

### 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:** In line with market expectations, the FOMC raised the federal funds rate by 25bps to a range of 1.75-2.00% at this week's two-day policy meeting which concluded yesterday. The statement was more hawkish compared to the May one. The FOMC upgraded its assessment of economic activity, the median 2018 real GDP forecast was revised higher and the 2018 median dot is now implying a total of four rate hikes, one more than in March. The Committee also modified its forward guidance to reflect a more neutral policy stance. The outcome of the June FOMC meeting failed to exert a lasting market impact as focus quickly shifted to the ECB which convenes later today. Although the ECB is widely expected to stay put on its monetary policy, recent hawkish comments by top ECB officials have raised expectations that the Central Bank may offer hints about its intention to conclude the asset purchase programme by the end of the year.

**GREECE:** The multi-bill addressing a number of prior actions in the context of the 4<sup>th</sup> programme review is expected to be voted in Parliament today. The Euroworking Group President Hans Vijlbrief reportedly expressed certainty that a holistic agreement will be reached at the 21 Eurogroup and added that the IMF will participate in Greece's programme one way or another. The ESM Board of Directors will reconsider today the authorization for the release of the remaining €1 billion from the fourth tranche, which is conditional on Greece's progress in arrears clearance.

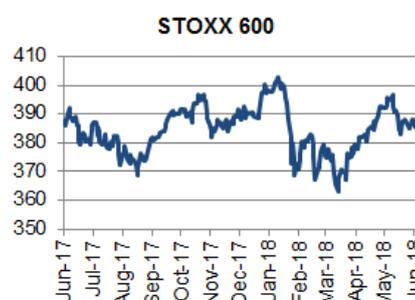
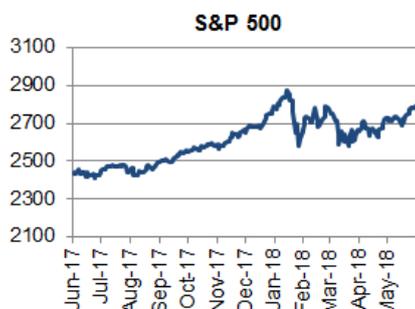
### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets traded mostly weaker on Thursday in view of rising global trade tensions, soft industrial production data for May from China and a Fed rate hike at the FOMC meeting yesterday in tandem with a more hawkish tone. At the same time caution prevails ahead of the ECB's monetary policy meeting which concludes later today.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

In line with market expectations, the FOMC raised the federal funds rate by 25bps to a range of 1.75-2.00% at this week's two-day policy meeting, which concluded yesterday. The accompanying statement was more hawkish compared to the May one. The Committee upgraded its assessment of economic activity to "solid" from "moderate". The median dots for 2018 and 2019 ticked up to 2.4% and 3.1% respectively from 2.1% and 2.9% previously with the 2018 median now implying a total of four rate hikes, one more than in March, and the median 2019 still implying three. The 2020 dot was left unchanged at 3.4% implying one hike, down from two in March. The updated Summary of Economic Projections (SEP) contained minor changes. The median 2018 real GDP forecast rose by 0.1pp to 2.8%, the median 2018 and 2019 unemployment rate forecast shifted lower by 0.2pp and 0.1 pp to 3.6% and 3.5% respectively and the median 2018 core PCE inflation forecast rose by 0.1pp to 2.0%. The Committee also modified its forward guidance to reflect a more neutral policy stance. During the press conference, Chair Powell announced that, as of January 2019, he will hold a press conference after every scheduled FOMC meeting rather than every other meeting as is currently the case, presumably in an effort to ensure that every FOMC meeting is seen by market participants as a live meeting. The outcome of the June FOMC meeting failed to exert a lasting market impact as focus quickly shifted to the ECB which convenes later today. The 10-yr UST yield was 1.9bps lower on the day at 2.95% in European trade at the time of writing following a short-lived spike to a three-week high of 3.01% soon after the FOMC policy announcement. Meanwhile, the DXY index was 0.3% lower compared to yesterday's close and 0.8% weaker from post-FOMC intraday highs. Although the ECB is widely expected to stay put on its monetary policy, recent hawkish comments by top ECB officials have raised expectations that the Central Bank may offer hints about its intention to conclude the asset purchase program by the end of the year.

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### GREECE

The multi-bill addressing a number of prior actions in the context of the 4<sup>th</sup> programme review is expected to be voted in Parliament today. Meanwhile, the Euroworking Group President Hans Vijlbrief reportedly expressed certainty that a holistic agreement will be reached at the 21 Eurogroup and added that the IMF will participate in Greece's programme one way or another and will activate the Article IV Consultation as it does with all its member countries. He also argued that the last ESM disbursement for Greece will probably be in the order of €11-12 billion while the size of the cash buffer that will allow for a safe exit to the financial markets has not been determined yet. As regards the post-programme period, Mr. Vijlbrief stated that it is unlikely that Greece will request a precautionary credit line and highlighted the importance of three elements: reforms, fiscal discipline and political stability. In other news, the ESM Board of Directors will reconsider today the authorization for the release of the remaining €1 billion from the fourth tranche, which is conditional on Greece's progress in arrears clearance.

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Thursday 14 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

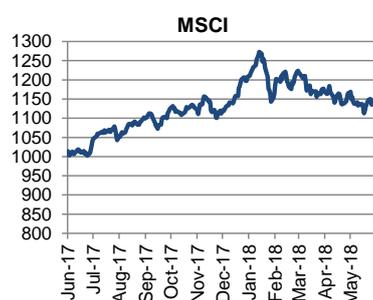
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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 mostly weaker on Thursday in view of rising global trade tensions, soft industrial production data for May from China and a Fed rate hike at the FOMC meeting yesterday in tandem with a more hawkish tone. At the same time caution prevails ahead of the ECB's monetary policy meeting which concludes later today. The ECB is anticipated to stay put on its monetary policy, with investors to closely scrutinize for any hints on the future path of its QE programme.

Against this backdrop, the MSCI Emerging Markets index stood 0.9% weaker on the day in European trade, while most main indices in the CESEE space also recorded losses at the same time. Nonetheless, the weaker US dollar provided some support to emerging market currencies. In this context, the Turkish lira recovered earlier on Thursday a small part of this week's losses to stand in a modestly positive territory against the USD. Even so, the currency still stands 3.7% weaker compared to Friday's close and ca 18% lower against the USD so far this year amid despite recent rate hikes and simplification of monetary policy amid geopolitical jitters and uncertainty over the Central Bank's (CBT) monetary policy deliberations ahead despite high inflation, while the June 24 dual snap elections loom. Against this backdrop, the USD/TRY fell by 0.1% on the day to hover around levels of 4.6370 in European markets, slightly below yesterday's 4.6962 2-week peak and a lifetime high of 4.9221 hit 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.

In other news, Serbia reached yesterday a staff-level agreement with the IMF on a 30-month Policy Coordination Instrument (PCI). Recall that, a previous 36-month €1.2bn IMF precautionary Stand-By Arrangement (SBA) successfully concluded in February this year. A PCI deal was broadly anticipated to be agreed in the middle of 2018, as had been indicated by recent government officials' comments. The PCI instrument was introduced by the IMF in 2017 and is earmarked for countries that do not require financial support but "can benefit from the policy framework provided under an IMF program". A loan-free agreement echoes plausible as the government has already demonstrated throughout these three years under the SBA its own-financing capability, having treated the current programme as precautionary. Meanwhile, such a deal suggests continuation of reforms and provides a valuable policy anchor going forward. Yesterday's agreement is subject to approval by IMF Management and Executive Board, which is tentatively scheduled for mid-July.

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Thursday 14 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	2775.63	-0.4%	3.8%	EUR/USD	1.1813	0.2%	-1.6%	UST - 10yr	2.95	-1	55	GOLD	1303	0.2%	0.0%
Nikkei 225	22738.61	-1.0%	-0.1%	GBP/USD	1.3396	0.2%	-0.9%	Bund-10yr	0.49	0	6	BRENT CRUDE	77	-0.3%	14.4%
STOXX 600	385.64	-0.7%	-0.9%	USD/JPY	109.94	0.4%	2.5%	JGB - 10yr	0.04	-1	0	LMEX	3471	0.2%	1.5%

### SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.42	1	-19
1-month	2.60	2	-25
3-month	2.89	3	-23
6-month	3.05	0	-19

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.47	-2	-80
5Y RSD	3.89	-5	-35
7Y RSD	4.41	-1	-77

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.99	0	100
USD Nov-24	#N/A N/A	#N/A N/A	-13164

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	124	1	6
10-year	170	1	8

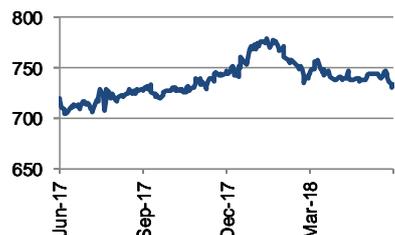
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.3	0.44%	-3.49%

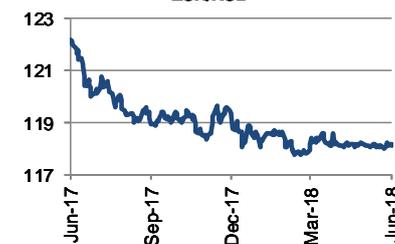
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.31	0.31%	0.51%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.7	0	161
1-month	2.85	0	98
3-month	2.9	0	85
6-month	3	0	73
12-month	3.11	0	79

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.03	0	65
5Y RON	4.75	0	97
10Y RON	4.95	0	64

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.69	0	14
USD Jan-24	4.35	1	135

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	3	10
10-year	145	3	11

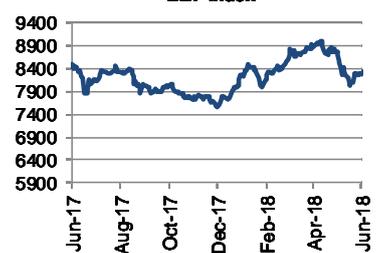
#### STOCKS

	Last	ΔD	ΔYTD
BET	8292.5	0.00%	6.95%

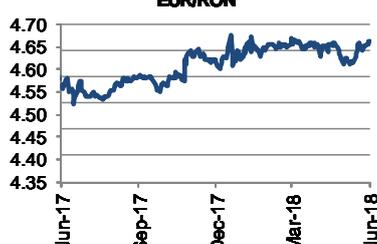
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6684	-0.06%	-0.08%

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	0	-8
12-month	0.22	0	-10

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.09	-2	-3
5Y BGN	0.16	0	2
10Y BGN	0.97	0	0

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.09	0	16
EUR Sep-24	0.72	0	14

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	77	0	-19
10-year	123	0	-19

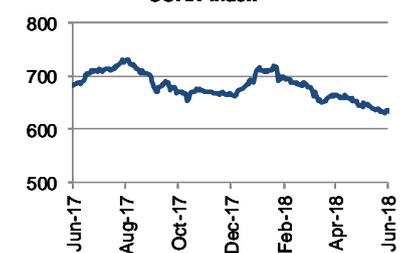
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	635.0	0.05%	-6.26%

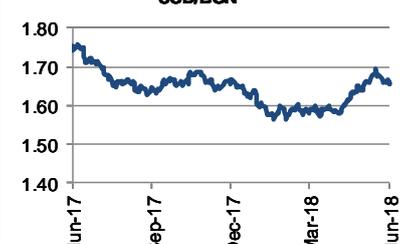
#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6556	0.19%	-1.58%

SOFIX Index



USD/BGN



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

Data updated as of 10:45 EEST

Thursday 14 June 2018

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