

Monday 18 June 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- June 22: OPEC meeting

US

- June 19
 - Housing starts (May)
 - Building permits (May)
- June 20
 - Current account balance (Q1)
 - Existing home sales (May)
- June 21
 - CB leading indicators (May)
 - Philly Fed (Jun)

EUROZONE

- June 18: ECB Forum on Central Banking
- June 21
 - ECB President speaks
 - Eurogroup
- June 22
 - Services PMI (Jun)
 - Manufacturing PMI (Jun)

UK

- June 21
 - BoE policy announcement
 - BoE Governor Carney speaks

GREECE

- June 20: Current account deficit (Apr)

SEE

BULGARIA

- June 19: Current account deficit (Apr)

ROMANIA

- June 18: T-bonds auction
- June 21: T-bonds auction

SERBIA

- June 19: Current account deficit (Apr)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Oil prices remained under pressure in European trade on Monday for the second session in a row pressured by rising US-China trade frictions and market speculation about relaxation of the agreement on production cuts at this week's OPEC meeting. In FX markets, the USD retained a firm tone favored by the Fed's signal at last week's policy meeting for two more rate hikes this year and three more in 2019.

GREECE: According to the meeting agenda, the 21 June Eurogroup will assess the progress achieved by Greece in implementing the prior actions required under the fourth (and final) review of the programme, which will enable ministers to make a decision on all the elements needed to ensure the successful completion of the programme by August. TRAINOSE submitted an improved offer of €22million for the acquisition of 100% stake in the Hellenic Company for Rolling Stock Maintenance S.A. (EESSTY).

SOUTH EASTERN EUROPE

BULGARIA: The blue chip SOFIX index ended 0.62% lower on a weekly basis on Friday, while external government bonds continued to show little change and local-currency bonds exhibited larger changes in the short and long end of the yield curve.

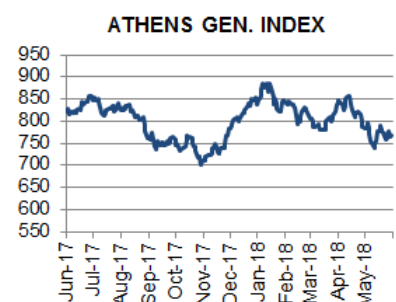
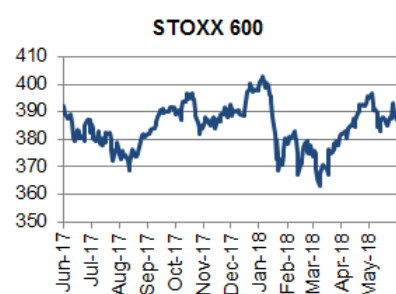
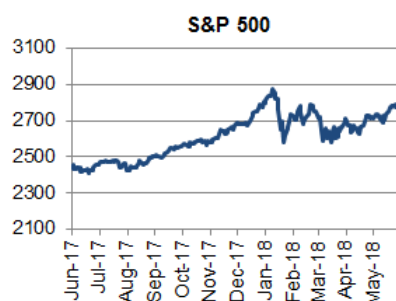
SERBIA: The EUR/RSD remained bound with the 118.00 – 118.30 trading range that has been held over the last three months. In other news, Serbia and an IMF mission agreed on Wednesday a new, 30-month arrangement - a Policy Coordination Instrument (PCI) program.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Oil prices remained under pressure in European trade on Monday for the second session in a row pressured by rising US-China trade frictions. US President Donald Trump announced on Friday an additional 25% tariff on \$50bn worth of 818 strategically important imports from China. In a quick response, China announced over the weekend retaliatory tariffs "of the same scale and strength" on imports from the US, including crude oil, adding that any trade deals made with the US during the previous weeks of negotiations were "invalid". Market speculation about relaxation of the agreement on production cuts at this week's OPEC meeting (Friday) on the back of tight market supplies following the sharp drop in Venezuelan output, has also had an impact. Brent crude was hovering slightly above \$73/br at the time of writing, 3.7% lower cumulatively over the last couple of sessions and 9.2% lower compared to a 3 ½ year high hit on May 22. In FX markets, the USD retained a firm tone with the DXY index hovering slightly below 95.00, within distance from Friday's seven-month intraday peak of 95.131 favored by the Fed's signal at last week's policy meeting for two more rate hikes this year and three more in 2019. The divergent policy signal from the ECB continued to weigh on the EUR/USD which, at the time of writing, was hovering around 1.1585/90, not far from Friday's two-week low of 1.1541. The ECB's new dovish forward guidance favored strongly German Bunds with the 10-yr yield easing below 0.40% and the 2/10-yr yield curve flattening. Besides US/China trade tensions, focus this week will be on Eurozone June PMIs (Friday). The ECB annual forum on central banking starting on Monday is unlikely to provide new clues about the Central Bank's policy deliberations. The SNB is widely expected to remain on hold on Thursday and the BoE is anticipated to announce over the same day the monetary policy decision reached at the MPC meeting ending 20 June of unchanged interest rates as the majority of policy members wait for more data to assess whether the Q1 soft patch was temporary.

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GREECE

According to the meeting agenda, the 21 June Eurogroup will assess the progress achieved by Greece in implementing the prior actions required under the fourth (and final) review of the programme, which will enable ministers to make a decision on all the elements needed to ensure the successful completion of the programme by August. These elements are related to the surveillance framework that will apply after the programme, the size of the final tranche of financial support by the ESM and the possible debt measures based on the Eurogroup statement of June 2017. As regards the post-programme framework, in an interview in Greek newspaper 'TA NEA', ESM Managing Director Klaus Regling argued that due to the significant amount that Greece has borrowed, stricter surveillance will likely be required. This may entail the ESM Early Warning System, a procedure that foresees an assessment of the short-term liquidity position of the government, the country's market access and medium- to long-term public debt sustainability. It also takes into account and complements the fiscal and debt sustainability analysis that is provided by the EC and the ECB during the post-programme period and its duration will be until the ESM loans are fully repaid. Meanwhile, another issue to be reportedly decided at the upcoming Eurogroup is the size of the primary surplus targets from 2023 to 2060 (the primary surplus target of 3.5% of GDP up to 2022 are non-negotiable) as these will constitute one of the parameters to be monitored within the post-programme surveillance framework. In other news, TRAINOSE submitted an improved offer of €22million for the acquisition of 100% stake in the Hellenic Company for Rolling Stock Maintenance S.A. (EESSTY). The offer lays within the valuation limits of the two independent valuers.

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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

Latest economic & market developments in the CESEE region*

BULGARIA

The blue chip SOFIX index ended 0.62% lower on a weekly basis on Friday, closing at 627.90 points, while the total trading volume stood at €2.3mn. External government bonds continued to show little change, with yields dropping between 1-3 bps. Local-currency bonds exhibited larger changes in the short and long end of the yield curve, with paper of shorter maturity seeing yields rising between 2-6 bps, while that of 10 year tenor experienced a yield drop of 9.5 bps.

SERBIA

The EUR/RSD remained bound with the 118.00 – 118.30 trading range that has been held over the last three months, a trend likely to continue holding ground as ECB comments from Mario Draghi signaled that interest rates will likely be held at their current levels through to 2019. Such a development will provide leeway to the National Bank of Serbia to comfortably continue pursuing a loose monetary policy and further support growth.

In other news, Serbia and an IMF mission agreed on Wednesday a new, 30-month arrangement - a Policy Coordination Instrument (PCI) program. The PCI-supported program has the goal of maintaining microeconomic and financial stability, and making progress in realizing the ambitious plan for structural and institutional reforms to encourage rapid and inclusive growth, job creation and higher standard of living. In addition, the government has been given the green light to increase wages in public sector by 8%-10%.

* We would like to thank Ruslan Raychev from Eurobank Bulgaria and Djordje Lucic from Eurobank AD Beograd for their invaluable contribution in today's issue.



Credit Ratings

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

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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	2779.66	-0.1%	4.0%	EUR/USD	1.1605	0.0%	-3.3%	UST - 10yr	2.91	-1	50	GOLD	1282	0.2%	-1.6%
Nikkei 225	22680.33	-0.8%	-0.4%	GBP/USD	1.3244	-0.3%	-2.0%	Bund-10yr	0.39	-1	-3	BRENT CRUDE	74	0.7%	10.5%
STOXX 600	386.91	-0.6%	-0.6%	USD/JPY	110.54	0.1%	1.9%	JGB - 10yr	0.04	0	-1	LMEX	3358	-2.2%	-1.8%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.42	0	-19
1-month	2.59	0	-26
3-month	2.88	0	-24
6-month	3.06	0	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.49	2	-79
5Y RSD	3.94	0	-30
7Y RSD	4.42	0	-77

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.01	0	102
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

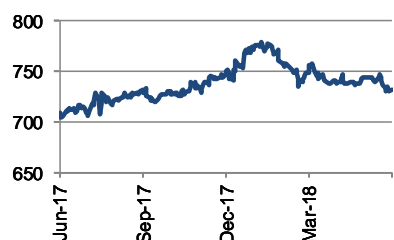
STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.9	0.03%	-3.80%

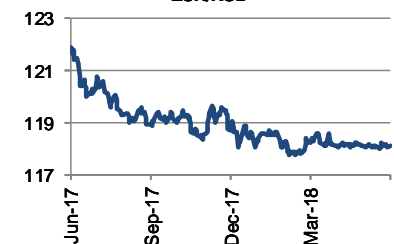
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.26	0.21%	0.55%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.63	3	154
1-month	2.86	0	99
3-month	2.92	2	87
6-month	3.03	1	76
12-month	3.13	1	81

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.02	0	64
5Y RON	4.70	0	92
10Y RON	4.93	0	61

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	0	12
USD Jan-24	4.32	0	132

CDS

	Last	ΔDbps	ΔYTD bps
5-year	98	-2	8
10-year	142	-2	9

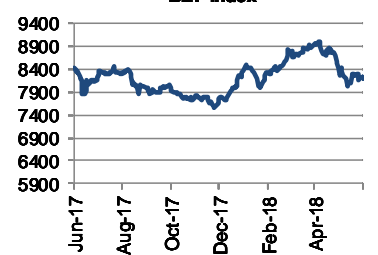
STOCKS

	Last	ΔD	ΔYTD
BET	8222.2	0.26%	6.04%

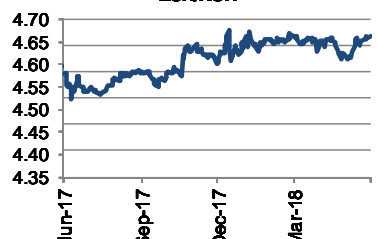
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6663	-0.06%	-0.03%

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	0.22	-1	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.10	-1	-4
5Y BGN	0.14	-1	-1
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

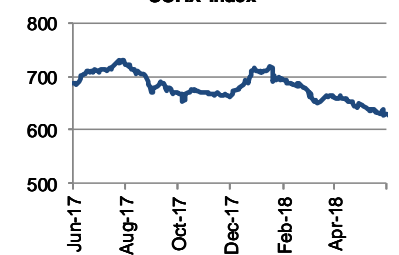
STOCKS

	Last	ΔD	ΔYTD
SOFIX	628.4	0.08%	-7.24%

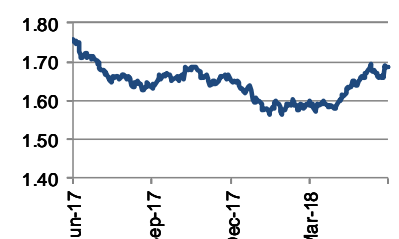
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6856	-0.04%	-3.33%

SOFIX Index



USD/BGN



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

Data updated as of 12:15 EEST

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