

### 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:** At its monetary policy meeting yesterday, the ECB announced two important changes to its monetary policy stance. First, based on its assessment that progress towards a sustained adjustment in inflation has been substantial so far, the Governing Council decided the asset purchase programme to conclude in December 2018 following a short tapering in Q4 2018 at a monthly pace of €15bn. Second, the Governing Council adopted a new dovish forward guidance citing that interest rates are expected to remain at their present levels "at least" through the summer of 2019. The new forward guidance on interest rates dominated market reaction with the EUR moving lower across the board and European government bonds strengthening across maturities.

**GREECE:** The Hellenic Parliament approved yesterday the multi-bill with the prior actions for the 4<sup>th</sup> programme review while the ESM Board of Directors approved the disbursement of the remaining €1 billion from the 4<sup>th</sup> loan tranche. According to the Alternate Minister of Finance George Houliarakis the cash buffer at the end of the programme will amount to c. €17-18 billion covering the country's financing needs for 18 to 24 months. According to ELSTAT, in Q1 2018 the unemployment rate was 21.2% unchanged from the previous quarter and down from 23.3% in Q1 2017.

### SOUTH EASTERN EUROPE

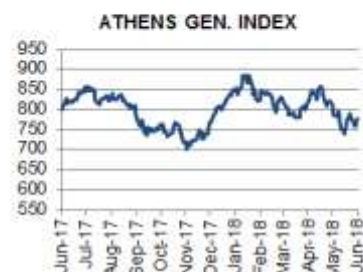
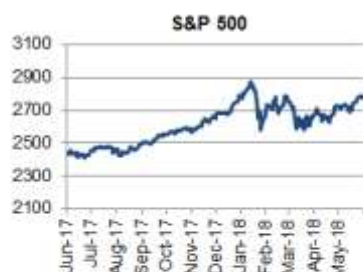
**CESEE MARKETS:** Emerging market assets mostly remained under pressure on Friday amid global trade tensions and a stronger US dollar.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

At its monetary policy meeting yesterday, the ECB announced two important changes to its monetary policy stance. First, based on its assessment that progress towards a sustained adjustment in inflation has been substantial so far, the Governing Council decided the asset purchase programme to conclude in December 2018 following a short tapering in Q4 2018 at a monthly pace of €15bn (vs. €30bn until September 2018) "subject to income data confirming (our) medium-term inflation outlook". Second, the Governing Council adopted a new dovish forward guidance citing that interest rates are expected to remain at their present levels "at least" through the summer of 2019 and as long as it is necessary for inflation to converge towards its target, swapping its previous assurance that rates were expected to remain at their current levels "for an extended period of time and well past" the end of the programme. However, the ECB left room for manoeuvre citing that, should it be needed, "the Governing Council stands ready to adjust all of its instruments". The new forward guidance on interest rates dominated market reaction with the EUR moving lower across the board and European government bonds strengthening across maturities. The 10-yr Bund yield was c. 5.5bps lower on the day standing close to a one-week low of 0.38% at the time of writing while, at the EMU sovereign bond space, Italy outperformed with the short end being the main beneficiary. In FX markets, after hitting a one-month high of 1.1850 in a knee-jerk reaction to the QE end-date announcement, the EUR/USD quickly more than reversed course hovering around 1.1570/75 at the time of writing, not far from a year-to-date low of 1.1506 marked in late May on the view that the ECB's new dovish forward guidance is in contrast with the Fed's hawkish message earlier this week for further rate tightening ahead. Meanwhile, trade war fears prevail with media sources reporting that the US President will announce today its approval for tariffs on about \$50bn worth of imports from China.

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### GREECE

The Hellenic Parliament approved yesterday the multi-bill with the prior actions for the 4<sup>th</sup> programme review while the ESM Board of Directors approved the disbursement of the remaining €1 billion from the 4<sup>th</sup> loan tranche, which is earmarked exclusively for state arrears clearance. Meanwhile, according to the Alternate Minister of Finance George Houliarakis the cash buffer at the end of the programme will amount to c. €17-18 billion covering the country's financing needs for 18 to 24 months. On this subject, the ESM Managing Director Klaus Regling, stated that the cash buffer will constitute one of the main elements that will shield Greece's exit to the financial markets once the economic adjustment programme expires adding that the European partners will continue to support Greece in the long-term. As regards Greece's public debt, speaking at an Economist Conference in Athens, Philip Gerson, Deputy Director of the IMF's European Department stated that it is not sustainable given that GDP growth rates are disappointing, Greek demographics are poor and banks will continue facing problems in spite of the progress they have made. In other news, according to press reports the Greek authorities and DGComp have come to an agreement regarding the extension of the Athens International Airport concession, which will likely be announced before the 21 June Eurogroup. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), in Q1 2018 the unemployment rate was 21.2% unchanged from the previous quarter and down from 23.3% in Q1 2017.

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Friday 15 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

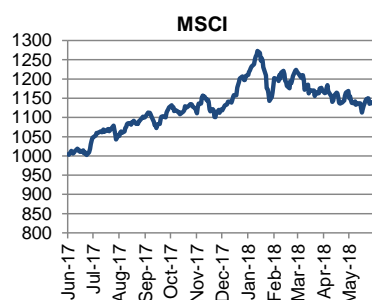
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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 mostly remained under pressure on Friday amid global trade tensions and a stronger US dollar. The MSCI Emerging Markets index lost 0.7% on the day at the time of writing, bringing its cumulative decline over the last three sessions to 2.0% and its weekly drop to 1.6%. Nonetheless, most main indices in the CESEE space fared somewhat better, with the main exceptions Bulgaria's and Hungary's main indices underperforming their regional peers amid respective falls of 1.7% and 1.3%. Meanwhile, Romania's BETI led the winners' pack with a 0.9% advance and Ukraine's followed suit posting a 0.6% rise.

In FX markets, the Turkish lira extended its recent losses, being on track to mark its worst weekly performance against the US dollar in a decade. That said, tight market liquidity due to the holidays marking the end of Ramadan (June 15-18) may have exacerbated these moves. The USD/TRY hovered around levels of 4.7430 in European trade, nearly 6% higher from last Friday's settlement. The pair stood not too far from a 3-week peak of 4.7592 hit earlier in the session and a record high of 4.9221 hit in late May. Idiosyncratic have been mostly at play behind the lira's hefty weakening over recent months, with the currency having lost more than 20% of its value against the USD so far this year despite two consecutive rate hikes in May and June and some simplification of monetary policy in May. 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 have taken a toll on the lira. In this context, political pressure for low interest rates in exchange for higher growth has fanned worries over undermining the Central Bank's independence. Exacerbating these worries were recent comments by President Tayyip Erdogan signaling that he would opt for a tighter grip on monetary policy if he is re-elected at the June 24 dual snap elections. According to the most recent opinion polls he is most likely to be gain another term in office most probably in the second round.

Notwithstanding the aforementioned, global developments have also weighed on the Turkish currency. Normalization of major Central Banks' monetary policies - recall that the Fed hiked interest rates for the second time this year earlier this week - and geopolitical jitters are among those most notable to mention, with the lira amongst the currencies most vulnerable to tightening global liquidity conditions amid elevated external financing requirements domestically.

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Friday 15 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	2782.49	0.2%	4.1%	EUR/USD	1.159	0.2%	-3.5%	UST - 10yr	2.92	-2	51	GOLD	1300	-0.2%	-0.3%
Nikkei 225	22851.75	0.5%	0.4%	GBP/USD	1.3265	0.0%	-1.9%	Bund-10yr	0.39	-4	-4	BRENT CRUDE	76	-0.5%	13.0%
STOXX 600	392.70	-0.1%	0.9%	USD/JPY	110.5	0.1%	2.0%	JGB - 10yr	0.04	-1	-1	LMEX	3432	-1.1%	0.4%

SERBIA

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

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.49	0	-79
5Y RSD	3.94	0	-30
7Y RSD	4.42	0	-77

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.02	1	102
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

	Last	ΔDbps	ΔYTD bps
5-year	123	-1	5
10-year	169	-1	7

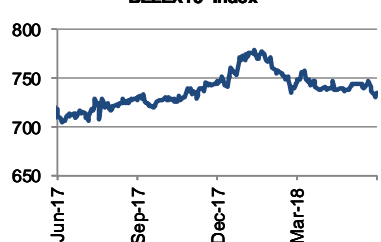
STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.3	-0.15%	-3.49%

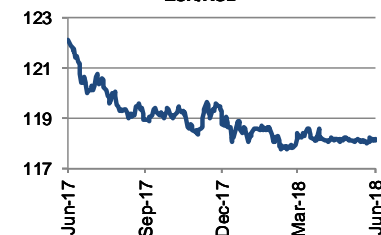
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.32	-2.12%	0.49%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.6	-5	151
1-month	2.86	1	99
3-month	2.9	0	85
6-month	3.02	0	75
12-month	3.12	0	80

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.03	0	64
5Y RON	4.74	0	96
10Y RON	4.95	0	63

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.68	0	13
USD Jan-24	4.31	1	131

CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	0	10
10-year	144	0	11

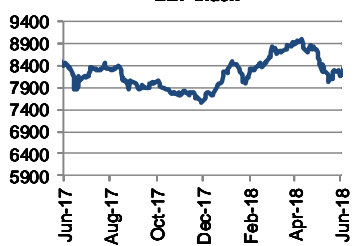
STOCKS

	Last	ΔD	ΔYTD
BET	8201.0	0.44%	5.77%

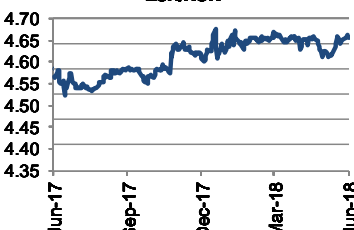
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6608	0.11%	0.09%

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	-0.12	0	-7
12-month	0.23	0	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.09	0	-3
5Y BGN	0.14	-2	0
10Y BGN	0.95	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.08	0	16
EUR Sep-24	0.71	0	14

CDS

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

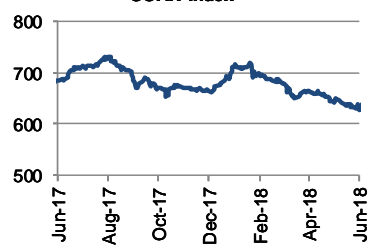
STOCKS

	Last	ΔD	ΔYTD
SOFIX	627.9	-1.49%	-7.32%

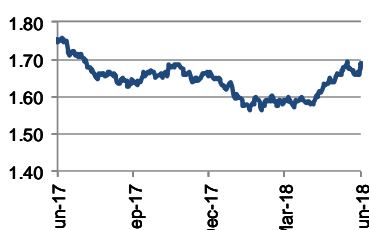
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6874	0.21%	-3.44%

SOFIX Index



USD/BGN



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

Data updated as of 10:40 EEST

Friday 15 June 2018

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