

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Jun 19: Fed's Dudley & Evans speak
- Jun 20
  - Fed's Fisher, Rosengren & Kaplan speak
  - Secretary Mnuchin addresses SelectUSA Investment Summit
- Jun 21: Existing home sales (May)
- Jun 22
  - Jobless claims (weekly)
  - Fed's Powell speaks
- Jun 23
  - New home sales (May)
  - Markit PMI manufacturing (Jun, p)
  - Fed's Mester, Powell Bullard speak
  - Sovereign credit rating review by Moody's

#### EUROZONE

- Jun 19: EU to formally start Brexit talks
- June 23: PMI manufacturing & services (Jun)

#### GREECE

- Jun 20: Current account balance (Apr)
- Jun 21: Developments in the balance of travel services (Apr)
- Jun 23: Sovereign credit rating review by Moody's

#### SEE

##### BULGARIA

- Jun 19: Current account balance (Apr)

##### ROMANIA

- June 22: T-bonds auction

##### SERBIA

- Jun 20: Current account balance (Apr)
- June 21: 2020 2% EUR T-bonds auction
- June 22: Floating 2019 T-bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Oil prices remained under pressure on oversupply jitters. Brent crude moved below \$46bbl for the first time so far this year, initiating a bull flattening on the UST and the Bund yield curve. In FX markets, GBP remained under pressure as UK political uncertainty remains elevated with several news sources suggesting that Tories and Northern Ireland's DUP are still yet to reach an agreement for the formation of a minority Conservative government. Focus today is on the Queen's Speech (state opening of a new parliamentary session) where Queen Elizabeth II will read out the UK government's new legislative program (12:30 CET).

**GREECE:** According to a European Commission draft compliance report leaked to press, ESM loan disbursements up to the end (August 2018) of Greece's 3<sup>rd</sup> Economic Adjustment Programme, will reportedly have allowed for the built-up of a cash buffer of c. €9 billion but, according to the report, this will not be adequate to regain the trust of investors without additional debt relief. The report concludes that "additional debt-mitigating measures" will be needed even under the baseline scenario.

### SOUTH EASTERN EUROPE

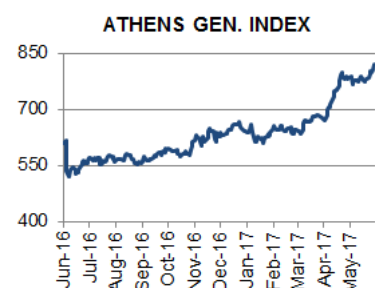
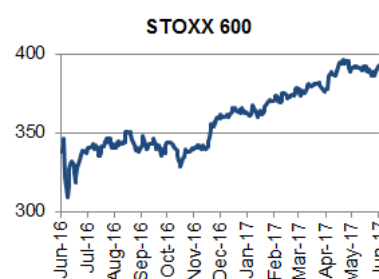
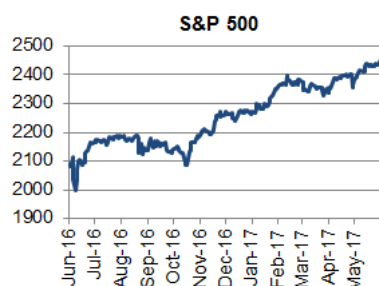
**CYPRUS:** Cyprus's Public Debt Management Office (PDMO) sold on Tuesday an offered amount of €850mn of 7-year government bonds as part of its €9bn Euro Medium Term Note (EMTN) programme.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Oil prices remained under pressure for the second session in a row as increased supply from the US and Libya (which are exempt from OPEC output limits) have raised investor concerns over the effectiveness of the OPEC and non-OPEC recent agreement to extend production cut until March 2018. Brent crude moved below \$46/bbl for the first time so far this year, marking losses of 0.7% on the day and 2.6% cumulatively over the last couple of sessions. Lower oil prices pushed down long-dated bond yields amid expectations for downward pressures on global headline CPI and inflation expectations, initiating a bull flattening on the UST and the Bund curve. BoE Governor Mark Carney's dovish comments at his Mansion House speech on Tuesday, was also a key driver for yields. Distancing himself from the three MPC members who voted in favor of an imminent rate hike at the June policy meeting, the BoE Governor conveyed a clear message that "now is not yet the time" for the Central Bank to start raising interest rates "given the mixed signals on consumer spending and business investment, and given the still subdued domestic inflationary pressures, in particular anemic wage growth". Against this background, the 30-yr UST yield fell to 2.72% earlier today, the lowest since mid-November 2016, after ending at 2.74% in the prior session and marking a multi-session peak near 2.89% last week following the Fed's decision for a 25bps rate hike. The 5/30-yr yield spread narrowed close to 97bps, the lowest in 6 ½ years. Along these lines, the 30-yr Bund yield was 1.5bps lower on the day at 1.05%, approaching last week's two-month low of 1.04% with the 5/30 year spread narrowing to a multi-week low of c. 146bps. In FX markets, GBP remained under pressure as UK political uncertainty remains elevated with several news sources suggesting that Tories and Northern Ireland's DUP are still yet to reach an agreement for the formation of a minority Conservative government. GBP/USD was hovering around 1.2605/10 at the time of writing, within distance from a two-month low of 1.2600 marked earlier in the day. Focus today is on the Queen's Speech (state opening of a new parliamentary session) where Queen Elizabeth II will read out the UK government's new legislative program (12:30 CET).

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### GREECE

According to a European Commission draft compliance report leaked to press, when the 3<sup>rd</sup> Economic Adjustment Programme for Greece expires (August 2018), there will be €27.4 billion of unused funds out of the €86 billion earmarked in the context of the programme. ESM loan disbursements up to the end of the programme, will reportedly have allowed for the built-up of a cash buffer of c. €9 billion but, according to the report, this will not be adequate to regain the trust of investors without additional debt relief. The report concludes that "additional debt-mitigating measures" will be needed even under the baseline scenario – reportedly envisaging nominal GDP growth rates between 3 and 4 percent until 2060 - including "an extension of maturities and grace periods for principal and interest" in order to "bring Greek debt back to a sustainable level in gross financing needs terms". Furthermore, the report states that "there is uncertainty surrounding the capacity of the Greek government to sustain high primary surpluses over several decades. In addition, there are significant downside risks to growth linked to aging populations and trends in total factor productivity." In other news, the unbundling of the Independent Power Transmission Operator S.A. (ADMIE) from the Public Power Corporation S.A. (PPC) was completed yesterday and at the same time the sale of the 24% stake of the PPC in ADMIE to the Chinese State Grid Corporation was concluded with the payment of €326 million.

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June 21, 2017

## Latest economic & market developments in the CESEE region

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

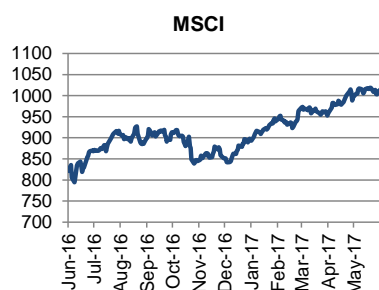
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

### CYPRUS

Cyprus's Public Debt Management Office (PDMO) sold on Tuesday an offered amount of €850mn of 7-year government bonds as part of its €9bn Euro Medium Term Note (EMTN) programme. Citigroup, Goldman Sachs and HSBC were appointed by the Cypriot government as lead managers. The issue was more than four times over-subscribed with total bids amounting to €3.7bn. The average accepted price was at 99.686 and the corresponding yield at 2.80%. The latter compares with an initial price target of 3.0% and guidance of 2.9%. The issue matures on June 27, 2024 and bears a 2.750% fixed annual coupon.

Finance Minister Harris Georgiades reportedly said on Tuesday that yesterday's tender marks the lowest-ever interest rate achieved on a public bond issue, reflecting strong investor confidence towards the country's improving macroeconomic fundamentals. He added that revenues raised from yesterday's tender will be used to repay more expensive debt outstanding, including the buyback of three outstanding securities with a combined face value of €1.4bn and higher yields. The savings from the interest rate differential are expected to be directed towards boosting the domestic economy. In this context, the government simultaneously offered yesterday switch offers of 4.75% June 2019 notes, 4.625% February 2020 paper and 6.5% May 2020. The total aggregate amount accepted for the purchase of these securities by the Republic of Cyprus came in at €514.906mn, with the breakdown at €336.558mn, €101.994mn and €76.354mn, respectively.

The new issue is the 5<sup>th</sup> since Cyprus's 2012-2013 financial crisis, with government bond yields having fallen significantly since then. It is worth recalling that following the latest round of sovereign rating assessments, major rating agencies appear to continue having divergent views on Cyprus. Currently, the distance from investment grade status is one notch for S&P (currently at BB+, last upgrade in mid-March), four notches for Moody's (currently at B1), and three notches for Fitch (currently at BB-).

The lack of investment grade status currently prevents Cyprus from joining the ECB's PSPP program. Yet, Cypriot bond yields are on a declining trend since mid-2016 outperforming those of Portugal in the Euroarea periphery. On the domestic front, the reform momentum seems to have stalled ahead of the Presidential elections in 2018. Still, a handful of unfinished structural reforms need to progress in the areas of privatizations, public and health sectors, while addressing the challenges of a still high bad loans stock (NPEs ratio at 47% in Dec2016, the second highest in EA).

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June 21, 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	2437.03	-0.7%	8.9%	EUR/USD	1.1144	0.1%	5.9%	UST - 10yr	2.14	-1	-30	GOLD	1247	0.3%	8.2%
Nikkei 225	20138.79	-0.5%	5.4%	GBP/USD	1.261	-0.2%	2.0%	Bund-10yr	0.24	-2	4	BRENT CRUDE	46	-0.3%	-19.3%
STOXX 600	386.30	-0.7%	6.9%	USD/JPY	111.11	0.3%	5.3%	JGB - 10yr	0.06	1	2	LMEX	2726	-0.7%	2.5%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.99	0	-1
1-week	3.13	0	-4
1-month	3.33	0	-2
3-month	3.54	0	7
6-month	3.74	0	8

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.87	0	-17
5Y RSD	5.25	0	-10
7Y RSD	5.62	0	-1

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.58	-9	-74
USD Nov-24	6.32	0	-10

#### CDS

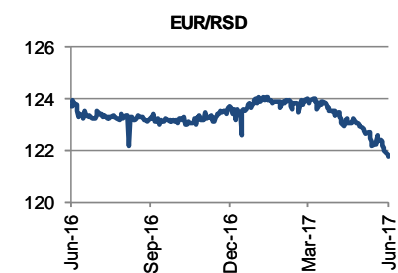
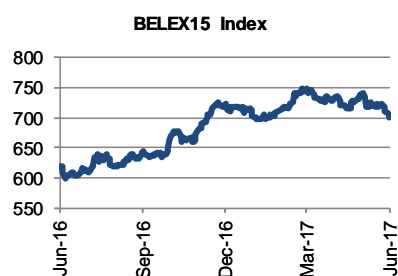
	Last	ΔDbps	ΔYTD bps
5-year	160	1	-48
10-year	212	0	-44

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	700.6	-0.48%	-2.34%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.76	0.09%	1.40%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	1	-11
1-month	0.6	3	-16
3-month	0.82	0	-8
6-month	1.02	1	-9
12-month	1.18	0	-7

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.31	-1	-31
5Y RON	2.22	0	-30
10Y RON	3.38	0	-27

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.83	0	-31
USD Jan-24	3.13	-1	-72

#### CDS

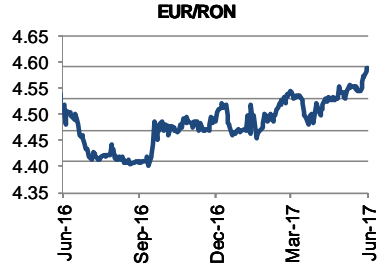
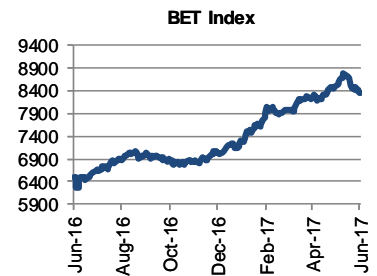
	Last	ΔDbps	ΔYTD bps
5-year	103	-1	-6
10-year	147	-8	-5

#### STOCKS

	Last	ΔD	ΔYTD
BET	8326.5	-0.60%	17.52%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5988	0.00%	-1.30%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.24	-2	-24
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-3
12-month	0.42	0	1

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.03	0	-19
5Y BGN	0.15	-1	-35
10Y BGN	1.56	0	-35

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.41	-4	-9
EUR Sep-24	1.22	97	-46

#### CDS

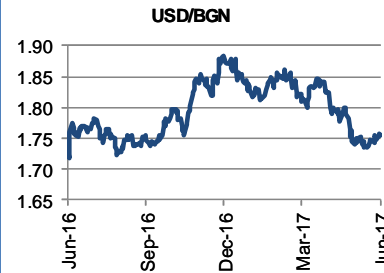
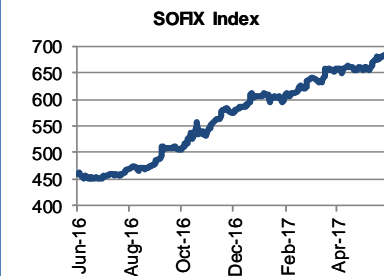
	Last	ΔDbps	ΔYTD bps
5-year	110	-1	-42
10-year	156	0	-38

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	679.7	-1.10%	15.91%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7553	0.08%	5.87%



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

Data updated as of 12:45 EEST

June 21, 2017

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