

### 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:** Trade dispute between the world's two largest economies escalated. Increased trade tensions weighed on risk sentiment and core government bonds moved higher. In FX markets, perceived safe-haven currencies such as the JPY and the CHF firmed while the EUR remained under pressure, weighed down by the ECB's new dovish forward guidance on interest rates and a dispute over migration policy between the two German sister parties, Merkel's Christian Democrats (CDU) and the Christian Social Union in Bavaria (CSU). In the absence of major data releases today, market focus is on US-China trade rift and a three-day ECB forum in Sintra, Portugal opening on Monday, where ECB President Mario Draghi speaks later in the day.

**GREECE:** During the teleconference that took place yesterday among Greek government officials and the institutions about the 4<sup>th</sup> review conditionality, significant progress was noted and government sources reportedly express confidence that there will be a positive compliance report ahead of the 21 June Eurogroup. According to the State Budget execution data for January – May 2018 (preliminary basis), the primary surplus for the first five months of 2018 was €1.54 billion, significantly higher by €1.36 billion or 75.0% than the respective 2018 Budget forecast. The overall fiscal budget balance for the aforementioned period recorded a deficit of ca €0.80 billion, improved by ca €1.36 billion or 63.1% compared to the respective 2018 Budget target.

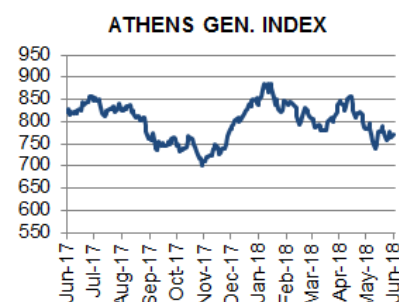
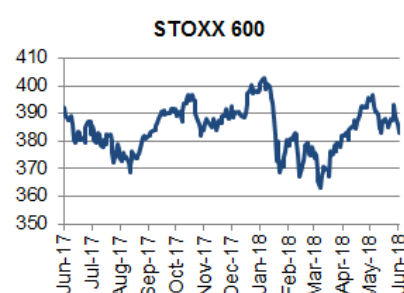
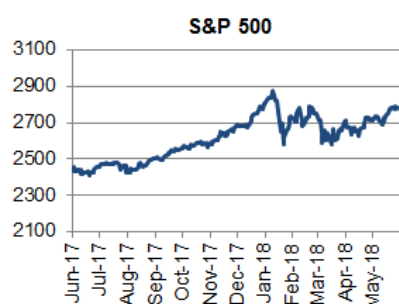
### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets mostly remained under pressure on Tuesday morning amid escalating global trade tensions between USA and China as President Trump threatened to impose a 10% tariff on Chinese goods.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Trade dispute between the world's two largest economies escalated. US President Donald Trump threatened to impose an additional 10% tariff on \$200bn worth of imports of goods from China should the latter raise tariffs on \$50bn of US imports in retaliation to the US's announcement of a 25% tariff on \$50bn of imports from China. Accusing the US of launching a trade war, China warned that it will fight back with "qualitative" and "quantitative" measures if the US releases an additional list of tariffs on Chinese goods. Increased trade tensions weighed on risk sentiment with US major equity indices falling by about 0.40% overnight and the FTSEurofirst 300 index standing around 1% lower in early trade on Tuesday. Higher uncertainty favored core government bonds with the US 10-yr yield falling by some 5bps on the day at 2.86%, the lowest in near three weeks while its German counterpart was yielding levels around 0.35% in European trade at the time of writing, 4.5bps lower on the day, standing at the lowest level since end-May. In FX markets, perceived safe-haven currencies such as the JPY and the CHF firmed with the USD/JPY weakening 0.7% on a daily basis revisiting levels below 110.00 and the USD/CHF retreating to a three-session intraday low of 0.9915 at some point earlier today. Meanwhile, the EUR remained under pressure, weighed down by the ECB's new dovish forward guidance on interest rates and a dispute over migration policy between the two German sister parties, Merkel's Christian Democrats (CDU) and the Christian Social Union in Bavaria (CSU) that entails the risk of a break-down of the governing coalition with the Social Democratic Party (SPD). In the absence of major data releases today, market focus is on US-China trade rift and a three-day ECB forum in Sintra, Portugal opening on Monday, where ECB President Mario Draghi speaks later in the day.

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### GREECE

During the teleconference that took place yesterday among Greek government officials (the Ministers of Finance, Energy and Labour and the State Secretary to the Prime Minister) and the institutions about the 4<sup>th</sup> review conditionality, significant progress was noted and government sources reportedly express confidence that there will be a positive compliance report ahead of the 21 June Eurogroup. Meanwhile, according to press reports, the central idea regarding Greece's debt burden foresees the coverage of the country's gross financing needs in the short-term through the partial repayment of IMF loans and ECB-held bonds with additional funds in the order of €12-15 billion and the creation of a substantial cash buffer, which will be increased further with the final loan tranche of €10-12 billion. As regards SMP/ANFA profits in the order of €4.5 billion, they will likely be returned gradually to Greece subject to the implementation of already agreed reforms, while the grace period and maturities of EFSF loans will likely be extended by a couple of years. On the economic data front, according to the State Budget execution data for January – May 2018 (preliminary basis), the primary surplus for the first five months of 2018 was at €1.54 billion, significantly higher by €1.36 billion or 755.0% than the respective 2018 Budget forecast. The overall fiscal budget balance for the aforementioned period recorded a deficit of ca €0.80 billion, improved by ca €1.36 billion or 63.1% compared to the respective 2018 Budget target.

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Tuesday 19 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

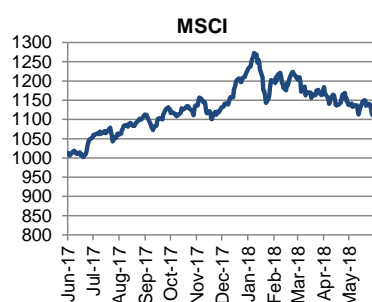
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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 Tuesday morning amid escalating global trade tensions between USA and China as President Trump threatened to impose a 10% tariff on Chinese goods. The MSCI Emerging Markets index lost 0.7% on the day at the time of writing, bringing its cumulative decline year to date at 4.5%. In FX markets, most EM currencies were in the red with the South-African rand and the Turkish lira being most hit. The Turkish lira was losing 1.4% trading at 4.7670/\$, not too far from a multi-session peak of 4.7712 hit earlier in the month and a record high of 4.9221 hit in late May. Yesterday's news showing the budget deficit widened by 78% in the first five months of the year as government spending increased ahead of the early elections planned to be held on June 24, weighed further on the domestic currency.

Idiosyncratic factors 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 recent rate hikes and some simplification of monetary policy. 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 lower 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.

Elsewhere, the Hungarian forint traded at 324.46/€ losing around 0.2% on the day, hitting a fresh 3.5 year low ahead of the central bank meeting scheduled for today. The market's median forecast is for MNB to remain on hold but respond to the market pressures on the Hungarian assets with a change in its rhetoric.

In other news, the European Commission approved the Cypriot government's measures to facilitate the liquidation of Cyprus Cooperative Bank (CCB) under national law. Those involve the sale of some CCB assets and deposits to Hellenic Bank.

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Tuesday 19 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	2773.75	-0.2%	3.7%	EUR/USD	1.1555	-0.6%	-3.7%	UST - 10yr	2.88	-4	47	GOLD	1279	0.1%	-1.8%
Nikkei 225	22278.48	-1.8%	-2.1%	GBP/USD	1.3174	-0.5%	-2.6%	Bund-10yr	0.37	-3	-6	BRENT CRUDE	75	-0.7%	11.9%
STOXX 600	382.77	-0.8%	-1.6%	USD/JPY	109.89	0.6%	2.5%	JGB - 10yr	0.03	-1	-1	LMEX	3343	-0.4%	-2.2%

SERBIA

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

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.47	-1	-80
5Y RSD	3.89	-5	-35
7Y RSD	4.41	0	-77

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.02	1	103
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

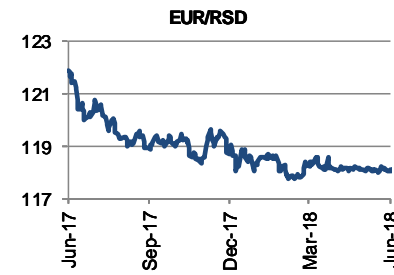
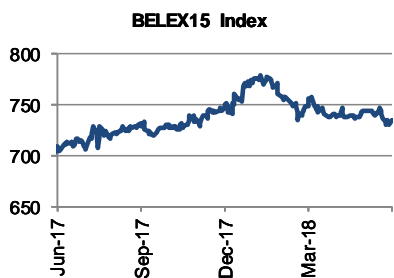
	Last	ΔDbps	ΔYTD bps
5-year	125	1	7
10-year	171	1	9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	735.5	0.08%	-3.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.28	0.98%	1.38%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.58	-5	149
1-month	2.87	1	100
3-month	2.93	1	88
6-month	3.04	1	77
12-month	3.14	1	82

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.04	0	66
5Y RON	4.69	0	91
10Y RON	4.93	0	61

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.70	2	15
USD Jan-24	4.40	5	140

CDS

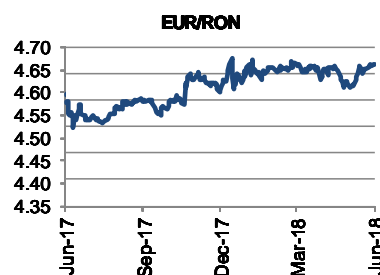
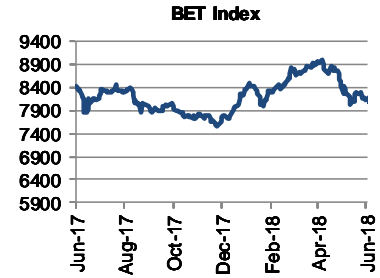
	Last	ΔDbps	ΔYTD bps
5-year	102	4	12
10-year	147	5	13

STOCKS

	Last	ΔD	ΔYTD
BET	8113.4	-0.62%	4.64%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6668	0.03%	-0.04%



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	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.08	1	-2
5Y BGN	0.13	0	-1
10Y BGN	0.94	0	-2

BG Eurobonds

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

CDS

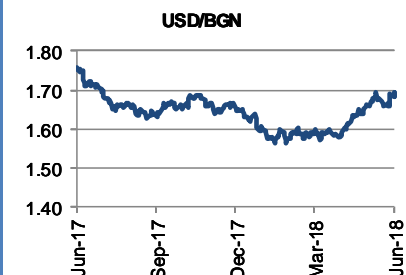
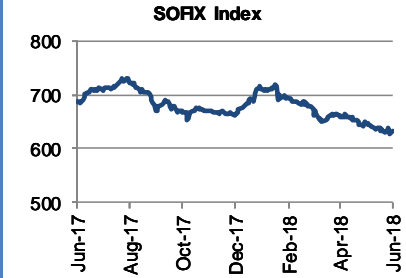
	Last	ΔDbps	ΔYTD bps
5-year	79	2	-17
10-year	125	2	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	631.6	0.13%	-6.77%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6927	-0.59%	-3.74%



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

Data updated as of 13:10 EEST

Tuesday 19 June 2018

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