

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: Global stock markets traded in the black on Wednesday on hopes of government policy support in China, following the US President Donald Trump's threats to impose a 10% tariff on an additional \$200 bn worth of imports of goods from China. Improved risk appetite pushed core government bond yields somewhat higher in European trade on Wednesday, with the US and the German 10-yr yields trading around levels of 2.90% and 0.38% at the time of writing following an intraday three-week low of 2.85% and 0.35% on Tuesday. In FX markets, favored by higher US bond yields and the common currency's weakness on the back of the ECB's dovish approach, the DXY dollar index consolidated around an 11-month peak of 95.299 hit earlier in the session. Market focus today turns to Sintra in Portugal where Fed Chair Jerome Powell, ECB President Mario Draghi, BoJ Governor Haruhiko Kuroda and Reserve Bank of Australia Governor Philip Lowe are scheduled to speak at a conference.

GREECE: According to press reports (KATHIMERINI), the draft post-programme framework for Greece envisages the implementation of agreed reforms and increased surveillance until 2022. Progress will be reportedly monitored on a quarterly basis by the EC, the ECB, the ESM and the IMF who will then produce a report which will be made public. Reforms must be carried out in the following areas: public finances, social welfare, financial stability, labour and product markets, privatisations and public administration.

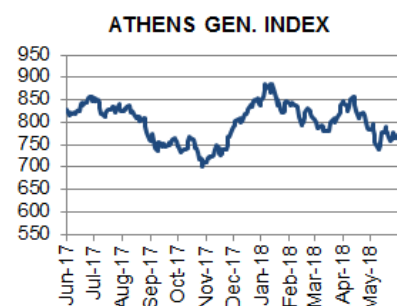
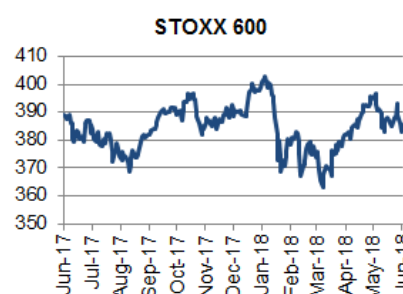
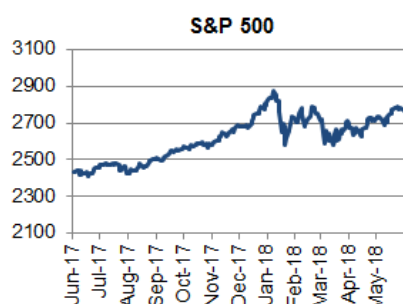
SOUTH EASTERN EUROPE

CESEE MARKETS: Having rebounded from a 3.5-year low near 322.30/€ yesterday, hit ahead of the Central Bank meeting, the Hungarian forint was hovering around levels of 322.90/€ in European trade today after the MPC withdrew its open-ended support for low interest rates.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Global stock markets traded in the black on Wednesday on hopes of government policy support in China, following the US President Donald Trump's threats to impose a 10% tariff on an additional \$200 bn worth of imports of goods from China. According to a working paper published by China's Central Bank on Tuesday, China should cut banks' reserve requirement ratios so as to enhance market liquidity, increasing expectations of an imminent policy response as the Central Bank governor urged investors to stay calm. Improved risk appetite pushed core government bond yields somewhat higher in European trade on Wednesday, with the US and the German 10-yr yields trading around levels of 2.90% and 0.38% at the time of writing following an intraday three-week low of 2.85% and 0.35% on Tuesday. In FX markets, favored by higher US bond yields and the common currency's weakness on the back of the ECB's dovish approach, the DXY dollar index consolidated around an 11-month peak of 95.299 hit earlier in the session. Meanwhile, the EUR/USD traded around y-day's two-week low of 1.1530 following ECB Ewald Nowotny's comments that the EUR's weakness seems to be driven by monetary policy divergence between the Fed and the ECB. Looking at today's calendar, market focus turns to Sintra in Portugal where Fed Chair Jerome Powell, ECB President Mario Draghi, BoJ Governor Haruhiko Kuroda and Reserve Bank of Australia Governor Philip Lowe are scheduled to speak at a conference.

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GREECE

According to press reports (KATHIMERINI), the draft post-programme framework for Greece envisages the implementation of agreed reforms and increased surveillance until 2022. Progress will be reportedly monitored on a quarterly basis by the EC, the ECB, the ESM and the IMF who will then produce a report which will be made public. A positive report will exert a positive impact on the financial markets and allow for additional debt relief in the form of the return of SMP/ANFA profits to be disbursed in equal, annual (of c. €1.2 billion each) or biannual tranches and the abolition of the rate increase of the EFSF loans. The reforms that must be carried out reportedly span the following areas: 1) public finances including the attainment of the 3.5% of GD primary surplus target and the adjustment of real estate tax, 2) social welfare including the roll out of the new disability assessment system to all disability benefits, 3) financial stability including the continuation of efforts to reduce NPLs, 4) labour and product markets including the annual minimum wage adjustment according to Law 4172/2012, the completion of the cadaster and the divestiture of the lignite-fired PPC units, 5) privatisations including the AIA concession, DESFA, HELPE, Egnatia motorway and the Athens and Thessaloniki water and sewerage companies, and 6) public administration including the appointment of Secretaries and Directors General according to Law 4369/2016.

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Wednesday 20 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

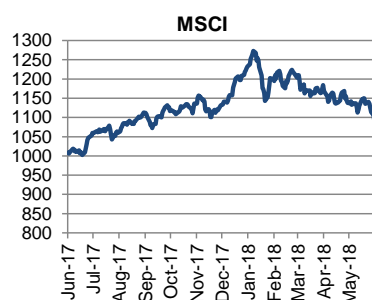
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Having rebounded from a 3.5-year low near 322.30/€ yesterday, hit ahead of the Central Bank meeting, the Hungarian forint was hovering around levels of 322.90/€ in European trade today after the MPC withdrew its open-ended support for low interest rates. In line with the market's median forecast, MNB maintained interest rates and its unconventional measures toolkit unchanged. More specifically, the MPC kept its main base rate at a record-low of 0.9%, left its overnight deposit rate at -0.15%, reiterated its commitment to maintain the HUF 75 billion upper limit on the stock of three-month deposits and set the average amount of liquidity to be crowded-out for the third quarter of 2018 at least at HUF 400-600 billion. More importantly, the Central Bank stated in the post-meeting press statement that "the current loose monetary conditions can no longer prevail up to the end of the 5 to 8-quarter horizon of monetary policy". The change in the MNB's forward guidance sets indirectly a time frame for the first time for ending its six-year-old loose policy. The Hungarian assets have been amongst those worst hit in the broader CESEE region from a sell-off in emerging markets in the past two months, triggered by a rally of the US dollar and government yields, while domestic loose monetary policy contributed to that as well. Finally, the NBH revised slightly its forecasts for inflation in 2017-2018, but left its projection at 3% for 2020, in the middle of its 2-4% target range. Headline inflation jumped to 2.8% YoY in May up from, overshooting the NBH forecast by 0.4ppts, driven by the recent uptick in energy prices. The Q1-2017 GDP growth reading had surprised market expectations to the upside coming at 4.4% YoY.

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Wednesday 20 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	2762.59	-0.4%	3.3%	EUR/USD	1.1574	-0.1%	-3.6%	UST - 10yr	2.90	0	50	GOLD	1274	0.0%	-2.2%
Nikkei 225	22555.43	1.2%	-0.9%	GBP/USD	1.3158	-0.1%	-2.7%	Bund-10yr	0.38	0	-5	BRENT CRUDE	76	0.7%	13.1%
STOXX 600	385.64	0.6%	-0.9%	USD/JPY	110.13	-0.1%	2.3%	JGB - 10yr	0.04	0	-1	LMEX	3282	-1.8%	-4.0%

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

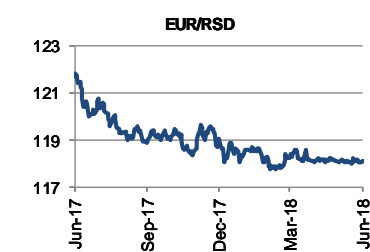
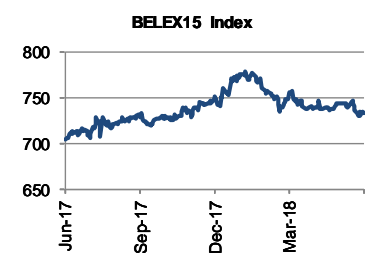
RS Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RSD	3.47	0	-80
5Y RSD	3.89	0	-35
7Y RSD	4.41	#N/A N/A	-77

RS Eurobonds	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.03	-1	104
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS	Last	ΔDbps	ΔYTD bps
5-year	126	1	8
10-year	170	-1	8

STOCKS	Last	ΔD	ΔYTD
BELEX15	733.8	-0.16%	-3.42%

FOREX	Last	ΔD	ΔYTD
EUR/RSD	118.14	-0.01%	0.65%



ROMANIA

Money Market	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.58	0	149
1-month	2.87	0	100
3-month	2.93	0	88
6-month	3.04	0	77
12-month	3.14	0	82

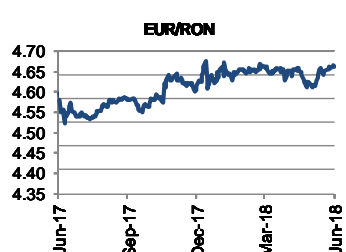
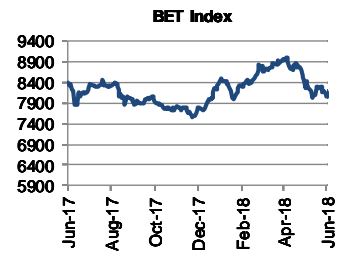
RO Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RON	4.08	0	69
5Y RON	4.70	0	92
10Y RON	4.95	0	63

RO Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.69	0	14
USD Jan-24	4.39	-1	139

CDS	Last	ΔDbps	ΔYTD bps
5-year	96	-6	6
10-year	140	-7	6

STOCKS	Last	ΔD	ΔYTD
BET	8061.1	-0.33%	3.96%

FOREX	Last	ΔD	ΔYTD
EUR/RON	4.6669	0.07%	-0.05%



BULGARIA

Money Market	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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

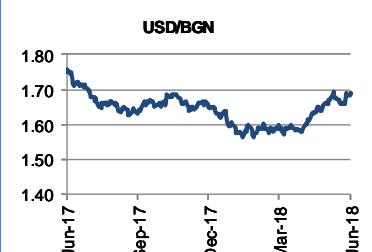
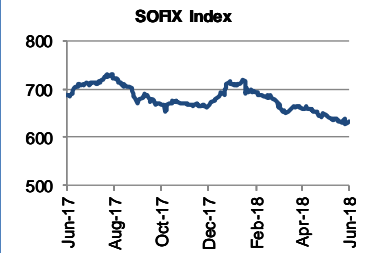
BG Local Bonds	Last	ΔDbps	ΔYTD bps
(yields)			
3Y BGN	-0.09	-3	-3
5Y BGN	0.13	0	-1
10Y BGN	0.94	0	-2

BG Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.07	5	15
EUR Sep-24	0.68	20	10

CDS	Last	ΔDbps	ΔYTD bps
5-year	77	-2	-19
10-year	119	-7	-23

STOCKS	Last	ΔD	ΔYTD
SOFIX	632.2	0.20%	-6.68%

FOREX	Last	ΔD	ΔYTD
USD/BGN	1.6901	-0.13%	-3.59%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:30 EEST

Wednesday 20 June 2018

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