

Monday 24 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: All eyes this week are on a meeting between US President Donald Trump and his Chinese counterpart Xi Jinping that will be held on the sidelines of the G20 meeting on 28-29 June. Amid hopes that the meeting will conclude positively and open the way for the resumption of trade talks, Asian bourses ended modestly higher today, while major European bourses followed suit opening in positive territory. Dented by hopes for another ceasefire in the US/China trade dispute, fixed-income assets experienced a moderate sell-off in early European trade today. In FX markets, the USD remained under broad-based pressure for the fourth consecutive day on the back of increased expectations for lower Fed interest rates in the coming months. Favored by market perception that the Fed has more room than the ECB to cut interest rates to support economic expansion, the EUR/USD extended its post-FOMC gains marking a three-month high near 1.1390 earlier today. Looking at this week's calendar, major data releases includes today's German Ifo Business Climate for June, which is expected to remain largely unchanged ahead of Friday's Eurozone inflation data for June. In the US, this week's highlight is the PCE core inflation print for May due out Friday.

GREECE: The Hellenic Gaming Commission has once more extended the deadline for the submission of binding offers for the casino at Hellinikon, to 31 July 2019 from 28 June currently. On the economic data front, according to the Bank of Greece, in April 2019 travel receipts rose by 6.9%YoY (against 3.6%YoY in April 2018) in spite of the fact the inbound traveler flows fell by 11.3%YoY (against an increase of 9.6%YoY in April 2018).

SOUTH EASTERN EUROPE

CESEE MACRO & MARKET DEVELOPMENTS: The bond issuance spree in the CESEE Region is still firm as, following Serbia's tapping international markets, the Bulgarian Ministry of Finance sold 10.5-year government bonds worth BGN 200mn and 20-year government bonds worth BGN 100.6mn at a local auction last Wednesday. In Serbia, President Aleksandar Vucic announced over the weekend that a new investment cycle worth EUR 5-10bn will be presented by the end of the year. He mentioned that the cycle could be completed in four to five years and will entail projects related to the development of all regions that could push up economic growth to more than 5-6%. Finally, in Turkey, the opposition candidate Ekrem Imamoglu won the re-run of metropolitan mayor elections in Istanbul on June 23 by receiving 54.2% of the votes, according to preliminary results by the Istanbul provincial election board, disclosed by local media.

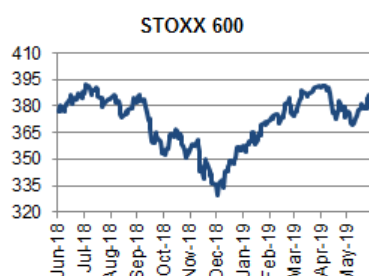
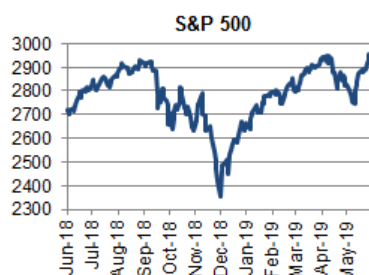
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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

All eyes this week are on a meeting between US President Donald Trump and his Chinese counterpart Xi Jinping that will be held on the sidelines of the G20 meeting on 28-29 June, most probably after the completion of the summit, as was the case at the G20 meeting in Argentina in December. Speaking at a news briefing on the G20 summit earlier today, Chinese Vice Minister of Commerce Wang Shouwen said that talks between the Chinese and US negotiating teams are under way to prepare the meeting between the two leaders, stressing that both sides should make compromises for a final deal to be reached that will be mutually beneficial. Amid hopes that the meeting will conclude positively and open the way for the resumption of trade talks, Asian bourses ended modestly higher today, while major European bourses followed suit opening in positive territory. Dented by hopes for another ceasefire in the US/China trade dispute, fixed-income assets experienced a moderate sell-off in early European trade today. The 10-yr UST yield was standing around 2.05% at the time of writing, a tad higher on the day and some 8bps up from last week's 2-½ -year high. In spite of today's upward move, it was still some 12bps below recent highs (11 June) as the Fed's dovish remarks at last week's monetary policy meeting that supported the prevailing market view for lower interest rates in the foreseeable future, continued to affect market sentiment. Along these lines, the 10-yr Bund yield was hovering around -0.30% earlier today, some 2.5bps higher from last week's record highs but still well below -0.23% recent peak (June 17). In FX markets, the USD remained under broad-based pressure for the fourth consecutive day on the back of increased expectations for lower Fed interest rates in the coming months. The DXY index was standing around 96.154 at the time of writing, 1.4% weaker on a weekly basis and near 2.0% down so far this month. Favored by market perception that the Fed has more room than the ECB to cut interest rates to support economic expansion, the EUR/USD extended its post-FOMC gains marking a three-month high near 1.1390 earlier today. Looking at this week's calendar, major data releases include today's German Ifo Business Climate for June, which is expected to remain largely unchanged ahead of Friday's Eurozone inflation data for June. In the US, this week's highlight is the PCE core inflation print for May due out Friday.

ppetropoulou@eurobank.gr

GREECE

The Hellenic Gaming Commission has once more extended the deadline for the submission of binding offers for the casino at Hellinikon, to 31 July 2019 from 28 June currently. According to press, the reason for this extension is that the Joint Ministerial Decision (JMD) laying out the planning specifications for the development zones of the site has not been issued yet. It is noted, that aside from this JMD, two more JMDs regarding the Metropolitan Park and the urban planning zones are pending. On the economic data front, according to the Bank of Greece, in April 2019 travel receipts rose by 6.9%YoY (against 3.6%YoY in April 2018) in spite of the fact the inbound traveler flows fell by 11.3%YoY (against an increase of 9.6%YoY in April 2018). The drop in international arrivals is attributed primarily to decreases in arrivals from Germany (-24%), UK (-22.1%), which constitute Greece's main tourism origin markets, and Russia (-15.1%). This development, verifies earlier warning signs that a slowdown in tourism growth may occur in 2019 due to the slowdown in Europe's economy, no-deal Brexit risk and the intensification of competition from neighbouring tourism destinations. For the period January-April 2019, receipts are up by 22.8%YoY and arrivals 0.5%YoY, against increases of 8.4%YoY and 11.5%YoY respectively in the corresponding period of 2018.

andimitradiou@eurobank.g2

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

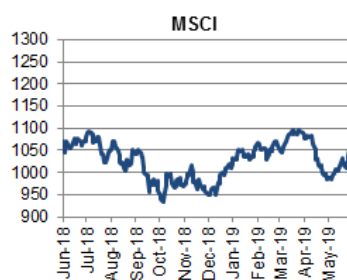
* ESA 2010

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 bond issuance spree in the CESEE Region is still firm as, following Serbia's successful EUR 1bn funds raising in 10 year bonds, the Bulgarian Ministry of Finance sold 10.5-year government bonds worth BGN 200mn and 20-year government bonds worth BGN 100.6mn at a local market auction last Wednesday. The average weighted yield was 1.60% for the 20-year bonds and 0.41% for the 10.5-year bonds, which is considered a record low. We highlight that this was the first bond issuance in almost 2 years. The demand for notes maturing in 2029 was more than double compared to the amount finally issued while for the 20-year bonds the demand was more modest but still almost 120% above the amount issued eventually. Banks acquired 43% of the 10.5-year bonds, followed by pension funds with a 34% share and insurance companies with a 23%. Insurance companies purchased 49% of the 20-year bonds, followed by pension funds with 39% and banks with 10%. Regarding the domestic equity market, the blue chip index SOFIX edged higher during the previous week, ending at 578.86 points or 0.15% higher on a weekly basis.

Moving to Serbia's news front, according to Minister of Finance, Sinisa Mali's statements in a local news agency, the budget posted a surplus of more than RSD 2bn in May instead of an expected deficit, while in January-May, the surplus reached RSD 8.3bn. He noted that these good results will allow for an increase in wages and pensions by the end of the year. The Minister also said that the 2020 budget will allocate more money for investment in infrastructure. In the same context, President Aleksandar Vucic announced over the weekend that a new investment cycle worth EUR 5-10bn will be presented by the end of the year. He mentioned that the cycle could be completed in four to five years and will entail projects related to the development across all regions. He added that the authorities will invest money in big capital projects that could push up economic growth to more than 5-6%. The projects will include investment in water supply and sewer systems, metro, highways, railroad Corridor 10 to Presevo and Dimitrovgrad. Concluding with the local FX market, the EUR/RSD continued to trade around recent levels, closing Friday's session at 117.87/97. The National Bank of Serbia (NBS) continued with its routine of buying euros in order to halt dinar appreciation. The NBS bought roughly EUR 75mn, mostly between 117.92 and 117.97, bringing the total amount of interventions in June at EUR 570mn.

Last but not least, the opposition candidate Ekrem Imamoglu won the re-run of metropolitan mayor elections in Istanbul on June 23 by receiving 54.2% of the votes, according to preliminary results by the Istanbul provincial election board, disclosed by local media. The vote share of Mr. Imamoglu improved by 5.4pps from the original elections on March 31 as he succeeded in attracting votes from Mr. Yildirim, which is not surprising given an anticipated public reaction against the election board's controversial decision to cancel the first vote, won narrowly by Mr. Imamoglu. Mr. Yildirim's vote share dropped by 3.6pps from the first vote. In this week's calendar, we have picked out the 3 central bank meetings in Hungary on Tuesday, in the Czech Republic on Thursday and in Bulgaria on Friday where no changes are expected but market attention will be paid to all relevant press releases.

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	2950.46	-0.1%	17.7%	EUR/USD	1.1377	0.1%	-0.8%	UST - 10yr	2.05	-1	-64	GOLD	1402	0.2%	9.3%
Nikkei 225	21285.99	0.1%	6.4%	GBP/USD	1.2734	0.0%	-0.2%	Bund-10yr	-0.30	-2	-54	BRENT CRUDE	66	0.8%	22.2%
STOXX 600	385.61	0.2%	14.2%	USD/JPY	107.43	-0.1%	2.1%	JGB - 10yr	-0.15	1	-15	LMEX	2786	-0.5%	-0.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.21	0	-23
1-week	2.30	0	-26
1-month	2.53	0	-20
3-month	2.97	1	-6
6-month	3.11	1	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.89	-1	-17
5Y RSD	3.32	0	-19
7Y RSD	3.55	0	-61

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.47	0	-153

CDS

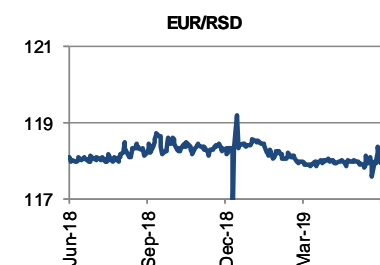
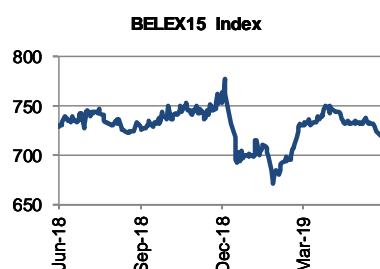
	Last	ΔDbps	ΔYTD bps
5-year	96	0	-22
10-year	139	0	-23

STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.3	-0.03%	-5.44%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.94	0.59%	0.25%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.68	0	59
1-month	3.02	0	115
3-month	3.23	0	118
6-month	3.37	0	110
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.68	0	-35
5Y RON	4.02	0	-32
10Y RON	4.41	0	-41

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.84	-	-70
USD Jan-24	2.85	0	-138

CDS

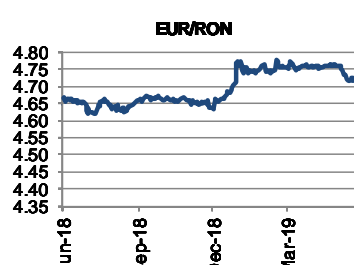
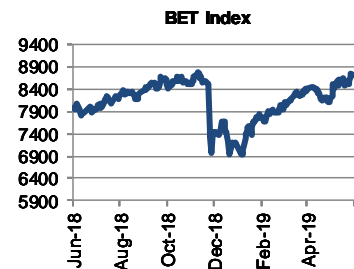
	Last	ΔDbps	ΔYTD bps
5-year	88	0	-2
10-year	132	0	-1

STOCKS

	Last	ΔD	ΔYTD
BET	8716.8	-0.34%	18.06%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7251	0.00%	-1.50%



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	-0.38	-1	-32
5Y BGN	-0.03	0	-14
10Y BGN	0.28	0	-47

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.15	0	-11
EUR Sep-24	0.05	2	-44

CDS

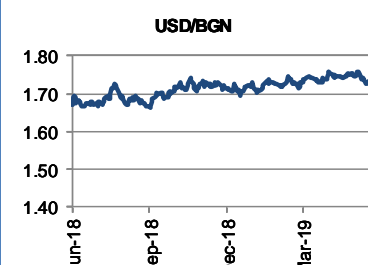
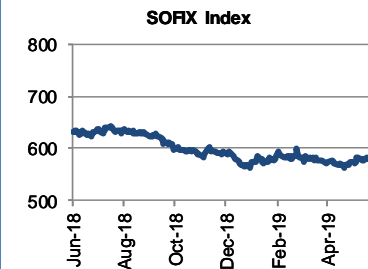
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-12

STOCKS

	Last	ΔD	ΔYTD
SOFIX	578.9	0.00%	-2.62%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7192	0.05%	-0.80%



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

Data updated as of 9:30 EEST

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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 3718 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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