

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: US Treasury yields were modestly higher in European trade following comments by NY Fed President William Dudley that US inflation will gradually rise alongside wages as labour market conditions continue to improve. Turning to EU periphery, sovereign bonds retained a firm tone supported by pro-EU centrist Emmanuel Macron's comfortable majority in French parliamentary elections while ECB President Mario Draghi's recent comments suggesting that the Central Bank is in no hurry to exit its QE programme, also continued to have an impact. In FX markets, higher US Treasury yields supported USD while GBP weakened amid uncertainty over domestic politics and the UK government's Brexit strategy as formal Brexit negotiations started on Monday.

GREECE: The Bank of Greece released today the balance of payments for April 2017. On an annual basis, the current account deficit almost halved coming in at -€461.7 million. According to the Hellenic Statistical Authority the overall turnover index in industry in April 2017 recorded an increase of 10.7%YoY compared to a decrease of -13.9%YoY that it had recorded in April 2016.

SOUTH EASTERN EUROPE

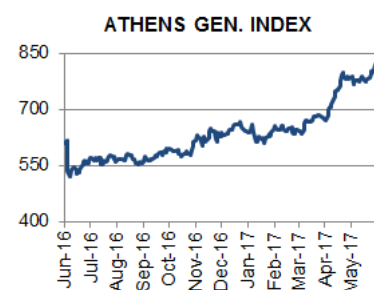
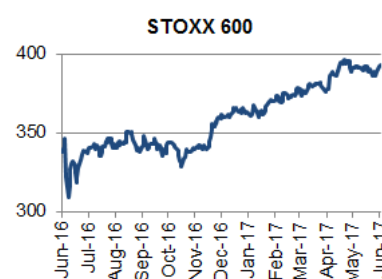
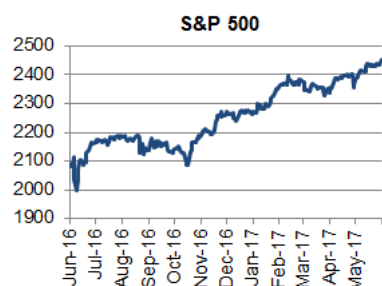
CYPRUS: According to media reports, Cyprus's finance ministry is marketing a 7-year Eurobond under its €9bn Euro Medium Term Note (EMTN) programme.

CESEE MARKETS: CESEE stock markets traded water earlier on Tuesday after yesterday's post-French-election rally. Elsewhere, regional currencies and government bonds were mixed, with the Hungarian forint trading little changed ahead of the conclusion of the MPC meeting later on the day.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

US Treasury yields were modestly higher in European trade following comments by NY Fed President William Dudley that US inflation will gradually rise alongside wages as labour market conditions continue to improve. The 10-yr yield hit a multi-session high above 2.19% earlier today before retreating modestly close to 2.18% at the time of writing with the UST yield curve undertaking some bearish flattening. Turning to EU periphery, sovereign bonds retained a firm tone supported by pro-EU centrist Emmanuel Macron's comfortable majority in French parliamentary elections while ECB President Mario Draghi's recent comments suggesting that the Central Bank is in no hurry to exit its QE programme, also continued to have an impact. Italy and Spain outperformed while Portugal lagged behind. Meanwhile, the 10-yr French sovereign paper was standing not too far from last week's seven-month low of c. 0.58% with the spread against its German counterpart hovering around 34.5bps, more than 40bps lower from a year-to-date peak marked in mid-February at the height of French election jitters. In FX markets, higher US Treasury yields supported USD with the DXY index recording a three-week high of 97.623 at some point earlier in the day. Against this background, EUR/USD moved lower approaching last week's 1.1130 multi-week low. Elsewhere, GBP weakened amid uncertainty over domestic politics and the UK government's Brexit strategy as formal Brexit negotiations started on Monday. With respect to the sequence of talks, Britain and the EU agreed to focus at the first stages of negotiations on Britain's exit bill and on rights of EU citizens living and working in the UK and vice versa, in line with Brussels' longstanding demand for the structure of discussions. There are no major data releases today. Focus is on a number of Fed officials including Stanley Fischer and Rober Kaplan who are scheduled to speak later in the day.

ppetropoulou@eurobank.gr

GREECE

The Bank of Greece released today the balance of payments for April 2017. On an annual basis, the current account deficit almost halved coming in at -€461.7 million. The improvement is due to a decrease in the goods deficit by €196.3 million, an increase in the services surplus by €96.7 million and an increase in the primary income surplus of €176.4 million. Exports of goods increased by €258 million attributable to an increase in exports of oil, which offset the drop in exports of ships and goods excl. oil and ships. Receipts in all services categories increased. According to the Hellenic Statistical Authority the overall turnover index in industry in April 2017 recorded an increase of 10.7%YoY compared to a decrease of -13.9%YoY that it had recorded in April 2016. With regard to the industrial sections, the turnover index in mining and quarrying increased 3.6%YoY while the corresponding index for manufacturing increased by 10.8%YoY. With regard to the geographical allocation, the turnover index in industry for the non-domestic market increased by 33.4%YoY while for the domestic market it fell by -3.7%YoY. On a monthly basis, the overall turnover in industry in April 2017 recorded a decrease of -9.8%MoM.

andimitriadou@eurobank.gr

June 20, 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

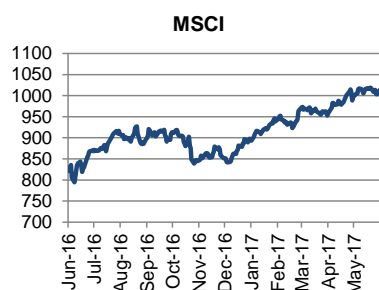
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CYPRUS

According to media reports, Cyprus's finance ministry is marketing a 7-year Eurobond under its €9bn Euro Medium Term Note (EMTN) programme. The initial price target has been reportedly set at 3%. On Monday, news circulated that the Cypriot government had appointed Citi, Goldman Sachs and HSBC as lead managers for the paper. The issue matures on June 27, 2024 and bears a fixed annual coupon. The transaction is expected to be completed today. The government also plans to proceed with the buyback/switch of three outstanding securities. Namely, 4.75% June 2019 notes, 4.625% February 2020 paper and 6.5% May 2020. The new issue will be the 5th since Cyprus's 2012-2013 financial crisis, with government bond yields having fallen significantly since then. It is worth recalling that following the latest round of sovereign rating assessments, major rating agencies appear to continue having divergent views on Cyprus. Currently, the distance from investment grade status is one notch for S&P (currently at BB+, last upgrade in mid-March), four notches for Moody's (currently at B1), and three notches for Fitch (currently at BB-).

The lack of investment grade status currently prevents Cyprus from joining the ECB's PSPP program. Yet, Cypriot bond yields are on a declining trend since mid-2016 outperforming those of Portugal in the Euroarea periphery. On the domestic front, the reform momentum seems to have stalled ahead of the Presidential elections in 2018. Still, a handful of unfinished structural reforms need to progress in the areas of privatizations, public and health sectors, while addressing the challenges of a still high bad loans stock (NPEs ratio at 47% in Dec2016, the second highest in EA).

igkionis@eurobank.grgphoka@eurobank.gr

CESEE MARKETS

CESEE stock markets traded water earlier on Tuesday after yesterday's post-French-election rally. Elsewhere, regional currencies and government bonds were mixed. In FX markets, the Hungarian forint was little changed hovering around levels of 308.5/€ at the time of writing, ahead of the conclusion of the MPC meeting later on the day. The Central Bank is broadly anticipated to keep the key policy rate at the current record low level of 0.90%, but the prospect of further easing monetary policy conditions via unconventional instruments is on the cards.

Looking into the remainder of the week in the CESEE space, focus is mostly on political developments. The parliamentary endorsement of President Aleksandar Vucic's nominee Ana Brnabic for the post of the prime minister takes centre stage on Thursday. In Romania, a no confidence motion filed by the ruling coalition government against incumbent Prime Minister is scheduled for Wednesday (8am GMT). Government bond auctions in Serbia (EUR 2020), Romania and Hungary as well as the MPC meeting minutes in Poland draw market attention tomorrow. On Friday, Hungary, Serbia and Romania sell T-bonds.

gphoka@eurobank.gr

June 20, 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	2453.46	0.8%	9.6%	EUR/USD	1.1145	0.0%	5.9%	UST - 10yr	2.19	1	-25	GOLD	1246	0.2%	8.2%
Nikkei 225	20230.41	0.8%	5.8%	GBP/USD	1.2751	0.1%	3.2%	Bund-10yr	0.28	0	7	BRENT CRUDE	47	0.4%	-17.1%
STOXX 600	392.93	0.3%	8.7%	USD/JPY	111.74	-0.2%	4.7%	JGB - 10yr	0.06	1	1	LMEX	2745	0.9%	3.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.00	0	0
1-week	3.14	-1	-3
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	4.88	0	-16
5Y RSD	5.25	0	-11
7Y RSD	5.62	0	-1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.57	1	-75
USD Nov-24	6.33	1	-9

CDS

	Last	ΔDbps	ΔYTD bps
5-year	158	-1	-49
10-year	211	0	-44

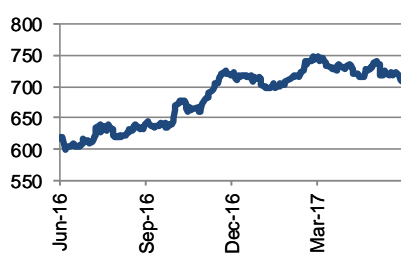
STOCKS

	Last	ΔD	ΔYTD
BELEX15	708.4	-0.28%	-1.25%

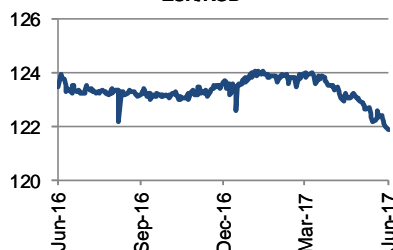
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.85	0.05%	1.32%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.33	0	-29
5Y RON	2.23	0	-29
10Y RON	3.40	0	-25

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.83	0	-31
USD Jan-24	3.13	1	-73

CDS

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

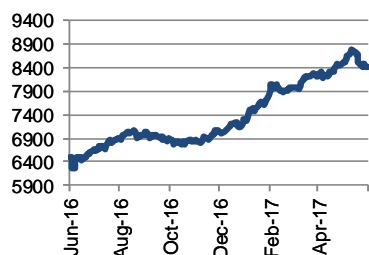
STOCKS

	Last	ΔD	ΔYTD
BET	8425.6	0.16%	18.92%

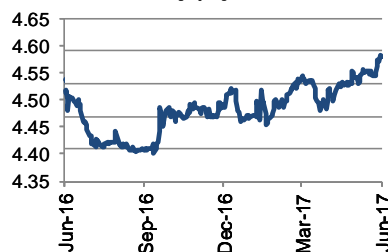
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5915	0.08%	-1.14%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.22	2	-22
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	-0.03	-1	-19
5Y BGN	0.18	-2	-32
10Y BGN	1.59	0	-31

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.47	-7	80
EUR Sep-24	1.22	104	-46

CDS

	Last	ΔDbps	ΔYTD bps
5-year	111	2	-41
10-year	156	0	-38

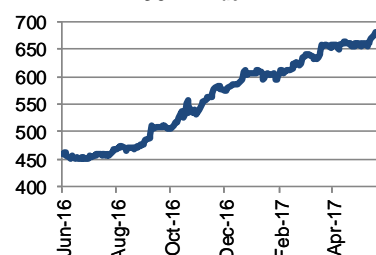
STOCKS

	Last	ΔD	ΔYTD
SOFIX	686.9	0.14%	17.13%

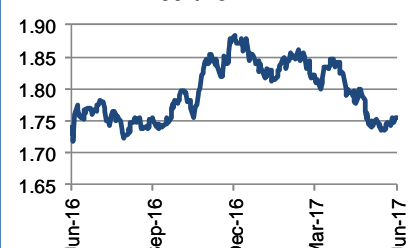
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7551	-0.04%	5.89%

SOFIX Index



USD/BGN



June 20, 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

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