

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jun 13
 - UST Secretary Mnuchin testifies on Senate Budget Committee
- Jun 14
 - CPI (May)
 - Retail sales (May)
 - FOMC meeting & press conf & macro forecasts
- Jun 15
 - Empire State Index (May)
 - Initial claims (weekly)
 - Philly Fed (Jun)
 - Industrial prod (Apr)
 - NAHB (May)
- Jun 16
 - Housing starts (May)
 - Housing permits (May)
 - UoM cons conf (Jun, p)

EUROZONE

- Jun 13
 - DE: ZEW (Jun)
 - ES: Rajoy faces no-conf. vote in parliament
- Jun 16
 - HICP (May)
 - Ecofin meeting
- June 18: FR: Election of the National Assembly run-off

GREECE

- Jun 15
 - Eurogroup
 - U/E rate (Q1, 2017)

SEE

BULGARIA

- Jun 14: CPI (May)
- Jun 15: U/E rate (May)

ROMANIA

- Jun 12
 - CPI (May)
 - T-bonds auction
- Jun 13
 - Net wages (Apr)
 - CAD (Apr)
- Jun 14: Industrial output/sales (Apr)

SERBIA

- Jun 12: CPI (May)
- June 13: 2019 T-bonds auction
- Sovereign credit rating review by S&P and Fitch

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Preliminary results from the first round of legislative elections in France that were held on Sunday 11th of June suggest that President Emmanuel Macron's party La République En Marche and its allies are set to win around 32% of the vote and well over 400 seats in the 577-seat National Assembly, the biggest parliamentary majority since 1993. The outcome of the first round favored government bonds with the 10-yr OAT/Bund yield spread narrowing to multi-week lows. In Italy, amid reduced risk of snap elections the 10-yr BTP yield dropped to the lowest in more than five months. In FX markets, the outcome of the legislative ballot in France and the municipal elections in Italy exerted some positive impact on EUR while GBP remained under pressure amid increased political uncertainty after last week's inconclusive election outcome. This week's major key event is the Fed's two-day monetary policy meeting that concludes on Wednesday where a 25bps rate hike is fully priced-in.

GREECE: The French Finance Minister Bruno Le Maire is expected to visit Athens today to hold meetings with the Greek PM Alexis Tsipras, the Finance Minister Euclid Tsakalotos and the Governor of the Bank of Greece Yiannis Stournaras. During his visit he will reportedly discuss the French proposal regarding the Greek public debt, according to which the scope of the debt relief measures will depend on the GDP growth in the medium-term. With respect to the conclusion of the 2nd programme review, it is expected that a positive compliance report will be drafted that will allow for the political approval of the next loan disbursement by the June 15th Eurogroup, the size of which may be between €7.4 to €11 bn.

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities ended mixed last week with all major benchmarks pointing to losses except for the blue-chip SOFIX. Meanwhile, the domestic sovereign debt yield curve was little changed except for the 3 and 4 year tenors, with corresponding yields sliding by 11-12 basis points on the week. Eurobond yields also marked declines between 5 and 9 bps.

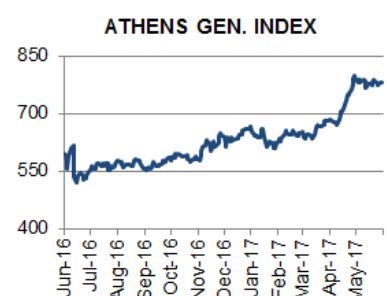
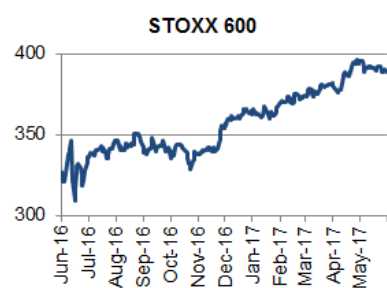
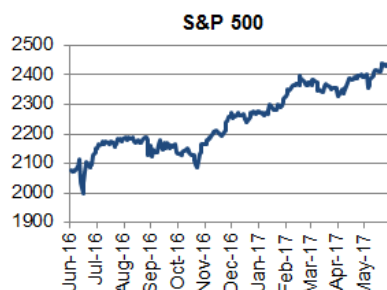
SERBIA: The EUR/RSD found support at 122.05/25 last week following renewed Central Bank intervention in the FX market aimed at halting further appreciation of the dinar.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Preliminary results from the first round of legislative elections in France on Sunday 11th of June suggest that President Emmanuel Macron's party La République En Marche and its allies are set to win around 32% of the vote and well over 400 seats in the 577-seat National Assembly, the biggest parliamentary majority since 1993. The second round of voting on June 18th where first-round candidates who secured at least 12.5% of registered voters are allowed to participate, will determine the actual number of seats. The outcome of the first round favored government bonds with the 10-yr OAT yield hovering around a five-week low of 0.615% at the time of writing and the spread against its German counterpart narrowing close to 36bps, around 39bps lower compared to levels recorded in mid-April ahead of the first round of French presidential elections. In Italy, the 10-yr BTP yield dropped close to 2.0% for the first time since late January taking the spread against the 10-yr Bund to 175bps, the narrowest in around three weeks amid reduced expectations for the risk of snap elections. The outcome from the first round of municipal elections in Italy on Sunday where the euro-sceptic Five Star Movement failed to make it to the run-off in almost all the main cities, also had an impact. In FX markets, the outcome of the legislative ballot in France and the municipal elections in Italy exerted some positive impact on EUR bouncing to levels around 1.1225 against USD in European trade after ending at 1.1190 in the prior session, the lowest in more than a week. Elsewhere, GBP remained under pressure ahead of Thursday's BoE monetary policy announcement where consensus is for unchanged interest rates amid increased political uncertainty after last week's inconclusive election outcome. This week's major key event is the Fed's two-day monetary policy meeting that concludes on Wednesday where a 25bps rate hike is fully priced-in. Focus will shift to the press conference for clues over the timing of the next rate tightening.

ppetropoulou@eurobank.gr

GREECE

The French Finance Minister Bruno Le Maire is expected to visit Athens today to hold meetings with the Greek PM Alexis Tsipras, the Finance Minister Euclid Tsakalotos and the Governor of the Bank of Greece Yiannis Stournaras. During his visit he will reportedly discuss the French proposal regarding the Greek public debt, according to which the scope of the debt relief measures will depend on the GDP growth in the medium-term, i.e. weak growth may lead to the extension of debt maturities and grace periods and vice versa. The goal of the French intervention is to bridge the differences between the European partners and the IMF on the issue of debt so that Greece can return to the financial markets sooner and the ECB can include it in its QE programme. Although according to press reports the said proposal may be discussed at the June 15th Eurogroup it is considered unlikely that a more specific agreement on debt relief will be reached at this stage. Instead, it is more likely that the issue will be dealt with more thoroughly after the German elections and once the new German government has been formed, expected sometime before the end of 2017. With regard to the IMF's participation in the programme, based on last week's comments on the issue by IMF Managing Director Christine Lagarde and spokesperson Gerry Rice, as things stand the most probable option is for the Fund to agree "in principle" to support the programme on a technical level, in anticipation of a more comprehensive deal on debt relief. With respect to the conclusion of the 2nd programme review, following the latest legislative initiatives of the Greek government, it is expected that a positive compliance report will be drafted that will allow for the political approval of the next loan disbursement by the June 15th Eurogroup. The size of the said loan disbursement may be between €7.4 to €11 bn.

andimitriadou@eurobank.gr

June 12, 2017

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
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	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

* ESA 2010

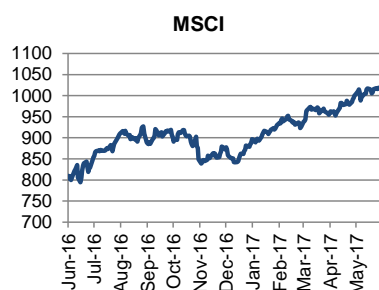
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.9	1.2	2.1
Budget Balance/GDP	-3.7	-1.4	-1.3
Current Account/GDP	-4.7	-4.0	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2016	current	2017
Policy Rate (eop)	4.00	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

Latest economic & market developments in the CESEE region

BULGARIA

Bulgarian equities ended mixed last week with all major benchmarks pointing to losses except for the blue-chip SOFIX. The latter snapped a seven-day winning streak on Thursday, but managed to stay on positive ground for the week adding 0.66% to end at 674.93 points on Friday. The weekly turnover was above the three-month average reaching its highest value since November 2016 at EUR 6.4mn. Meanwhile, the domestic sovereign debt yield curve was little changed except for paper of 3 and 4 year tenors, with corresponding yields sliding by 11-12 basis points on the week. Eurobond yields also declined last week, falling between 5 and 9 bps.

VBoteva@postbank.bg

SERBIA

Following a 2-month slide from a 123.90 high seen in mid-April, the EUR/RSD found support at 122.05/25 last week following renewed Central Bank (NBS) intervention in the FX market aimed at halting further appreciation of the dinar. In more detail, the pair's up-move towards 122.50 started on Tuesday after NBS bought €30mn in the FX market soothing selling pressures on the pair. The dinar's retreat continued on Wednesday and Thursday, with the pair reaching a weekly high at 122.55/75. We believe that at these levels selling pressures on the EUR/RSD are likely to emerge anew, as we see this move only as a temporary pull-back due profit taking and one-off increase in demand for euros.

In other news, the monetary policy meeting rendered no surprises last week, with the committee maintaining the key policy rate at 4.00%. The Central Bank gave a reassuring note that the recent inflation spike will likely prove temporary and is caused by one-off factors. On top of that, the dinar's strengthening (+1.3% since April), should additionally help imported inflation to ease off. Meanwhile, the latest annual consumer price inflation, also released last week, accelerated to 4.0% in April from 3.6% in March. Nonetheless, the Central Bank has repeatedly noted that the annual inflation rate is expected to remain within target the band of 1.5%-4.5% in the next two years.

Zoran.Korac@eurobank.rs

June 12, 2017

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	2431.77	-0.1%	8.6%	EUR/USD	1.1225	0.3%	6.7%	UST - 10yr	2.21	1	-23	GOLD	1268	0.1%	10.1%
Nikkei 225	19908.58	-0.5%	4.2%	GBP/USD	1.2731	-0.1%	3.0%	Bund-10yr	0.25	-1	5	BRENT CRUDE	48	0.2%	-15.1%
STOXX 600	388.61	-0.5%	7.5%	USD/JPY	110.08	0.2%	6.3%	JGB - 10yr	0.06	0	1	LMEX	2759	1.0%	3.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.01	-1	1
1-week	3.16	-2	-1
1-month	3.34	-1	-1
3-month	3.52	-1	5
6-month	3.72	1	6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.90	#N/A N/A	-14
5Y RSD	5.26	0	-9
7Y RSD	5.63	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.69	-4	-63
USD Nov-24	6.31	-1	-10

CDS

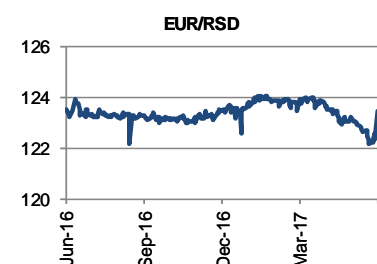
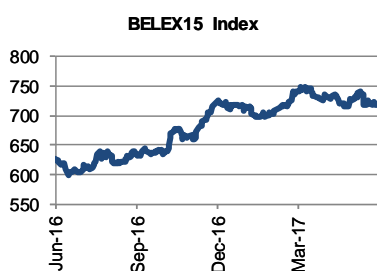
	Last	ΔDbps	ΔYTD bps
5-year	169	0	-39
10-year	223	0	-33

STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.8	0.29%	0.48%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.45	-0.09%	0.82%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	1	-9
1-month	0.59	-1	-17
3-month	0.82	-1	-8
6-month	1.01	-1	-10
12-month	1.19	-2	-6

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.35	-1	-27
5Y RON	2.25	0	-27
10Y RON	3.37	0	-28

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.85	-2	-29
USD Jan-24	3.26	11	-59

CDS

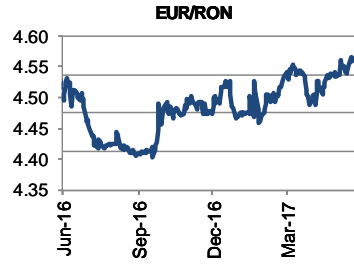
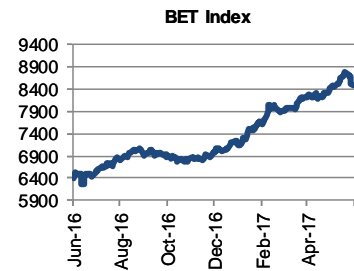
	Last	ΔDbps	ΔYTD bps
5-year	100	-1	-9
10-year	150	-1	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8490.3	-0.29%	19.83%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5618	0.01%	-0.50%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.24	0	-24
1-month	-0.16	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-4
12-month	0.42	0	1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.01	2	-16
5Y BGN	0.14	1	-36
10Y BGN	1.56	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-4.66	28	-434
EUR Sep-24	1.39	-85	-30

CDS

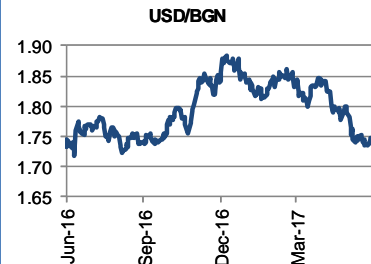
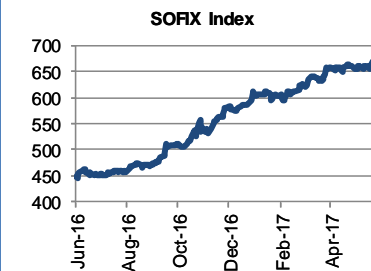
	Last	ΔDbps	ΔYTD bps
5-year	110	1	-42
10-year	167	2	-27

STOCKS

	Last	ΔD	ΔYTD
SOFIX	679.1	0.48%	15.80%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7425	0.26%	6.65%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:15 EEST

June 12, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokrousos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr +30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3337871

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankEA_FMR@eurobank.gr

Eurobank Economic Analysis and Financial Markets
Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at

Follow us on twitter: https://twitter.com/Eurobank_Group

