

**KEY UPCOMING DATA  
& EVENTS THIS WEEK**  
**US**

- Jun 19: Fed's Dudley & Evans speak
- Jun 20
  - Fed's Fisher, Rosengren & Kaplan speak
  - Secretary Mnuchin addresses SelectUSA Investment Summit
- Jun 21: Existing home sales (May)
- Jun 22
  - Jobless claims (weekly)
  - Fed's Powell speaks
- Jun 23
  - New home sales (May)
  - Markit PMI manufacturing (Jun, p)
  - Fed's Mester, Powell Bullard speak
  - Sovereign credit rating review by Moody's

**EUROZONE**

- Jun 19: EU to formally start Brexit talks
- June 23: PMI manufacturing & services (Jun)

**GREECE**

- Jun 20: Current account balance (Apr)
- Jun 21: Developments in the balance of travel services (Apr)
- Jun 23: Sovereign credit rating review by Moody's

**SEE****BULGARIA**

- Jun 19: Current account balance (Apr)

**ROMANIA**

- June 22: T-bonds auction

**SERBIA**

- Jun 20: Current account balance (Apr)
- June 21: 2020 2% EUR T-bonds auction
- June 22: Floating 2019 T-bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

**HIGHLIGHTS****WORLD ECONOMIC & MARKET DEVELOPMENTS**

**GLOBAL MARKETS:** In line with market expectations, Emmanuel Macron's La République En Marche party and its ally centrist party MoDem won the French legislative elections securing 360 seats in the 577-seat National Assembly. Markets showed little reaction as the prospect of Emmanuel Macron's party winning a commanding majority was already priced in. With the French elections out of the way, focus shifts to Brexit negotiations that are scheduled to start today.

**GREECE:** In spite of the agreement that was achieved at the June 15<sup>th</sup> Eurogroup, according to press reports there are still a few open items that need to be addressed, which pertain mainly to the privatisations programme. The EC Directorate General for Competition concluded that the Greek measures to support TRAINOSE are in line with EU state aid rules. As a result, the sale of the company to Ferrovie dello Stato Italiane S.p.A. can now be completed. The decision reportedly opens the way for the privatisation of the Hellenic Company for Rolling Stock Maintenance S.A. (EESSTY). Today EESSTY is 100% owned by the HRADF, which is planning to sell the whole of its shareholding.

**SOUTH EASTERN EUROPE**

**BULGARIA:** The local equity market staged a mixed performance last week. Meanwhile, the local sovereign debt and Eurobond markets ended little changed ahead of the upcoming treasury auction on Monday 19<sup>th</sup> for BGN 50mn in 4-year T-Notes.

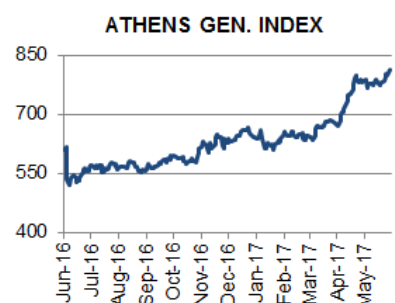
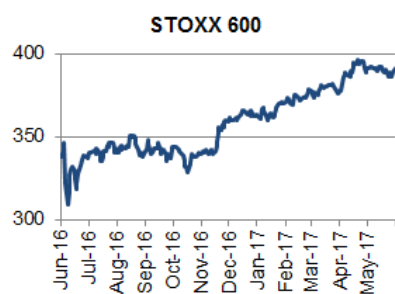
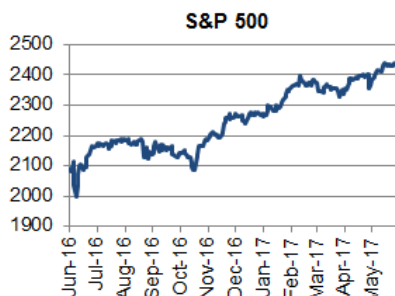
**SERBIA:** Despite Central Bank intervention in the FX markets in order to halt the dinar's upside momentum, the currency ended last week 0.35% stronger against the euro to close near a 1 ½-year high of 121.90 achieved earlier in the week.

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June 19, 2017

## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

In line with market expectations, Emmanuel Macron's La République En Marche party and its ally centrist party Democratic Movement (MoDem) won the French legislative elections securing at the second round that was held on Sunday 360 seats in the 577-seat National Assembly. Though the outcome was short of the landslide victory several opinion polls suggested over the last few sessions, it provides Emmanuel Macron with a comfortable majority required for the implementation of his reform agenda. Turnout came in at a record low of 44%. Markets showed little reaction to the outcome of the French legislative elections as the prospect of Emmanuel Macron's party winning a commanding majority was already priced in. In FX markets, the EUR/USD was hovering around 1.1190/95 at the time of writing, not much changed compared to Friday's settlement but some 1.0% lower from last week's nine-month peak hit in reaction to the weaker-than-expected US inflation data. With the French elections out of the way, market focus shifts to Brexit negotiations that are scheduled to start today. PM Theresa May has not yet reached a deal with Northern Ireland's DUP for the formation of a minority Conservative government while it is still unclear whether the UK government will water down its hard Brexit strategy following the disappointing outcome of the June 8<sup>th</sup> snap elections. Against this background, GBP was little affected by news over another major incident in London where a van collided with worshippers leaving a London mosque earlier today. Elsewhere, fixed-income safe-havens were slightly weaker in European trade compared to the settlement in the prior session on the back of global equity markets' improved performance. Focus today is on NY Fed President William Dudley who is due to take part in a roundtable discussion. In terms of data releases, this week's calendar is quite thin. On Wednesday we expect US May existing home sales while Friday sees US May new home sales and the flash euro area Market PMIs for June.

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### GREECE

In spite of the agreement that was achieved at the June 15<sup>th</sup> Eurogroup, according to press reports there are still a few open items that need to be addressed. These pertain mainly to the privatisations programme and include: 1) the approval by the Government Council for Economic Policy (KYSOIP) of the updated Asset Development Plan of the Hellenic Republic Assets and Participations Fund (HRADF), 2) the internal rules of procedure of the Public Participations Company, which will broadly determine the framework for the corporate governance of the SOEs that have been transferred to the Public Participations Company, 3) the commencement of a new tender procedure for the sale of the 66% stake in the Hellenic Gas Transmission System Operator SA (DESFA), 4) open items pertaining to the Hellenikon project, and 5) a proposal for the restructuring of the Hellenic Aerospace Industry S.A. Meanwhile, the EC Directorate General for Competition concluded that the Greek measures to support TRAINOSE (a debt cancellation, an equity increase and annual grants) worth a total of €1,079 million are in line with EU state aid rules. As a result, the sale of the company to Ferrovie dello Stato Italiane S.p.A. for €45 million, which was signed in January 2017, can now be completed. The decision reportedly opens the way for the privatisation of the Hellenic Company for Rolling Stock Maintenance S.A. (EESSTY). Today EESSTY is 100% owned by the HRADF, which is planning to sell the whole of its shareholding.

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June 19, 2017

## Latest economic & market developments in the CESEE region

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

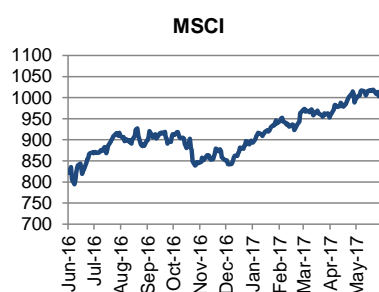
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

### BULGARIA

The local equity market staged a mixed performance last week. An increase in volatility came on the back of moderate volumes. However, the main SOFIX index managed to close in the black adding 0.7% on a weekly basis to end at 680.25 points on Friday, extending gains to 3.86% over the last five weeks and hitting a fresh multi-year high. Meanwhile, the local sovereign debt and Eurobond markets remained pretty quiet, with yields closing little changed ahead of the upcoming treasury auction on Monday 19<sup>th</sup> for BGN 50mn in 4-year T-Notes.

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### SERBIA

Despite Central Bank (NBS) intervention in the FX markets in order to halt the dinar's upside momentum, the currency ended last week 0.35% stronger against the euro to close at 121.95/15 on Friday. NBS appears to have purchased around €45mn last week after the EUR/RSD hit a 1 ½-year low near 121.90. In our view, the Central Bank will likely continue intervening in the FX markets in order to mitigate excessive daily fluctuations of the dinar exchange rate and ensure financial stability. The recent spike in inflation provides some room for additional flexibility, allowing for some moderate appreciation of domestic currency. However, once headline CPI moves back towards the 3% mid-point of the ± 1.5% tolerance band, or lower, we might see more decisive NBS action, restricting any moves under certain level. At present, it is not clear what this level might be.

In other news, Serbian incumbent minister of state administration and local self-government Ana Brnabic has been given mandate to assemble new government and lead it as a Prime Minister. She is not a member of any party and will be the first woman in the history of Serbia to take over such a position.

The Serbian government said that after the trilateral meeting of China, Hungary and Serbia, talks of modernization of the transport corridor to the Greek port of Piraeus need to start as soon as possible. Serbian Deputy Prime Minister and Minister of Construction, Transport and Infrastructure Zorana Mihajlovic explained that these will be primarily talks with FYROM and Greece on the modernization of the entire railway line to the port of Piraeus.

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June 19, 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	2433.15	0.0%	8.7%	EUR/USD	1.1193	0.0%	6.4%	UST - 10yr	2.15	0	-29	GOLD	1250	-0.3%	8.5%
Nikkei 225	20067.75	0.6%	5.0%	GBP/USD	1.28	0.1%	3.6%	Bund-10yr	0.28	1	7	BRENT CRUDE	47	-0.3%	-16.9%
STOXX 600	391.40	0.7%	8.3%	USD/JPY	111.08	-0.2%	5.3%	JGB - 10yr	0.06	0	1	LMEX	2720	0.2%	2.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.00	0	0
1-week	3.15	0	-2
1-month	3.34	0	-1
3-month	3.56	0	9
6-month	3.75	0	9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.89	0	-14
5Y RSD	5.26	0	-9
7Y RSD	5.63	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.56	-3	-76
USD Nov-24	6.32	1	-9

CDS

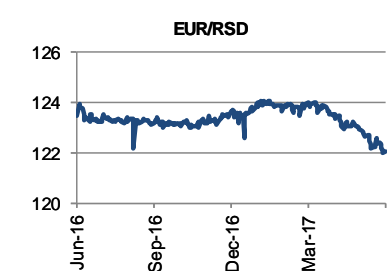
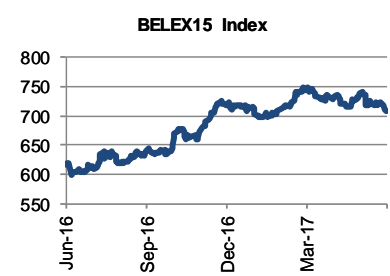
	Last	ΔDbps	ΔYTD bps
5-year	159	-1	-48
10-year	212	-1	-44

STOCKS

	Last	ΔD	ΔYTD
BELEX15	707.2	-0.45%	-1.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.04	0.07%	1.17%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	-1	-13
1-month	0.59	1	-17
3-month	0.83	1	-7
6-month	1.01	0	-10
12-month	1.18	0	-7

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.33	-2	-29
5Y RON	2.23	1	-29
10Y RON	3.39	0	-26

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.83	-1	-31
USD Jan-24	3.12	-1	-73

CDS

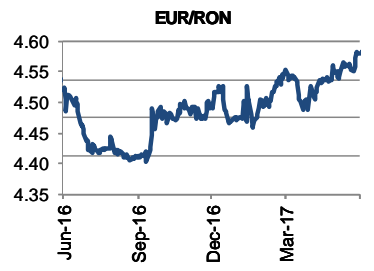
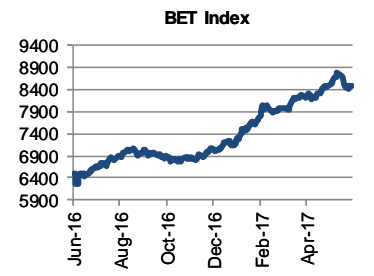
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-5
10-year	155	0	3

STOCKS

	Last	ΔD	ΔYTD
BET	8470.7	0.04%	19.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.584	0.00%	-0.98%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.01	1	-17
5Y BGN	0.16	2	-35
10Y BGN	1.56	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-2.73	0	-240
EUR Sep-24	1.38	0	-30

CDS

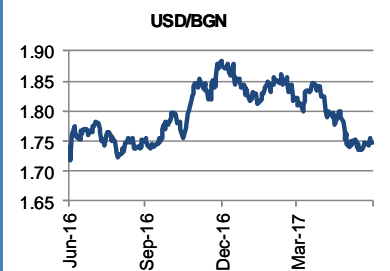
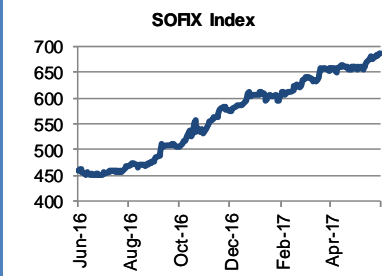
	Last	ΔDbps	ΔYTD bps
5-year	109	-4	-43
10-year	156	-4	-38

STOCKS

	Last	ΔD	ΔYTD
SOFIX	685.7	0.08%	16.92%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7475	-0.03%	6.35%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:20 EEST

June 19, 2017

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