

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, June 13, 2017

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
- Jun 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: In FX markets, CAD was among the main outperformers supported by Senior BoC Deputy Governor Carolyn Wilkins's hawkish comments. GBP remained under pressure amid lingering political uncertainty after last week's snap elections resulted in a hung parliament. Meanwhile, the majority of European bourses started Tuesday's session on an improved tone recouping part of the previous session's losses as the recent global sell-off in tech shares shows signs of easing. Fixed income safe havens were little changed ahead of the conclusion of this week's two-day FOMC policy meeting on Wednesday.

GREECE: According to the June 15th Eurogroup agenda, tomorrow's meeting will deal with the implementation of the prior actions and the analysis of debt sustainability which are important steps towards the finalisation of the 2nd programme review and the unlocking of further disbursement of financial assistance to Greece. The discussion on the sustainability of Greece's debt in particular will aim at finding a common approach shared by the Euro area members and the institutions (EC/ECB/ESM/IMF). On the privatisations front, the Greek government reportedly expects the sale of TRAINOSE S.A. for €45 million to Ferrovie dello Stato Italiane S.p.A., which was signed in January 2017 to be closed soon upon the completion of various pending items.

SOUTH EASTERN EUROPE

SERBIA: Headline CPI fell by 0.5%MoM in May, bringing the annual rate of increase to 3.5%YoY, below a 3 1/2 year peak of 4.0% in the prior month.

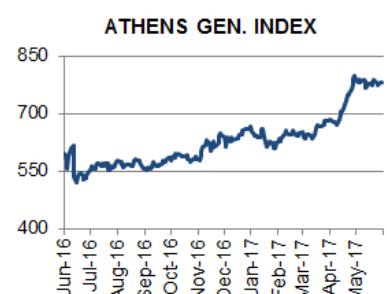
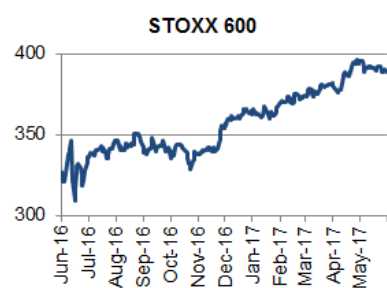
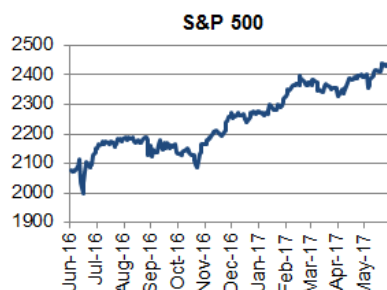
CESEE MARKETS: In the local debt markets, Romania sold on Monday a planned amount of RON 600mn (€132mn) of 2020 T-Notes. Looking into the remainder of the week, the focus is on Turkey's MPC meeting on Thursday, while sovereign credit rating reviews on Serbia by S&P and Fitch are on the spotlight on Friday.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In FX markets, CAD was among the main outperformers supported by Senior BoC Deputy Governor Carolyn Wilkins's comments which triggered a hawkish shift in short-term rate hike expectations. In contrast to the BoC's current dovish monetary policy stance, the BoC official was quoted saying that the Central Bank would have to assess "whether all the considerable monetary policy stimulus presently in place is still required" amid signs of a broadening economic recovery. Against this background, USD/CAD marked a two-month low of 1.3250 earlier today, recording cumulative losses of more than 2% over the last two sessions. Meanwhile, GBP remained under pressure amid lingering political uncertainty after last week's snap elections resulted in a hung parliament. Although the Conservative Party remained the largest party in the House of Commons, it lost its outright majority gaining 318 seats in the 650-seat Parliament compared to 331 previously. According to some reports, in a private meeting with high ranking Conservative lawmakers, UK Prime Minister Theresa took full responsibility of the disappointing election result and signaled her intention to rethink whether the government should adopt a softer Brexit approach acknowledging the need for a broader consensus in the party on the Brexit strategy. The PM will meet today DUP leader Arlene Foster to explore the possibility for the formation of a Conservative minority government on the basis of a confidence and supply deal. Meanwhile, the majority of European bourses started Tuesday's session on an improved tone recouping part of the previous session's losses as the recent global sell-off in tech shares shows signs of easing. Fixed income safe havens were little changed ahead of the conclusion of this week's two-day FOMC policy meeting on Wednesday, where a 25bps rate hike is fully priced-in. Focus will be on the updated staff projections for GDP growth, inflation and employment as well as Fed Chair Janet Yellen's press conference for any hints on the pace of rate tightening in the months ahead. Today's UK inflation data are unlikely to be a market mover. Increasing signs of a slowing domestic economy and heightened political uncertainty, are expected to provide some leeway to the BoE to tolerate higher inflation staying put on interest rates at this week's monetary policy meeting.

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GREECE

According to the June 15th Eurogroup agenda, tomorrow's meeting will deal with the implementation of the prior actions and the analysis of debt sustainability, which are important steps towards the finalisation of the 2nd programme review and the unlocking of further disbursement of financial assistance to Greece. The discussion on the sustainability of Greece's debt in particular will aim at finding a common approach shared by the Euro area members and the institutions (EC/ECB/ESM/IMF). It is noted that the framework for this discussion will be the agreement of the May 24th 2016 Eurogroup, which outlined the debt measures for Greece in the short, medium and long term. On the privatisations front, the Greek government reportedly expects the sale of TRAINOSE S.A. for €45 million to Ferrovie dello Stato Italiane S.p.A., which was signed in January 2017, to be closed soon upon the completion of various pending items. Among the most important of these is the closing of an investigation by the European Commission concerning state aid from the Greek state to the railway company. According to government sources, the case is expected to be closed in the following days. The completion of the TRAINOSE sale will open the way for the privatisation of the Hellenic Company for Rolling Stock Maintenance S.A. (EESTY or ROSCO) for which the deadline for the submission of binding offers has been pushed back various times.

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June 13, 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

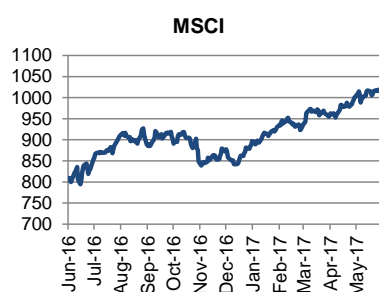
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

SERBIA

Headline CPI fell by 0.5%MoM in May. The decline came primarily on the back of a drop in the prices of fresh vegetables (-14.6%MoM) and energy products (*transport* as well as *housing, water, electricity, gas & other fuels* -0.2%MoM each) as it appears that the inflationary impact of adverse weather conditions witnessed at the start of the year seems to be waning. Along these lines, the annual rate of increase slid to 3.5% in May from a 3 1/2 year peak of 4.0% in the prior month. It is worth recalling that following three years of below target inflation, headline CPI entered the $\pm 1.5\%$ target tolerance band in early 2017 in view of increased aggregate demand, higher price pressures from abroad (including the recovery of global oil prices since H2 2016) and adverse weather conditions that resulted in higher food and energy prices. Indicating the temporary nature of several factors that contributed to the recent rise in price pressures, core inflation - which excludes the more volatile components of food, energy, alcohol and tobacco prices - remained relatively stable in May, coming in at 2.2%YoY vs. 2.0%YoY in April. In its latest MPC meeting held last week, the Central Bank noted that inflation will stabilise at lower than current levels from the start of next year - though remain within the target tolerance band over the coming months - as one-off price pressures gradually wane and the base effect from global oil prices slows down, while upward pressures are seen stemming from the recovery in domestic demand and inflation from abroad. As inflation is expected to remain within target in the months ahead, this will allow the MPC to maintain its accommodative monetary policy stance throughout this year and hold the key policy rate at the current record low level of 4.00%. At the same time, external uncertainties, such as diverging monetary policies of the leading central banks (Fed & ECB), geopolitical tensions and global primary commodity prices movements, require a cautious monetary policy stance.

CESEE MARKETS

In the local debt markets, Romania sold on Monday a planned amount of RON 600mn (€132mn) of 2020 T-bonds. The average accepted yield came in at 1.76%, 10bps below that achieved at the previous auction of the same issue held in May. Demand for the paper was strong with the bid to cover ratio coming in at 2.93. The T-notes mature on February 26, 2020, and carry an annual coupon of 2.25%.

Looking into the remainder of the week, government bond auctions in Turkey, Serbia and Ukraine draw attention today. Also luring investor interest today are wage and current account data for April in Romania as well as April trade and May core CPI data in Poland. On Wednesday, industrial output for April is due in Romania, while last month's inflation data release takes centre stage in Bulgaria. On Thursday, the focus is on Turkey's MPC meeting. The market's median forecast is for all policy rates to remain unchanged as inflation remains well above the 5% medium-term target (at 11.72%YoY in May) and has yet to show a sustainable improvement, while this also appears to be the case in inflation expectations. In more detail, the benchmark repurchase rate is seen remaining at 8.00%, the overnight lending and borrowing rates at 9.25% and 7.25%, respectively, and the late liquidity lending rate expected to be held at 12.25%. On Friday, sovereign credit rating reviews on Serbia by S&P and Fitch are on the spotlight.

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June 13, 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	2425.01	-0.3%	8.3%	EUR/USD	1.1201	0.0%	6.5%	UST - 10yr	2.21	1	-24	GOLD	1266	0.0%	9.9%
Nikkei 225	19908.58	-0.5%	4.2%	GBP/USD	1.2675	-0.6%	2.6%	Bund-10yr	0.25	-1	5	BRENT CRUDE	49	1.2%	-14.3%
STOXX 600	386.68	-1.0%	7.0%	USD/JPY	109.85	0.4%	6.5%	JGB - 10yr	0.06	0	1	LMEX	2759	1.0%	3.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	1	2
1-week	3.18	2	1
1-month	3.35	1	0
3-month	3.52	0	5
6-month	3.70	-2	4

RS Local Bonds

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

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.65	-8	-68
USD Nov-24	6.31	-1	-10

CDS

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

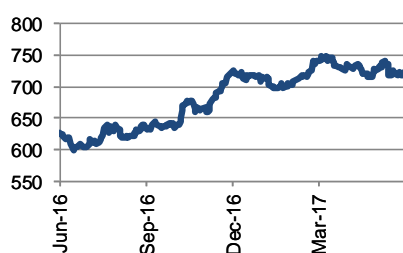
STOCKS

	Last	ΔD	ΔYTD
BELEX15	723.5	0.67%	0.86%

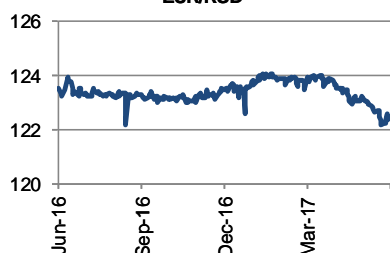
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.44	-0.08%	0.83%

BELEX15 Index



EUR/RSD



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	1.34	-2	-28
5Y RON	2.21	-3	-31
10Y RON	3.34	-3	-31

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.85	-2	-29
USD Jan-24	3.14	-2	-72

CDS

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

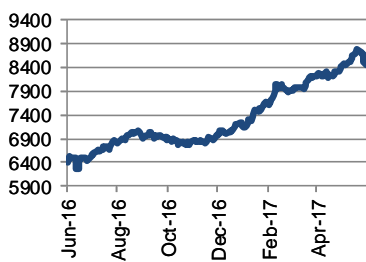
STOCKS

	Last	ΔD	ΔYTD
BET	8451.2	-0.75%	19.28%

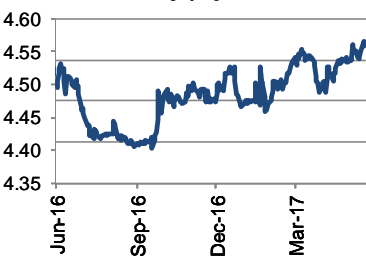
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5624	0.00%	-0.51%

BET Index



EUR/RON



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	2

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	-2.22	10	-190
EUR Sep-24	1.39	-85	-30

CDS

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

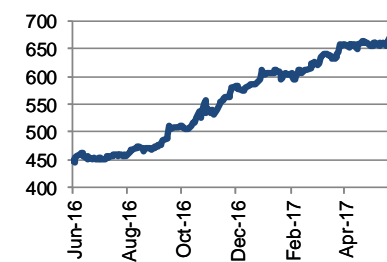
STOCKS

	Last	ΔD	ΔYTD
SOFIX	681.4	0.82%	16.19%

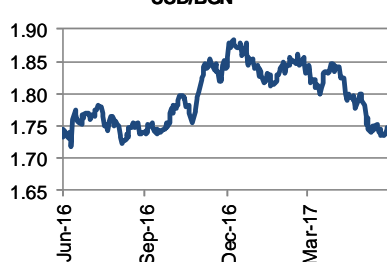
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7463	0.04%	6.42%

SOFIX Index



USD/BGN



June 13, 2017

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