

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Jun 25: New home sales (May)
- Jun 26: CB consumer confidence (Jun)
- Jun 27
  - Durable goods orders (May)
  - Pending home sales (May)
- Jun 28
  - Q1 real GDP
  - Fed's Bullard speakers on monetary policy
- Jun 29
  - Personal expenditure & income (May)
  - Chicago PMI (Jun)

#### EUROZONE

- Jun 25: DE: IFO (Jun)
- Jun 27: M3 money supply (May)
- Jun 28
  - EU Summit (two-day meeting)
  - EC Economic Sentiment (Jun)
- Jun 29: CPI (Jun)

#### GREECE

- Jun 29
  - Retail sales (Apr)
  - PPI (May)

#### SEE

##### BULGARIA

- Jun 28: Gross external debt (Apr)
- Jun 29
  - Budget balance (May)
  - PPI (May)

##### ROMANIA

- Jun 25: T-bonds auction

##### SERBIA

- Jun 25: Real gross wages (Apr)
- Jun 29
  - Industrial production (May)
  - Trade balance (May)
  - Retail sales (May)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Oil prices were higher in early European trade on Wednesday with the Brent crude hitting a three week peak of \$76.93/br earlier today on news that the US presses all countries to cut oil imports from Iran to zero by November 4. Meanwhile, the likelihood of a resolution in US/China trade tensions seems to remain a distant prospect. The US House of Representatives overwhelmingly passed a bill on Tuesday to tighten foreign investment rules and the US President endorsed US Treasury Secretary Steven Mnuchin's measured approach to restricting investments in US technology companies, applying to all countries "that are trying to steal (our) technology", not just China. Core government bonds were little changed on the day while, the DXY index halted a four-session declining streak rising 0.4% from Tuesday's two-week intraday low.

**GREECE:** According to press reports, the ESM proposal that was submitted to the German Parliament for the approval of the last loan tranche of €15 billion, foresees that the amount may be disbursed in more than one installments. The ESM will also reportedly have the right to re-direct the cash-buffer amount (€9.5 billion) to alternative uses should this be deemed more beneficial. According to the Greek Ministry of Finance's final State Budget execution data for January - May 2018, the primary surplus for the first five months of 2018 was €1.53 billion, significantly higher by €1.35 billion or 747.2% than the respective 2018 Budget forecast.

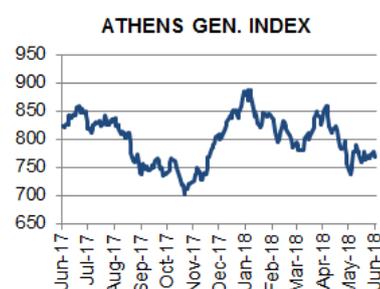
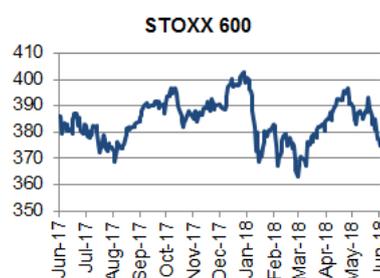
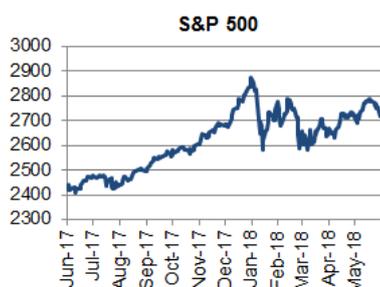
### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets broadly remained under pressure earlier on Wednesday, amid ongoing concerns that a trade war could weigh on global economic activity, while key emerging market stock indices entered a bear market earlier this month. In FX markets, most currencies lost ground on deteriorating risk appetite and a stronger USD.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Oil prices were higher in early European trade on Wednesday with the Brent crude hitting a three week peak of \$76.93/br earlier today on news that the US presses all countries to cut oil imports from Iran to zero by November 4. No extensions or waivers will be permitted. On a daily basis, Brent crude price was 0.8% higher and some 4% firmer from Tuesday's session-low hit in reaction to the Saudi Arabia's announcement that it plans to pump a record amount of 10.8 million barrels per day in July, presumably in response to the pressure the US President has put on OPEC to increase oil supply. Meanwhile, the likelihood of a resolution in US/China trade tensions seems to remain a distant prospect. The US House of Representatives overwhelmingly passed a bill on Tuesday to tighten foreign investment rules and the US President endorsed US Treasury Secretary Steven Mnuchin's measured approach to restricting investments in US technology companies, applying to all countries "that are trying to steal (our) technology", not just China. Meanwhile, core government bonds were little changed on the day while, the DXY index halted a four-session declining streak rising 0.4% from Tuesday's two-week intraday low. The EUR/USD was little changed on the day but lower from Tuesday's multi-session high of 1.1720 ahead of Italy's auctions of 5-yr and 10-yr government bonds, a key test of investor appetite since the country's political crisis subsided. Looking at today's calendar, major data releases include the euro area's M3 money supply growth for May while in the US we expect durable goods orders and the pending home sales report both for May.

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### GREECE

According to press reports, the ESM proposal that was submitted to the German Parliament for the approval of the last loan tranche of €15 billion, foresees that the amount may be disbursed in more than one installments. Additional checks will be provided to ensure the monitoring of the account with the funds earmarked for the cash buffer (€9.5 billion) and to ensure that the gross financing needs of Greece are covered using also own funds. The ESM will reportedly have the right to re-direct the cash-buffer amount to alternative uses should this be deemed more beneficial. According to the Greek Ministry of Finance's final State Budget execution data for January - May 2018, the primary surplus for the first five months of 2018 was €1.53 billion, significantly higher by €1.35 billion or 747.2% than the respective 2018 Budget forecast. The overall fiscal budget balance for the aforementioned period recorded a deficit of ca €0.81 billion, improved by ca €1.35 billion or 62.4% compared to the respective 2018 Budget target. The aforementioned improvement was mainly due to a significant improvement in state budget net revenue as a result of an increase in revenue before tax refunds (€0.37 billion or 2.2%), and public investment net revenue (€0.46 billion or -2.6%) and a decrease in public investment budget expenditure (€0.52 billion or -39.4%).

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Wednesday 27 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

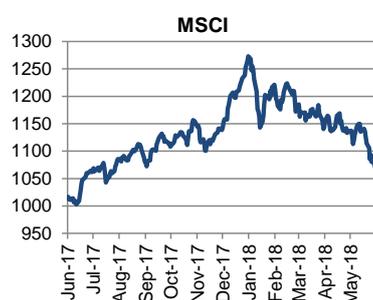
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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	3.5
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 broadly remained under pressure earlier on Wednesday, amid ongoing concerns that a trade war could weigh on global economic activity, while key emerging market stock indices entered a bear market earlier this month. China's and Turkey's main stock indices have lost more than 20% from their peaks hit in January this year, officially entering a bear market. Possibly adding to the negative sentiment was the steep depreciation of the Chinese yuan over the last two weeks. The currency surpassed the key psychological level of 6.6/\$ earlier today for the first time in six months, having recoiled by ca 6% from a near 2-year high hit in late March amid recently released soft macroeconomic data domestically and ongoing trade tensions with the US. The People's Bank of China (PBOC) fixed the yuan midpoint at a six-month low of 6.5569 per dollar today.

Against this backdrop, the MSCI Emerging Markets index shed 1.2% on the day at the time of writing, poised to end in the red for the third consecutive session while hitting new near 1-year lows intraday. CESEE bourses fared somewhat better albeit most standing in a negative territory. Turkey's main BIST index and Hungary's BUX bucked the negative trend to post gains to the tune of 0.7% and 0.2% in European trade.

In FX markets, most currencies lost ground on deteriorating risk appetite and a stronger USD. The Hungarian forint hit a record low near 327.30 against the euro earlier on Wednesday as the Central Bank (MNB) is amongst the most dovish in the region denting the currency's yield allure. The MNB's shift last week to a less dovish rhetoric in its latest MPC meeting appeared to provide little respite for the currency. Recall that, on June 19, the MPC held interest rates stable but noted in the accompanying 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", indicating for the first time a time frame for ending the ultra-loose monetary policy that has been followed over the last six years.

Elsewhere, the Turkish lira gave back some of the post-election gains to stand 0.6% weaker on the day at 4.6395/\$, as the initial optimism about mitigated domestic political jitters waned, with uncertainty over the new government's and President Tayyip Erdogan's economic policies moving in the forefront. Recall that Turkey's President Tayyip Erdogan won another term in office in the first round of Sunday's dual snap elections, while his ruling AKP and partner MHP also secured parliamentary majority in a separate ballot. Sunday's elections mark the replacement of the existing parliamentary system into an executive presidency following a referendum backed by the ruling AKP and the MHP in April last year.

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Wednesday 27 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	2723.06	0.2%	1.8%	EUR/USD	1.1644	0.0%	-3.0%	UST - 10yr	2.85	-3	44	GOLD	1258	-0.1%	-3.5%
Nikkei 225	22271.77	-0.3%	-2.2%	GBP/USD	1.3202	-0.2%	-2.4%	Bund-10yr	0.32	-3	-11	BRENT CRUDE	77	0.5%	14.6%
STOXX 600	374.76	-0.7%	-3.7%	USD/JPY	109.83	0.2%	2.6%	JGB - 10yr	0.04	0	-1	LMEX	3231	-0.3%	-5.5%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.43	1	-18
1-month	2.60	0	-25
3-month	2.88	-1	-24
6-month	3.07	2	-17

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.45	3	-82
5Y RSD	4.00	#N/A N/A	-24
7Y RSD	4.37	0	-81

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.80	-1	81
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

	Last	ΔDbps	ΔYTD bps
5-year	126	0	8
10-year	170	0	8

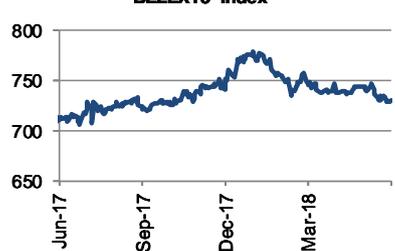
STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.1	-0.02%	-3.91%

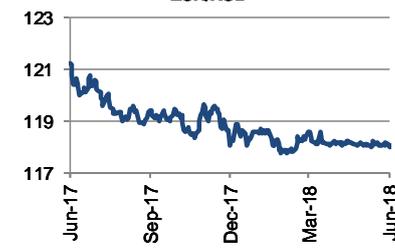
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.04	-0.01%	0.74%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.43	4	234
1-month	3.17	1	130
3-month	3.15	1	110
6-month	3.23	-1	96
12-month	3.31	1	99

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.36	0	97
5Y RON	4.95	0	117
10Y RON	5.25	0	94

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	0	12
USD Jan-24	4.25	-1	125

CDS

	Last	ΔDbps	ΔYTD bps
5-year	103	1	13
10-year	148	1	14

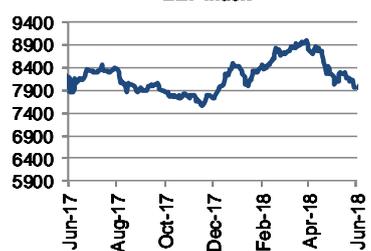
STOCKS

	Last	ΔD	ΔYTD
BET	7958.4	-0.09%	2.64%

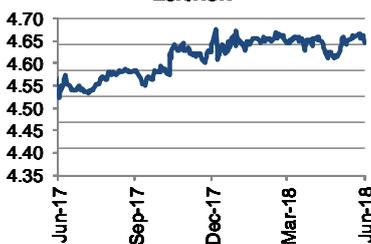
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6535	0.18%	0.24%

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	-0.09	4	-4
12-month	0.22	3	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	0	-1
5Y BGN	0.15	0	0
10Y BGN	0.93	0	-4

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.07	0	15
EUR Sep-24	0.67	20	9

CDS

	Last	ΔDbps	ΔYTD bps
5-year	74	0	-22
10-year	111	0	-30

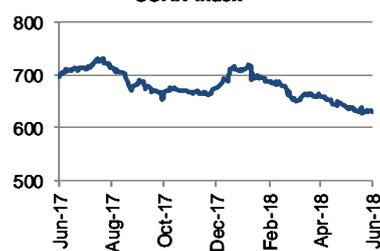
STOCKS

	Last	ΔD	ΔYTD
SOFIX	630.2	-0.26%	-6.97%

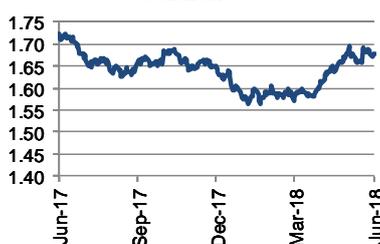
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6796	-0.02%	-2.99%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:25 EEST

Wednesday 27 June 2018

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