

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jun 5: ISM non-manufacturing (May)
- Jun 8: Initial claims (weekly)

EUROZONE

- Jun 6: PMI services (May, f)
- Jun 7: OECD EA & Economic Outlook
- Jun 8: ECB monetary policy & press conference
- June 11: IT: Local elections

UK

- Jun 8: Early general election

GREECE

- Jun 8: U/E rate (Mar)
- Jun 9
 - Industrial production (Apr)
 - CPI/HICP (May)

SEE

BULGARIA

- Jun 7: GDP (Q1, f)
- Jun 8
 - Industrial production (Apr)
 - Retail sales (Jun)
- Jun 9: Trade balance (Apr)

ROMANIA

- Jun 6
 - Retail sales (Apr)
 - T-bonds auction
- Jun 7: GDP (Q1, p)
- Jun 8: T-bonds auction
- Jun 9
 - Trade balance (Apr)
 - President Iohannis visits US President Trump at White House

SERBIA

- Jun 7: PPI (May)
- June 8: MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity markets traded mixed on Wednesday ahead of a string of key events on Thursday, with Chinese stocks rallying on speculation that China's A-Shares will be included in MSCI's indexes on June 20. Risk-off sentiment pushed government bond prices up, with the 10yr UST yield falling to a seven-month low of 2.129% yesterday, before recovering to 2.15% in early European trade on Wednesday. Falling US bond yields weighed further on the US dollar, already pressured by intensified political uncertainty. Against this background, the USD fell to a 1 ½ month low of 109.13 against the safe-haven JPY in European trade at the time of writing. In the UK, market concerns shift towards the outcome of the June 8th general elections on Thursday, with latest polls showing a lead for the Conservatives between 4-11pps over the Labour Party, a significantly lower lead compared to April when PM Theresa May called general elections.

GREECE: With regard to the 2nd programme review, there are still a number of prior actions that need to be fulfilled but the Greek government appears confident that they will have been completed in time for the June 15th Eurogroup. Aside from the completion of the 2nd review and the approval of the release of the next loan tranche, the Greek government expects that the next Eurogroup meeting's conclusions will be so formulated as to leave a margin for the ECB to include Greece's eligible debt in its QE programme.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded sideways earlier on Wednesday as investor caution prevailed ahead of major events globally due later in the week.

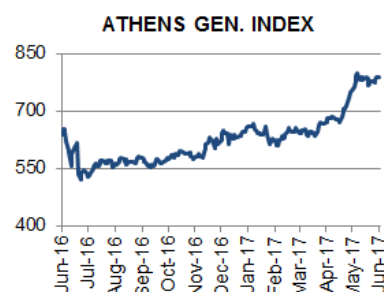
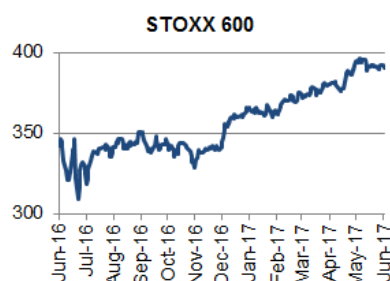
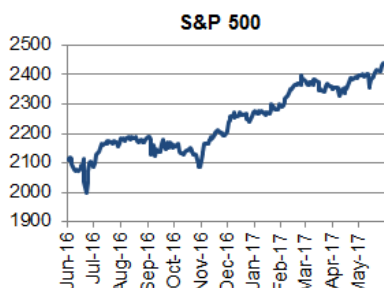
DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (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 (express 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.

June 7, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets traded mixed on Wednesday ahead of a string of key events on Thursday, with Chinese stocks rallying on speculation that China's A-Shares will be included in MSCI's indexes on June 20. Market focus centres on former FBI Director James Comey's Congressional testimony at a Senate Intelligence Committee tomorrow about his conversations with US President Donald Trump concerning an investigation into former National Security Advisor, Michael Flynn, who was dismissed for failing to unveil conversations with Russian officials. Risk-off sentiment pushed government bond prices up, with the 10yr UST yield falling to a seven-month low of 2.129% yesterday, before recovering to 2.15% in early European trade on Wednesday. Falling US bond yields weighed further on the US dollar, already pressured by intensified political uncertainty. Against this background, the USD fell to a 1 ½ month low of 109.13 against the safe-haven JPY in European trade at the time of writing. In the UK, market concerns shift towards the outcome of the June 8th general elections on Thursday, with latest polls showing a lead for the Conservatives between 4-11pps over the Labour Party, a significantly lower lead compared to April when PM Theresa May called general elections. Elsewhere, at the ECB's monetary policy meeting on Thursday, we do not expect a change in the forward guidance so as to risk an unwarranted tightening of financial conditions. Instead, the ECB could change its growth outlook highlighting that the risks to growth are largely balanced instead "to the downside".

okosma@eurobank.gr

GREECE

With regard to the 2nd programme review, there are still a number of prior actions that need to be fulfilled. According to press reports, these reportedly include: 1) a legal opinion that will assure that the recent pension reform is in line with the Hellenic Constitution and the Charter of Fundamental Rights of the EU, 2) the commencement of the privatisation of the Hellenic Gas Transmission System Operator (DESPA), 3) the recalculation and processing of pension claims applicable to pensions issued under Law 4387/2016, 4) on the Hellinikon project: resolving pending archaeological and forestry law related issues, finalizing the regulation regarding casino licenses in Attica and appointing a special committee of experts in cooperation with investors, 5) the reduction of pharmaceutical expenditure via the biannual issuance by the government of a six-month price list, 6) the secondary legislation to regulate the actions of insolvency administrators in the context of the out-of-court workout framework, 7) a number of actions pertaining to the Public Power Corporation (PPC) and the Independent Power Transmission Operator (ADMIE), and 8) a ministerial decision concerning the technical specifications of spatial plans. The Greek government appears confident that all remaining actions will have been completed in time for the June 15th Eurogroup while the issue will also be on the agenda of the Euroworking Group which is scheduled to convene tomorrow. Aside from the completion of the 2nd review and the approval of the release of the next loan tranche, the Greek government expects that the next Eurogroup meeting's conclusions will be so formulated as to leave a margin for the ECB to include Greece's eligible debt in its QE programme. In other news, according to the Ministry of Finance, total General Government arrears (including tax arrears of €1.05 bn) at the end of April 2017 stood at €4.96 bn from €5.08 bn in the previous month.

andimitriadou@eurobank.gr

tstamatiou@eurobank.gr

June 7, 2017

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

* ESA 2010

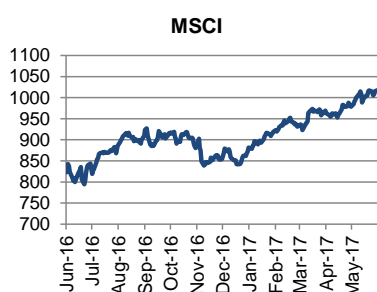
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.9	1.2	2.1
Budget Balance/GDP	-3.7	-1.4	-1.3
Current Account/GDP	-4.7	-4.0	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2016	current	2017
Policy Rate (eop)	4.00	4.00	4.00

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	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets traded sideways earlier on Wednesday as investor caution prevailed ahead of major events globally due later in the week. Namely, the UK's elections, former FBI director James Comey's testimony and the ECB meeting. Along these lines, CESEE bourses were little changed on the day in early European trade. Meanwhile, the MSCI Emerging Markets index stood in a modestly negative territory for the second consecutive session at the time of writing, though standing just off a 2-year peak hit on Monday. In tandem with the uptrend in major global bourses, the index has rallied 18% so far this year, extending gains of 9% registered in 2016. It has been buoyed by the ongoing global growth recovery, improving macro fundamentals in developing economies, somewhat mitigated concerns about US trade protectionism, lingering hopes about fiscal stimulus from the US and still relatively low interest rates globally. Rather diminished political uncertainty concerns in Europe have also underpinned appetite towards risky assets in recent weeks.

In FX markets, the Polish zloty stood off a 2-week low of 4.2052/€ hit on Tuesday, ahead of the conclusion of today's MPC meeting. The Central Bank is broadly anticipated to stand pat on its monetary policy and maintain the key policy rate at the current record low of 1.50%, as has been the case since mid-2015. Earlier expectations for interest rate hikes as soon as Q2 2018 have been lately scaled back, with the inception of monetary tightening broadly anticipated to start in the second half of next year, following dovish comments by MPC members and relatively subdued inflation pressures over recent months. Having emerged from a 2 ½ year deflation since late 2016, consumer prices returned to positive annual readings, reflecting the normalization in world energy prices, the adjustment of regulated gas prices and higher food prices. Nonetheless, CPI has remained below the 2.5% Central Bank target mid-point throughout the year, with the headline index coming in slightly weaker than anticipated at 1.9%YoY May and the corresponding core index expected to have stayed that month around April's 0.9%YoY level. Elsewhere, the Hungarian forint eased by 0.2% compared to the prior session's settlement, to hover around levels of 308.50/€ in European trade, after industrial production data for April released earlier on Wednesday disappointed expectations. In more detail, the annual rate of increase in industrial output slowed more than anticipated to 2.5% from 10.0% in March, underperforming a market consensus of 5.3%YoY. That said, the slowdown may be partly reflecting seasonal factors due to the Easter holidays.

Final Q1 GDP data released earlier today in several CESEE countries confirmed that growth remained robust for economies in the region, being mostly driven by improving private consumption dynamics. In Bulgaria, real GDP growth was revised slightly upwards at 3.5%YoY, from 3.4%YoY initially reported. Likewise, economic activity in Hungary expanded by 4.2%YoY from a flash 4.1%YoY estimate. Meanwhile, real GDP growth in Romania was confirmed at 5.7%YoY in line with a prior estimate.

In the external debt markets, Turkey has opened books on a benchmark 8-year EUR-denominated bond earlier on Wednesday, as part of its external borrowing programme for 2017. The issue matures on June 14, 2025 and the initial price target was set at 295bps over mid-swaps.

gphoka@eurobank.gr

June 7, 2017

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	2433.04	-0.1%	8.7%	EUR/USD	1.1265	0.1%	7.1%	UST - 10yr	2.14	-4	-31	GOLD	1294	1.1%	12.3%
Nikkei 225	19979.90	-0.9%	4.5%	GBP/USD	1.2894	-0.1%	4.3%	Bund-10yr	0.26	-3	5	BRENT CRUDE	49	-0.5%	-13.4%
STOXX 600	389.42	-0.7%	7.7%	USD/JPY	109.39	1.0%	7.0%	JGB - 10yr	0.04	-1	0	LMEX	2719	-1.0%	2.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.03	1	3
1-week	3.18	0	1
1-month	3.34	-2	-1
3-month	3.52	-2	5
6-month	3.71	-1	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.89	0	-14
5Y RSD	5.26	0	-9
7Y RSD	5.63	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.74	6	-58
USD Nov-24	6.32	0	-9

CDS

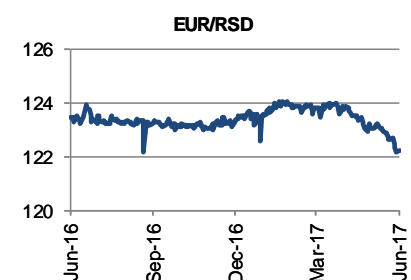
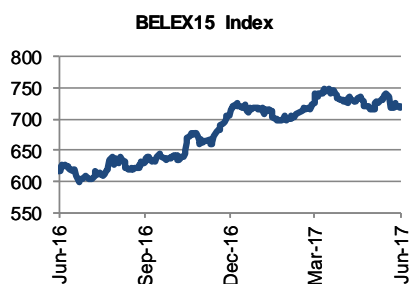
	Last	ΔDbps	ΔYTD bps
5-year	168	0	-39
10-year	221	0	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.4	0.42%	0.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.27	-0.02%	0.97%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.5	#VALUE!	-6
1-month	0.64	#VALUE!	-12
3-month	0.84	#VALUE!	-6
6-month	1.03	#VALUE!	-8
12-month	1.24	#VALUE!	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.36	-1	-26
5Y RON	2.22	0	-30
10Y RON	3.34	1	-31

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.92	#N/A N/A	-22
USD Jan-24	3.15	-10	-71

CDS

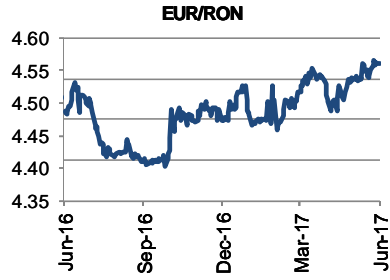
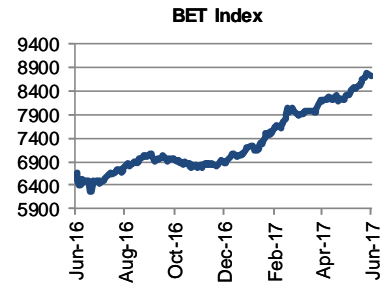
	Last	ΔDbps	ΔYTD bps
5-year	104	1	-5
10-year	149	0	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8697.2	-0.82%	22.75%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5685	0.02%	-0.65%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.27	13	-27
1-month	-0.16	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-4
12-month	0.42	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.02	0	-18
5Y BGN	0.21	-3	-29
10Y BGN	1.56	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.57	1	-125
EUR Sep-24	1.31	-14	-37

CDS

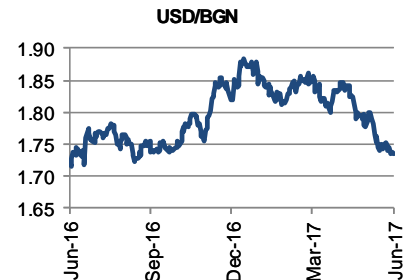
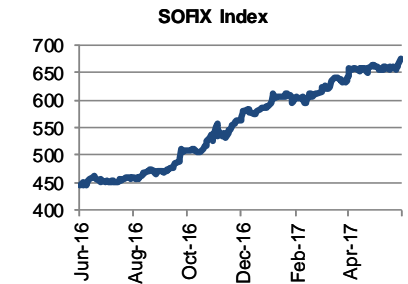
	Last	ΔDbps	ΔYTD bps
5-year	113	3	-39
10-year	165	0	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	675.8	0.30%	15.24%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7361	0.10%	7.04%



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

Data updated as of 18:00 EEST of previous session

June 7, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3337871

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankEA_FMR@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at

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

