

DAILY OVERVIEW  
OF GLOBAL MARKETS & THE SEE REGION

Monday, June 26, 2017

KEY UPCOMING DATA  
& EVENTS THIS WEEK  
US

- Jun 26: Durable goods orders (May)
- Jun 27
  - CB consumer confidence (Jun)
  - Fed Chair Yellen speaks
- Jun 28: Pending home sales (May)
- Jun 29
  - GDP (Q1, 3<sup>rd</sup> estimate)
  - Jobless claims (weekly)
- Jun 30
  - Personal income / spending (May)
  - Core PCE deflator (May)
  - Chicago PMI (Jun)
  - UoM consumer sentiment (f, May)

## EUROZONE

- Jun 26: DE: Ifo business climate (Jun)
- Jun 29
  - GfK Consumer confidence (Jul)
  - ESI (Jun)
- Jun 30: HICP (flash, Jun)

## GREECE

- Jun 30: Retail sales (Apr)

## CYPRUS

- Jun 28: Reunification negotiations resume in Geneva

## SEE

## BULGARIA

- Jun 28: Gross External Debt (Apr)
- Jun 30
  - PPI Index (May)
  - Budget execution (May)
  - Base Interest Rate (Jul)

## ROMANIA

- Jun 26: T-bonds auction
- Jun 27: 1.25% 2021 T-bonds auction
- Jun 30: Unemployment (May)

## SERBIA

- Jun 26: Real Gross Wages (May)
- Jun 30
  - Industrial Production (May)
  - Trade Balance (May)
  - Retail Sales (May)

Source: Reuters, Bloomberg,

## HIGHLIGHTS

## WORLD ECONOMIC &amp; MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The majority of European equity markets opened higher on Monday on the prevailing view that global economic recovery remains broadly intact. Elsewhere, long-dated US Treasuries and Bunds retained a positive tone supported by a slowdown in inflation dynamics. In FX markets, USD remained under pressure on the view that in an environment of subdued US inflation, the Fed will likely pursue a slower pace of rate tightening compared to that reflected in the latest Fed "dot plots" released two weeks ago. Looking at this week's calendar, Fed Chair Janet Yellen is due to give a speech at an event in London on Tuesday while the US administration will attempt to push the healthcare bill through Congress before the July 4th Independence Day. On the data front, euro area June CPI and US May core PCE, both due on Friday, are among the most interesting data releases.

**GREECE:** According to the Compliance Report for the 3rd Economic Adjustment Programme for Greece the next disbursement could amount to 8.5 billion and its size takes into account the utilization of available domestic resources for debt service as well as arrears clearance. Out of this amount €7.7 billion are to be received now and used partly (€6.9 billion) for debt service and partly (€0.8 billion) for state arrears clearance. The remaining amount of €0.8 billion could be made available for arrears clearance after the summer. In other news, on June 23rd Moody's upgraded Greece's long-term issuer rating as well as all senior unsecured bond and programme ratings to Caa2 and (P)Caa2 from Caa3 and (P)Caa3, respectively. The outlook has been changed to positive from stable.

## SOUTH EASTERN EUROPE

**BULGARIA:** Bulgarian equities finished mostly higher last week. Yields on the domestic sovereign debt market slid between 4 to 11 bps in the short and long-end of the curve, leaving the belly largely unchanged. Elsewhere, Eurobond prices marked no major changes.

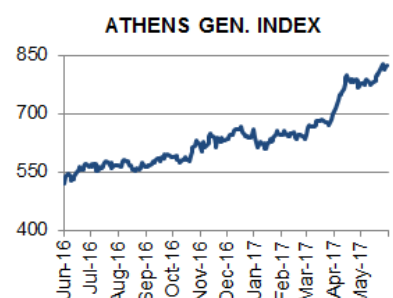
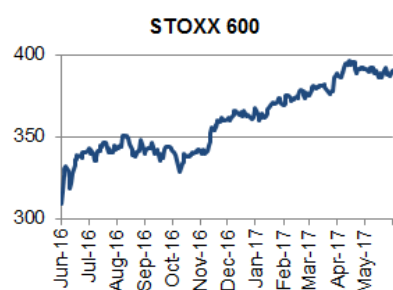
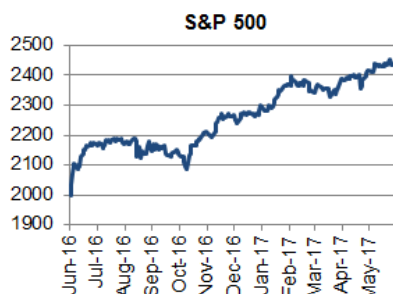
**SERBIA:** Despite repeated Central Bank interventions in the FX markets, in order to mitigate the dinar's upward momentum, the Serbian currency has remained on a constant appreciation trend since April 2017.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of European equity markets opened higher on Monday on the prevailing view that global economic recovery remains broadly intact. In support of the above, the euro area composite PMI, in spite of the June decline, continued to point to an annualized GDP growth of around 2.5% in Q2, the highest in six years. Indeed, most of euro area economic activity data surprised positively in recent weeks on the back of improving labor market conditions, a continued recovery in bank credit, a slightly expansionary fiscal stance and the ECB's accommodative monetary policy stance. Elsewhere, long-dated US Treasuries and Bunds retained a positive tone supported by a recent slowdown in inflation dynamics. In spite of the ongoing improvement in labor market conditions, wage growth remains subdued while the recent downtrend in oil prices suggests no further support for headline inflation from the energy component. The 10-yr UST yield was hovering around 2.72% at the time of writing, within distance from a seven-month intraday low of 2.71% hit in the prior session and well below levels near 2.89% recorded two weeks ago in reaction to the hawkish outcome of the June FOMC policy meeting. In FX markets, USD remained under pressure on the view that in an environment of subdued US inflation, the Fed will likely pursue a slower pace of rate tightening compared to that reflected in the latest Fed "dot plots" released two weeks ago. The DXY index was standing close to 97.220 at the time of writing, little changed on the day but 0.7% lower from a multi-week peak hit a few sessions ago. Looking at this week's calendar, Fed Chair Janet Yellen is due to give a speech at an event in London on Tuesday while the US administration will attempt to push the healthcare bill through Congress before the July 4th Independence Day. On the data front, euro area June CPI and US May core PCE, both due on Friday, are among the most interesting data releases.

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### GREECE

According to the Compliance Report for the 3rd Economic Adjustment Programme for Greece, released following the 15 June Eurogroup agreement, the next disbursement of the programme linked to the completion of the 2nd programme review, could amount to €8.5 billion. It is noted that the size of the disbursement takes into account the utilization of available domestic resources for debt service as well as arrears clearance. Out of this amount €7.7 billion are to be received now and used partly (€6.9 billion) for debt service and partly (€0.8 billion) for state arrears clearance. The remaining amount of €0.8 billion could be made available for arrears clearance after the summer subject to positive reporting by the European institutions on the clearance of net arrears using also own resources in the proportion of 1:2 relative to the programme funds disbursed for arrears clearance under the first disbursement of the third tranche as defined in the Technical Memorandum of Understanding. Meanwhile, with regard to a number of remaining actions – the extension of the voluntary contribution of the shipping industry, the recalculation and processing of pension claims and the launch of the tender for DESFA – further technical follow-up will be undertaken before the end of June 2017. In other news, on June 23rd Moody's upgraded Greece's long-term issuer rating as well as all senior unsecured bond and programme ratings to Caa2 and (P)Caa2 from Caa3 and (P)Caa3, respectively. The outlook has been changed to positive from stable. According to the relevant report, the key drivers of the upgrade were the following: 1) the successful conclusion of the 2nd programme review and the approval for the disbursement of the €8.5 tranche, which aside from allowing Greece to repay its imminent debt obligations also constitutes a positive signal regarding the future path of the programme as it required the Greek government to legislate a number of important reform measures, 2) Improved fiscal prospects on the back of 2016 fiscal outperformance, expected to lead soon to a reversal in the country's public debt ratio trend, and 3) tentative signs of the economy stabilizing.

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June 26, 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

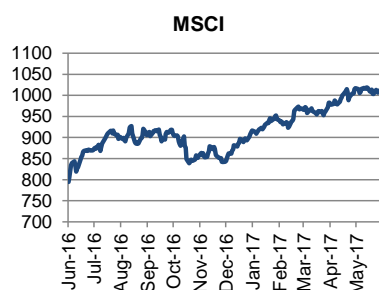
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

### BULGARIA

Bulgarian equities finished mostly higher last week. The blue-chip index SOFIX added 0.37% to end at 687.67 points on Friday, extending gains recorded since mid-May to approximately 5%. The weekly turnover was near the three-month average at about EUR 3.35mn. On Monday, the Ministry of Finance successfully placed another BGN 50mn in the 4-year government paper at an average accepted yield of 0.05%. Banks acquired the biggest amount with a share of 79.6%, followed by pension funds (10.4%) and other investors (10%). Yields on the domestic sovereign debt market generally slid between 4 to 11 bps in the short and long-end of the curve, leaving the belly largely unchanged. Elsewhere, Eurobond prices marked no major changes.

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### SERBIA

Despite repeated Central Bank interventions in the FX markets, in order to mitigate the dinar's upward momentum, the Serbian currency has remained on a constant appreciation trend since April 2017. In a similar vein, the dinar gained 0.22% last week against the euro to end at 121.40/60 in spite of Central Bank purchases of €115mn in the FX markets. This trend is likely to continue in the coming days/weeks as we see much diluted hard currency demand from local corporates. However, looking further ahead, the dinar will probably lose ground as the spread between EUR and RSD interest rates narrows.

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June 26, 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	2438.30	0.2%	8.9%	EUR/USD	1.1185	-0.1%	6.3%	UST - 10yr	2.16	2	-28	GOLD	1243	-1.1%	7.9%
Nikkei 225	20153.35	0.1%	5.4%	GBP/USD	1.2747	0.2%	3.2%	Bund-10yr	0.25	0	4	BRENT CRUDE	46	0.9%	-19.1%
STOXX 600	390.35	0.7%	8.0%	USD/JPY	111.64	-0.3%	4.8%	JGB - 10yr	0.05	0	1	LMEX	2781	0.6%	4.6%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.99	0	-1
1-week	3.13	0	-4
1-month	3.34	0	-1
3-month	3.55	0	8
6-month	3.75	0	9

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.87	0	-17
5Y RSD	5.25	0	-11
7Y RSD	5.62	0	-1

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.55	-3	-77
USD Nov-24	6.32	1	-10

**CDS**

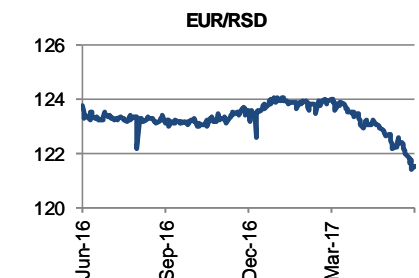
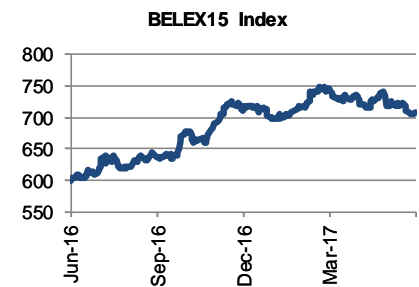
	Last	ΔDbps	ΔYTD bps
5-year	156	-1	-51
10-year	208	-2	-47

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	707.9	0.30%	-1.32%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	121.55	-0.05%	1.58%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.54	7	-2
1-month	0.62	0	-14
3-month	0.84	1	-6
6-month	1.04	2	-7
12-month	1.19	0	-6

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.29	0	-33
5Y RON	2.20	0	-32
10Y RON	3.34	-2	-31

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.81	0	-32
USD Jan-24	3.12	0	-73

**CDS**

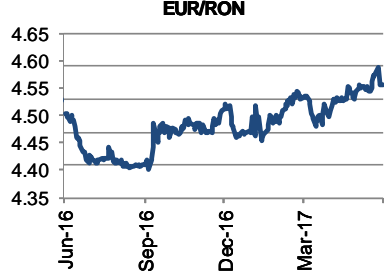
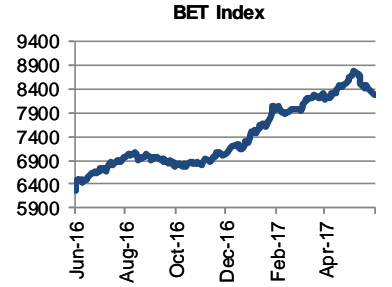
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-7
10-year	144	-4	-8

**STOCKS**

	Last	ΔD	ΔYTD
BET	8273.9	-0.88%	16.78%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5718	0.02%	-0.72%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.23	1	-23
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-3
12-month	0.41	0	1

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	-1	-23
5Y BGN	0.14	-1	-36
10Y BGN	1.49	0	-42

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.40	-5	-107
EUR Sep-24	1.19	8	-49

**CDS**

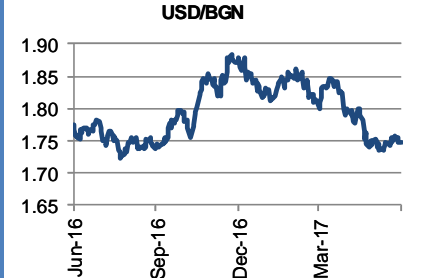
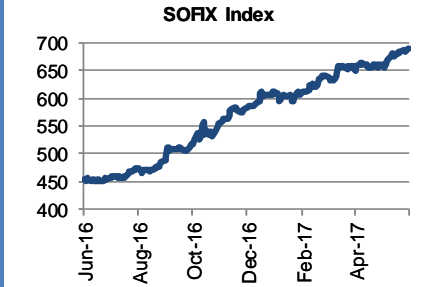
	Last	ΔDbps	ΔYTD bps
5-year	113	1	-39
10-year	163	0	-31

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	688.0	0.05%	17.33%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7486	-0.06%	6.28%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:50 EEST

June 26, 2017

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