

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 12
 - US President meets North Korean leader
 - CPI (May)
- June 13
 - FOMC rate decision & Chair Powell's press conference
- June 14
 - Import prices (May)
 - Retail sales (May)
- June 15
 - Empire State manuf. (Jun)
 - Industrial production (May)
 - UM consumer conf. (Jun)

EUROZONE

- June 12: DE: ZEW survey (Jun)
- June 13: Industrial prod. (Apr)
- June 14: ECB meeting

UK

- June 11: Industrial prod. (Apr.)
- June 12
 - Houser of Commons votes on Withdrawal Bill changes
 - Average earnings (Apr)
 - U/E rate (Apr)
- June 13: CPI (May)

GREECE

- June 14: U/E rate (Q1)

CYPRUS

- June 12: HICP (May)

SEE

BULGARIA

- June 11: Trade balance (Apr)
- June 13: CPI (May)
- June 15: U/E rate (May)

ROMANIA

- June 11
 - Trade balance (Apr)
 - Net wages (Apr)
 - T-bonds auction
- June 12
 - Industrial production & sales (Apr)
 - CPI (May)
- June 13: CAD (Apr)
- June 14: T-bonds auction

SERBIA

- June 12: CPI (May)
- June 15: Sovereign debt rating by S&P and Fitch

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US President Donald Trump and North Korean leader Kim Jong Un signed a "comprehensive" deal at a historic summit in Singapore earlier today aiming at the denuclearization of the Korean peninsula. No details about the context of the documents were released. Markets did not appear overly impressed by the outcome of the meeting. Market focus is on the two-day FOMC meeting that commences later today followed by the ECB meeting on Thursday. In the UK, the House of Commons will hold a two-day debate on the House of Lords' 15 arrangements to the EU Withdrawal Bill.

GREECE: After her meeting with German Chancellor Angela Merkel, IMF Managing Director Christine Lagarde stated that the Fund will use all its tools and consider all its options to eventually participate in Greece's programme one way or another, adding that this will become clear at the 21 June Eurogroup. In an interview in Kathimerini newspaper, the European Commissioner for Economic and Financial Affairs Pierre Moscovici argued that if Greece completes the agreed prior actions then it should be granted significant, frontloaded debt relief, which the financial markets will evaluate as credible. He added that enhanced surveillance is the most likely option for the post-programme framework for Greece.

SOUTH EASTERN EUROPE

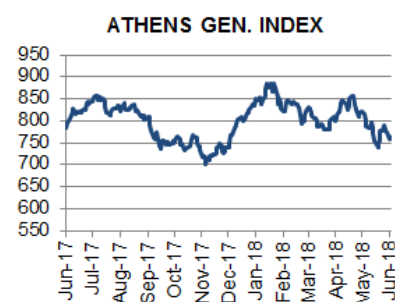
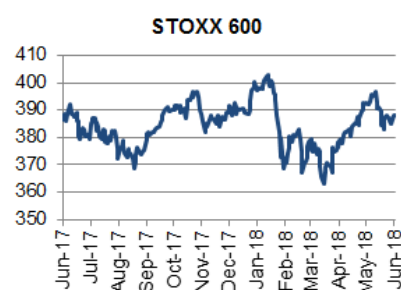
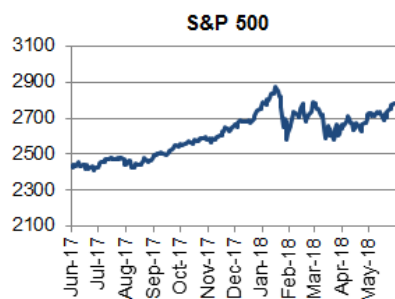
CESEE MARKETS: Emerging market assets traded mixed earlier today amid investor caution prevailing ahead of key monetary policy meetings by major Central Banks this week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US President Donald Trump and North Korean leader Kim Jong Un signed a “comprehensive” deal at a historic summit in Singapore earlier today aiming at the denuclearization of the Korean peninsula. No details about the context of the documents were released. The US President labelled the meeting as “really fantastic” and expressed his view that the denuclearization process will start “very, very quickly”. Markets did not appear overly impressed by the outcome of the meeting. Following short-lived daily gains of 0.3% to a 93.893 in early trading in Asia, the highest since June 5 in a knee jerk reaction to the summit outcome, the DXY index reversed course standing nearly unchanged compared to Monday’s settlement at the time of writing in early European trade. Market focus is on the two-day FOMC meeting that commences later today followed by the ECB meeting on Thursday. Whereas a 25bps Fed rate hike is already priced-in on the back of continuing supportive economic data and modestly rising inflation pressures, market participants’ focus is on whether the Committee’s median projected rate path (“dots”) will be more aggressive signaling two additional increases this year. Meanwhile, the ECB is expected to stay put on its monetary policy and will probably hint that its QE programme will be concluding by the end of this year. The EUR/USD was trading slightly below 1.1800 at the time of writing, 0.1% firmer on the day while the EUR/GBP was hovering around Monday’s one-month closing high of 0.8808 ahead of the two-day debate in the UK’s House of Commons on the House of Lords’ 15 arrangements to the EU Withdrawal Bill. Today, MPs will vote on whether to give parliament a “more meaningful” vote over the Brexit deal and tomorrow on whether to require the government to lay out the steps it has taken to negotiate a customs union with the EU.

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GREECE

After her meeting with German Chancellor Angela Merkel, IMF Managing Director Christine Lagarde stated that the Fund will use all its tools and consider all its options to eventually participate in Greece’s programme one way or another, adding that this will become clear at the 21 June Eurogroup. Meanwhile, in an interview in Kathimerini newspaper, the European Commissioner for Economic and Financial Affairs Pierre Moscovici expressed certainty that a comprehensive agreement comprising the debt relief measures and the post-programme surveillance framework will be reached at the 21 June Eurogroup sending, among others, a strong, positive signal to the 28-29 EU Summit about the Euro area’s future. He also argued that if Greece completes the agreed prior actions then it should be granted significant, frontloaded debt relief, which the financial markets will evaluate as credible. As regards the post-programme framework, the Commissioner confined to saying that the end of the 3rd ESM programme should constitute a visible difference for Greece that will signify its return to normality and will not look like yet another programme. At the same time, investors must be assured that Greece will remain on the path of responsible fiscal policies and will implement the programme measures. Consequently, the enhanced surveillance is the most likely option and the EC will lay out how this will work as it is the first time that such a tool will be activated. Finally, Pierre Moscovici downplayed potential Italy-related market risks arguing that Italy remains committed to the Eurozone and that, in any case, a frontloaded debt relief package for Greece would be reassurance enough for the financial markets rendering a precautionary credit line unnecessary.

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Tuesday 12 June 2018

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

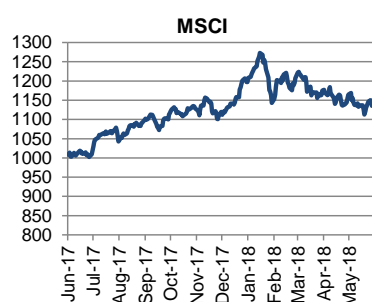
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	3.0
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

CESEE MARKETS

Emerging market assets traded mixed earlier today amid investor caution prevailing ahead of key monetary policy meetings by major Central Banks this week. The Fed is broadly anticipated to hike the key policy rate by 25bps on Wednesday, with market attention also centering around the FOMC's dot plot. A day later, the ECB is expected to stay put on its monetary policy, with investors to closely scrutinize for any hints on the future path of its QE programme. In this context, the meeting between US President Donald Trump and North Korean leader Kim Jong Un appeared to have a rather limited impact.

Along these lines the MSCI Emerging Markets index traded earlier today in a modestly negative territory, while a mixed picture was evidenced in the CESEE space with Turkey's BIST 100 leading the way lower via a 0.8% daily decline and Bulgaria's SOFIX outperforming following a 0.3% concomitant advance.

In FX markets, the Turkish lira extended this week's losses despite recent rate hikes and simplification of monetary policy amid geopolitical jitters and uncertainty over the Central Bank's (CBT) monetary policy deliberations ahead, while the June 24 dual snap elections loom. Against this backdrop, the USD/TRY bounced to a multi-session peak near 4.5780, approaching anew a record high of 4.9221 reached in late May amid increased concerns about heightened, double-digit and well above the 5% official target inflation (headline CPI at 12.15% in May, near a 14-year high of 12.98%YoY in November 2017 & core at a record high of 12.64%YoY) in tandem with the lack of more aggressive Central Bank monetary policy response and Fed rate tightening. Recall that, the Central Bank of Turkey unexpectedly raised in an emergency meeting on May 22 the Late Liquidity Window (LLW) lending rate by 300 bps to 16.50%, while a few days later announced its decision to simplify its operational monetary policy framework by adopting the 1-week repo as the key policy rate, setting it equal to the funding rate (16.50%) with an interest rate corridor of 150 bps below/above and raising it by another 125bps at its scheduled MPC meeting on June 7th to 17.75%.

Elsewhere, the Romanian leu firmed slightly earlier today after headline CPI came in at a 5-year high of 5.51%YoY, further above the 2.5% ±1% NBR target, albeit some moderation may be evidenced later in the year on base effects. In more detail, the EUR/RON eased ca 0.1% to hover around levels of 4.6568 in European trade. In Serbia, CPI rose to a 5-month peak of 2.1%YoY from a near 2-year low of 1.1%YoY in the prior month, bouncing anew within the 3.0% ± 1.5% targeted range but remaining below its midpoint.

Looking in the remainder of the week, inflation data for May in Bulgaria will be announced, among other, tomorrow. Additionally, Turkey's industrial production as well as Poland's and Romania's current account balance - all for April - are also due for release on Wednesday. On Thursday, investor focus lies on Poland's final headline CPI data for May, while the core inflation component is scheduled for publication on Friday. Also on Friday, S&P and Fitch hold a review on Serbia's sovereign credit ratings.

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Tuesday 12 June 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	2782.00	0.1%	4.1%	EUR/USD	1.1795	0.1%	-1.7%	UST - 10yr	2.96	0	55	GOLD	1298	-0.2%	-0.4%
Nikkei 225	22878.35	0.3%	0.5%	GBP/USD	1.3405	0.2%	-0.9%	Bund-10yr	0.50	1	8	BRENT CRUDE	77	0.5%	14.9%
STOXX 600	388.10	0.0%	-0.3%	USD/JPY	110.16	-0.1%	2.3%	JGB - 10yr	0.05	1	1	LMEX	3473	-0.4%	1.6%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-1	-24
1-week	2.40	-2	-21
1-month	2.58	-2	-27
3-month	2.86	-2	-26
6-month	3.04	-2	-20

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.57	0	-70
5Y RSD	3.97	0	-27
7Y RSD	4.41	0	-77

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.98	0	99
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

	Last	ΔDbps	ΔYTD bps
5-year	122	1	4
10-year	168	1	6

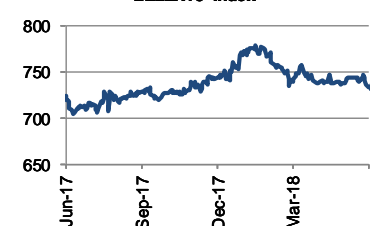
STOCKS

	Last	ΔD	ΔYTD
BELEX15	729.8	-0.37%	-3.95%

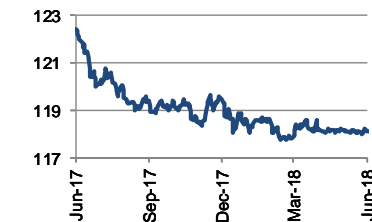
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.32	-0.13%	0.49%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.73	-7	164
1-month	2.85	-4	98
3-month	2.9	0	85
6-month	3	0	73
12-month	3.11	1	79

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.05	0	67
5Y RON	4.59	0	81
10Y RON	4.95	0	64

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.68	0	13
USD Jan-24	4.30	0	130

CDS

	Last	ΔDbps	ΔYTD bps
5-year	99	-2	9
10-year	144	-3	10

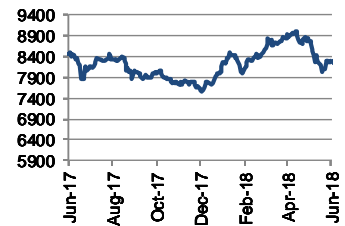
STOCKS

	Last	ΔD	ΔYTD
BET	8285.0	0.33%	6.85%

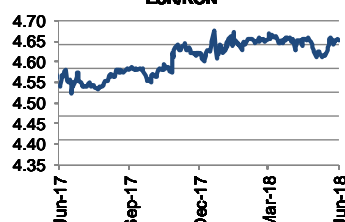
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6595	0.08%	0.11%

BET Index



EUR/RON



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	-0.13	-1	-8
12-month	0.22	0	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.06	0	0
5Y BGN	0.17	0	2
10Y BGN	1.04	0	7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.09	-5	17
EUR Sep-24	0.72	-13	14

CDS

	Last	ΔDbps	ΔYTD bps
5-year	77	0	-19
10-year	122	0	-19

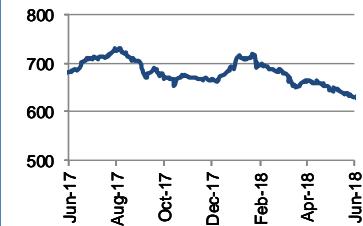
STOCKS

	Last	ΔD	ΔYTD
SOFIX	629.9	0.04%	-7.03%

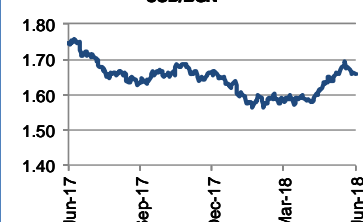
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6583	0.09%	-1.74%

SOFIX Index



USD/BGN



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

Tuesday 12 June 2018

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