

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jul 2: ISM manuf (Jun)
- Jul 3
 - Factory orders (May)
 - Auto sales (Jun)
- Jul 4: Public Holiday
- Jul 5
 - Initial jobless claims (June 30)
 - ISM non-manuf (Jun)
 - ADP employment report (Jun)
 - Minutes of June FOMC meeting
- Jul 6
 - Trade balance (May)
 - Non-farm payrolls (Jun)

EUROZONE

- Jul 2
 - Unemployment rate (May)
 - PMI manuf, final (Jun)
- Jul 4: PMI services, final (May)
- Jul 5: German industrial orders (May)

GREECE

- Jul 2: PMI manufacturing (Jun)

SEE

ROMANIA

- July 2
 - Unemployment (May)
 - International Reserves (€bn, Jun)
- July 3
 - PPI (May)
 - Retail Sales (May)
- July 4: NBR policy meeting
- July 6: GDP (Q1-2018, second estimate)

CYPRUS

- July 4
 - Registered Unemployment (Jun)
 - Building permits (Apr)
- July 5: CPI (Jun)

SERBIA

- July 6: PPI Index (Jun)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The compromise on migration between Chancellor Angela Merkel's CDU party and its Bavarian sister party CSU foreseeing the creation of transit centers at the German-Austrian border, allowed Horst Seehofer to stay as Interior Minister and keep Germany's coalition government intact, at least for the time being. However, a number of questions on the actual implementation of the agreement remain unanswered. The agreement requires bilateral agreements with other EU countries, at least with Austria, on the return of secondary migrants to their first EU country on their arrival. Nevertheless, it is far from certain that Austria's right-of-center government will accept migrants rejected by Germany. US markets will be closed today for Independence Day.

GREECE: The BoD of the HRADF disqualified three investment schemes which did not meet the criteria to participate in the second phase of the tender for the acquisition of a majority stake in the share capital of HELPE SA. S&P raised its long and short term issuer credit ratings on the four Greek systemic banks to 'B-/B' from 'CCC+/C' with outlook stable.

SOUTH EASTERN EUROPE

CYPRUS: The cabinet of Ministers approved the "ESTIA" scheme aiming at reducing the high NPEs volume in the Cypriot banking sector, by supporting the most vulnerable borrowers.

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Latest world economic & market developments

GLOBAL MARKETS

The compromise on migration between Chancellor Angela Merkel's CDU party and its Bavarian sister party CSU foreseeing the creation of transit centers at the German-Austrian border, allowed Horst Seehofer to stay as Interior Minister and keep Germany's coalition government intact at least for the time being. However, a number of questions on the actual implementation of the agreement remain unanswered. The agreement requires bilateral agreements with other EU countries, at least with Austria, on the return of secondary migrants to their first EU country on their arrival. The German government has claimed that it has negotiated these deals with 16 EU states but some of them including Hungary and Poland have already denied it. Meanwhile, it is far from certain that Austria's right-of-center government will accept migrants rejected by Germany. Instead, speaking at the European parliament, Austrian Chancellor Sebastian Kurz threatened to close the country's borders in response to Germany's new stricter asylum policy. Meanwhile, approval of the CDU/CSU migration plan by the Social Democrats (SPD), the third party in the grand coalition, is still pending. Several SPD members said publicly that they are not opposed to the plan but want to make certain modifications such as transit centers that are not locked. Meanwhile, trade concerns also continue to take centre stage. Effective from Friday, 6 July, the US administration will impose 25% tariffs on \$34bn worth of industrial machinery and electrical products from China and has put an additional \$16bn in tariffs under review. China has followed suit with retaliatory measures of the same magnitude on US imports. In reaction to the above, the US President has already announced the potential of additional tariffs of 10% on up to \$400bn of goods from China. In addition, reacting to EU enacted retaliatory tariff of 25% on €2.8bn US goods following the US imposition of tariffs on steel and aluminum, the US President has also suggested the possibility of an extra 20% tariff on cars imported from the EU. Trade concerns continued to have an impact on market sentiment towards risk assets while government bonds retained a positive tone. In FX markets, the CDU/CSU compromise failed to trigger any substantial rally for EUR/USD, which was hovering around 1.1640/45 at the time of writing, remaining trapped within the recent 1.1500-1.1800 range. US markets will be closed today for Independence Day.

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GREECE

The BoD of the HRADF disqualified three investment schemes which did not meet the criteria to participate in the second phase of the tender for the acquisition of a majority stake (at least 50.1% jointly by HRADF and Paneuropean Oil and Industrial Holdings SA) in the share capital of HELPE SA. The two investment schemes that are qualified to proceed to the next phase of the tender are: Glencore Energy UK LTD and Vitol Holding B.V. Meanwhile, S&P raised its long and short term issuer credit ratings on the four Greek systemic banks (Eurobank, NBG, Alpha Bank and Piraeus) to 'B-/B' from 'CCC+/C' with outlook stable.

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Source: Reuters, Bloomberg, Eurobank Research

BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
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	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.5
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-5.7	-4.7
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.00	3.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



Credit Ratings

L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB-
CYPRUS	Ba3	BB+

Latest economic & market developments in the CESEE region

CYPRUS

On Tuesday, the cabinet of Ministers approved the "Estia" scheme and the Ministry of Finance proposal to set up an NPLs management entity. The "ESTIA" scheme aims at reducing the high NPEs volume in the Cypriot banking sector by supporting the most vulnerable borrowers. The "ESTIA" scheme foresees a subsidy amount for a third of the monthly installment after the restructuring of the eligible borrowers' loans. In order for borrowers to be eligible, they must have an annual family income of less than €50,000 and total assets that do not exceed 125% of the mortgage value. The scheme provides for a specific pre-determined loan restructuring process, which includes a readjustment of the loan outstanding balance to the value of the mortgage, an adjustment of interest rates between 2.5%-3.5% and an extension of several years for repayment. The scheme will also cover business loans secured by the borrower's primary residence.

According to preliminary estimations, around 15,000 borrowers will be eligible for the scheme. The funding will be included in the government budget of 2019 and is projected to cost around €30mn. Finally, the scheme will be managed by the Cyprus Land Development Corporation.

The Cabinet also approved the Ministry of Finance proposal to set up a separate management entity that will undertake the management of the NPEs portfolio of the Cyprus Cooperative Bank (CCB). The Cypriot government's measures to facilitate the liquidation of CCB under national law-approved by the EU Commission- will remove a total of €6bn in NPEs from the domestic banking sector balance sheet, resulting in an orderly exit of CCB from the market. At the same time, the resolution of those NPEs comes under the responsibility of the Cypriot government, which will establish a separate entity for that purpose. Recall that, the Hellenic Bank acquired through the tender process specific assets and liabilities of the CCB balance sheet. The total assets perimeter – the value of total assets prior to fair value adjustments – amounts to €10.3bn, comprising c. €4.6bn net loans (of which c. €4.1bn net performing loans), c. €4.1bn of Cypriot government bonds and €1.6bn in cash. The liabilities side consists primarily of customer deposits (€9.7bn).

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Wednesday 04 July 2018

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	2713.22	-0.5%	1.5%	EUR/USD	1.1645	-0.1%	-3.0%	UST - 10yr	2.83	0	43	GOLD	1257	0.3%	-3.5%
Nikkei 225	21717.04	-0.3%	-4.6%	GBP/USD	1.3208	0.1%	-2.3%	Bund-10yr	0.30	0	-13	BRENT CRUDE	78	0.2%	16.5%
STOXX 600	379.91	0.0%	-2.4%	USD/JPY	110.5	0.1%	2.0%	JGB - 10yr	0.03	1	-2	LMEX	3134	-0.7%	-8.3%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	0	-24
1-week	2.39	0	-22
1-month	2.60	0	-25
3-month	2.91	1	-21
6-month	3.03	-3	-21

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.48	3	-80
5Y RSD	3.95	0	-29
7Y RSD	4.39	#N/A	N/A

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.72	0	72
USD Nov-24	#N/A	N/A	-13164

CDS

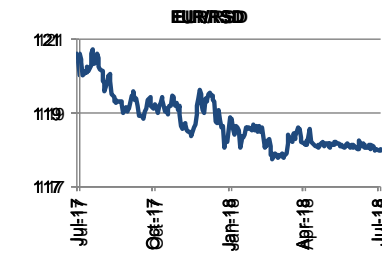
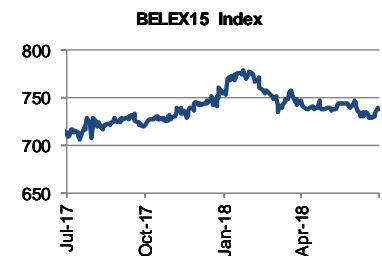
	Last	ΔDbps	ΔYTD bps
5-year	124	-1	6
10-year	176	0	14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	735.1	-0.32%	-3.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.95	0.09%	0.82%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.45	1	236
1-month	3.34	7	147
3-month	3.34	7	129
6-month	3.39	7	112
12-month	3.42	5	110

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.40	0	102
5Y RON	4.98	0	120
10Y RON	5.19	0	88

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	#N/A	N/A
USD Jan-24	4.23	-1	123

CDS

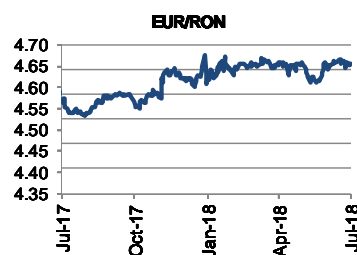
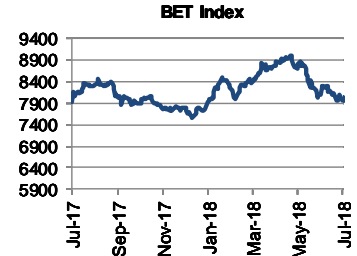
	Last	ΔDbps	ΔYTD bps
5-year	93	-6	3
10-year	136	-7	3

STOCKS

	Last	ΔD	ΔYTD
BET	8003.7	0.76%	3.22%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6625	-0.08%	0.05%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.30	0	-5
3-month	-0.23	0	-5
6-month	-0.12	0	-7
12-month	0.22	1	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.11	1	-5
5Y BGN	0.11	0	-4
10Y BGN	0.93	0	-4

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.04	2	12
EUR Sep-24	0.63	-7	5

CDS

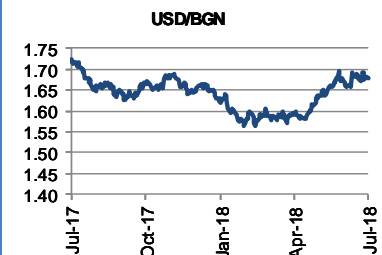
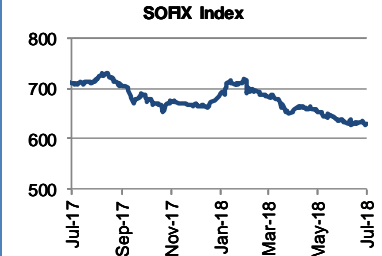
	Last	ΔDbps	ΔYTD bps
5-year	78	-1	-19
10-year	125	-2	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	629.5	0.48%	-7.08%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6795	-0.11%	-2.98%



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

Data updated as of 12:00 EEST

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