.0%	11.5%
Nikkei 225	21521.53	-0.9%	7.5%	GBP/USD	1.2162	0.1%	-4.7%	Bund-10yr	-0.41	-1	-65	BRENT CRUDE	65	0.6%	21.0%
STOXX 600	385.11	0.0%	14.1%	USD/JPY	108.56	0.1%	1.1%	JGB - 10yr	-0.15	0	-16	LME X	2821	-0.9%	0.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	1.78	0	-66
1-week	1.90	0	-66
1-month	2.16	0	-57
3-month	2.42	0	-61
6-month	2.62	0	-56

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.59	-1	-47
5Y RSD	3.00	0	-50
7Y RSD	3.24	0	-92

RS Eurobonds

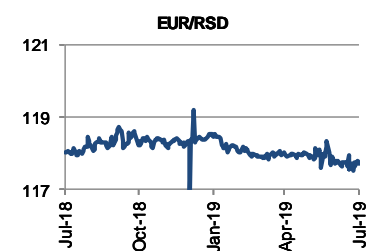
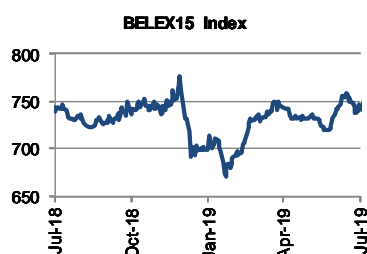
	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.77	0	-123

STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.3	-0.63%	-2.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.74	0.00%	0.42%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.6	-6	151
1-month	2.78	0	91
3-month	3.05	-1	100
6-month	3.2	0	93
12-month	3.35	-1	103

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.45	0	-58
5Y RON	3.91	0	-43
10Y RON	4.29	0	-52

RO Eurobonds

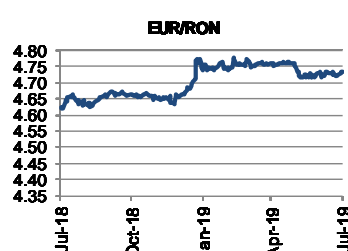
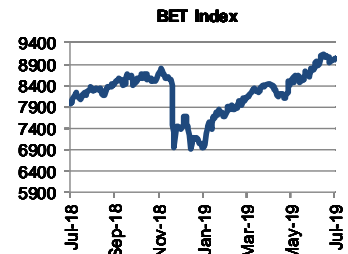
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.75	-	-79
USD Jan-24	2.97	0	-127

STOCKS

	Last	ΔD	ΔYTD
BET	9045.9	0.56%	22.51%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7325	-0.01%	-1.66%



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	0	-23
5Y BGN	-0.09	0	-21
10Y BGN	0.25	0	-50

87.94

BG Eurobonds

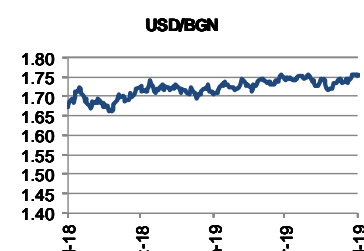
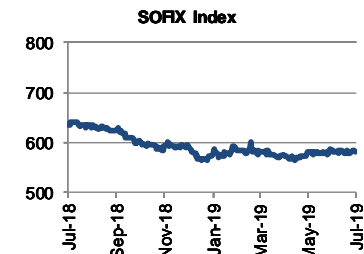
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.25	0	-23
EUR Sep-24	-0.02	0	-50

STOCKS

	Last	ΔD	ΔYTD
SOFIX	581.7	0.03%	-2.15%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7546	-0.09%	-2.80%



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

Data updated as of 12:05 EEST

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