



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, June 27, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jun 26: Durable goods orders (May)
- Jun 27
 - CB consumer confidence (Jun)
 - Fed Chair Yellen speaks
- Jun 28: Pending home sales (May)
- Jun 29
 - GDP (Q1, 3rd estimate)
 - Jobless claims (weekly)
- Jun 30
 - Personal income / spending (May)
 - Core PCE deflator (May)
 - Chicago PMI (Jun)
 - UoM consumer sentiment (f, May)

EUROZONE

- Jun 26: DE: Ifo business climate (Jun)
- Jun 29
 - GfK Consumer confidence (Jul)
 - ESI (Jun)
- Jun 30: HICP (flash, Jun)

GREECE

- Jun 30: Retail sales (Apr)

CYPRUS

- Jun 28: Reunification negotiations resume in Geneva

SEE

BULGARIA

- Jun 28: Gross External Debt (Apr)
- Jun 30
 - PPI Index (May)
 - Budget execution (May)
 - Base Interest Rate (Jul)

ROMANIA

- Jun 26: T-bonds auction
- Jun 27: 1.25% 2021 T-bonds auction
- Jun 30: Unemployment (May)

SERBIA

- Jun 26: Real Gross Wages (May)
- Jun 30
 - Industrial Production (May)
 - Trade Balance (May)
 - Retail Sales (May)

Source: Reuters, Bloomberg,

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: German Bund yields held near recent lows in European trade ahead of a speech by ECB President Mario Draghi at the fourth annual ECB Forum on Central Banking in Portugal (10:00 CET). In FX markets, USD remained under pressure against the majority of its currency peers while GBP was little changed on the day failing to capitalize on news that UK PM Theresa May reached a deal with Northern Ireland's Democratic Unionist Party (DUP) for the formation of a coalition government on a so-called "confidence and supply" basis in return of at least £1bn in extra funding for Northern Ireland. The BoE is scheduled to publish its Financial Stability Report (11:30 CET), followed by a press conference by Governor Mark Carney (12:00 CET). Furthermore, a number of Fed officials are due to speak today including Chair Janet Yellen (19:00CMT).

GREECE: Replying to an MEP on whether the ECB has concluded its own debt sustainability analysis for Greece's public debt and if so, what its main conclusions were, the Central Bank's President Mario Draghi stated that the ECB is not currently in a position to complete a fully-fledged DSA analysis as the level of detail on the debt measures agreed at the June 15th Eurogroup is still insufficient to properly assess both their quantitative effect and the timing of their impact on the dynamics of Greece's public debt under a number of scenarios. The Hellenic Republic Asset Development Fund launched yesterday the tender process for the sale of a 66% stake in the Hellenic Gas Transmission System Operator S.A. (DESPA). According to the final State Budget Execution data for January – May 2017, the budget balance recorded a deficit of ca €1.24 bn, ca €0.0.79 bn narrower relatively to the respective 2017 Budget target (deficit €2.03 bn). The primary balance recorded a surplus of ca €1.84 bn, outperforming the 2017 Budget target (primary surplus €1.05 bn).

SOUTH EASTERN EUROPE

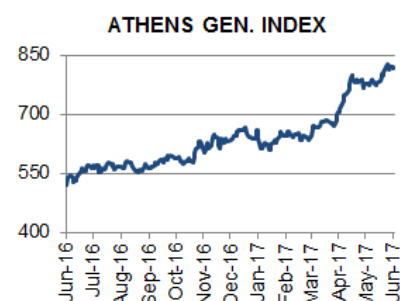
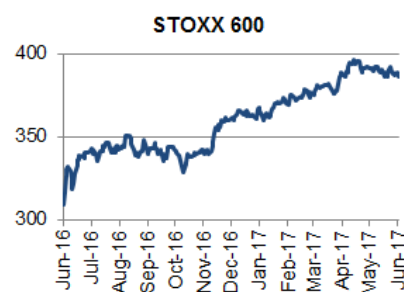
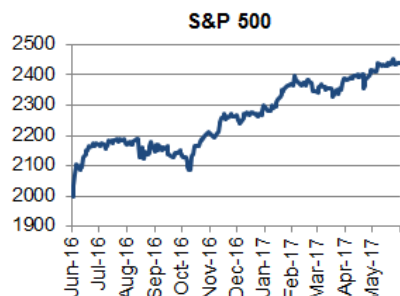
CESEE MARKETS: In FX markets, most CESEE currencies were little changed earlier on Tuesday. However, the Romanian leu outperformed its regional peers after President Klaus Iohannis nominated on Monday outgoing Economy minister Mihai Tudose as Prime Minister designate, adding to optimism that the current domestic political turmoil will be soon resolved.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

German Bund yields held near recent lows in European trade ahead of a speech by ECB President Mario Draghi at the fourth annual ECB Forum on Central Banking in Portugal (10:00 CET). The 30-yr yield was virtually flat hovering around 1.04% in European trade, within distance from a two-month low of 1.02% marked in the prior session on the back of subdued euro area underlying inflation. In a similar note, the 30-yr UST yield was standing close to 2.69% at the time of writing, within sight of a fresh seven-month low of 2.68% recorded in the prior session in reaction to an unexpected drop in May's new orders for US capital goods. Meanwhile, with US core inflation having surprised on the downside over the last couple of months, the majority of market participants share the view that the Fed is likely to pursue a slower pace of further policy normalization than earlier expected. Against this background, the 5-yr US yield was standing close to 1.78%, not too far from a multi-month trough of 1.67% recorded two weeks ago with the 5/30-yr yield spread hovering around 93bps, the narrowest in nearly a decade. A number of Fed officials are due to speak today including Chair Janet Yellen who is expected to adopt a positive tone on the US economic growth outlook supporting the view for higher Fed interest rates in the coming months (19:00CMT). In FX markets, USD remained under pressure against the majority of its currency peers with the DXY index hitting a multi-session low slightly below 97.00 earlier in the day. Elsewhere, GBP was little changed on the day failing to capitalize on news that UK PM Theresa May reached a deal with Northern Ireland's Democratic Unionist Party (DUP) for the formation of a coalition government on a so-called "confidence and supply" basis in return of at least £1bn in extra funding for Northern Ireland. The BoE is scheduled to publish its Financial Stability Report (11:30 CET), followed by a press conference by Governor Mark Carney (12:00 CET).

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GREECE

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June 27, 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

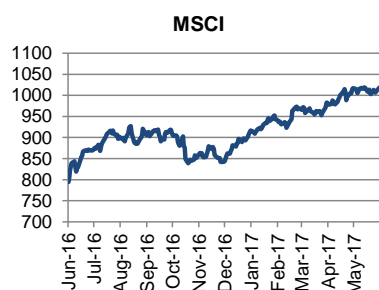
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CESEE MARKETS

In FX markets, most CESEE currencies were little changed earlier on Tuesday. However, the Romanian leu outperformed regional peers after President Klaus Iohannis nominated on Monday outgoing Economy minister Mihai Tudose as Prime Minister designate, adding to optimism that the current domestic political turmoil will be soon resolved. Previous Prime Minister Sorin Grindeanu was ousted last week following the withdrawal of the major coalition partner Social Democratic Party (PSD) party's support and the ensuing successful no confidence motion against his government in Parliament last Wednesday. He was removed from the post just six months into his tenure for allegedly not delivering on the party's pre-election promises. The Prime Minister nominee will reportedly unveil his new cabinet later on the day and has to secure a vote of confidence in Parliament, which is expected to take place on Thursday. The vote is broadly anticipated to pass as the ruling coalition enjoys parliamentary majority.

Recall that following last year's December general elections, Sorin Grindeanu assumed the post of the Prime Minister in the government coalition cabinet formed as a result of the alliance between PSD and its minor partner ALDE, after President Iohannis refused to appoint PSD leader Liviu Dragnea because of his conviction over electoral fraud in a 2012 referendum to impeach the President. The PSD-ALDE coalition cabinet, consisting of 27 ministries, came in office in early January. The coalition controls 174 out of 329 seats in the Chamber of Deputies and 76 out of 136 seats in the Senate. Although a safe parliamentary majority argues in favor of government stability, it does not necessarily mean the end of political noise.

Against this backdrop, the EUR/RON slid to a multi-session low of 4.5600 in European trade today, falling further below from a 4 ½ year peak of 4.5995 hit mid last week amid mounting domestic political jitters. Albeit the leu has benefited from the prospect of a potential resolution in the domestic political landscape, significant appreciation is unlikely longer-term amid lingering fiscal risks. International organizations have already warned the Romanian government, which the latter has downplayed. Already confirming some deterioration in public finances so far this year, the Ministry of Finance announced earlier today that the consolidated budget swung into a deficit of 0.3% of GDP in the first five months of 2017 from a surplus of 0.2% of GDP at the end of April, having widened from a 0.1% of GDP shortfall registered over the same period a year earlier. The government targets a 3.0% of GDP deficit for the whole of the year. However, it is based on rather overly optimistic assumptions, such as a 5.2% real GDP growth estimate.

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June 27, 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	2439.07	0.0%	8.9%	EUR/USD	1.1246	0.6%	6.9%	UST - 10yr	2.14	1	-30	GOLD	1251	0.5%	8.6%
Nikkei 225	20225.09	0.4%	5.8%	GBP/USD	1.2745	0.2%	3.1%	Bund-10yr	0.28	4	7	BRENT CRUDE	46	0.7%	-18.8%
STOXX 600	386.68	-0.6%	7.0%	USD/JPY	111.62	0.2%	4.8%	JGB - 10yr	0.05	-1	0	LMEX	2781	0.0%	4.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.98	0	-2
1-week	3.11	0	-6
1-month	3.32	0	-3
3-month	3.53	0	6
6-month	3.75	0	9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.86	0	-17
5Y RSD	5.25	0	-11
7Y RSD	5.61	0	-2

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.56	0	-77
USD Nov-24	6.30	-2	-11

CDS

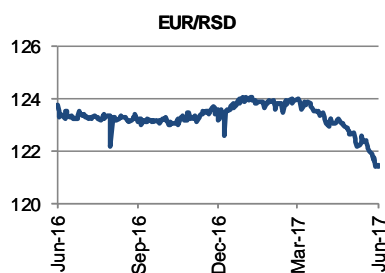
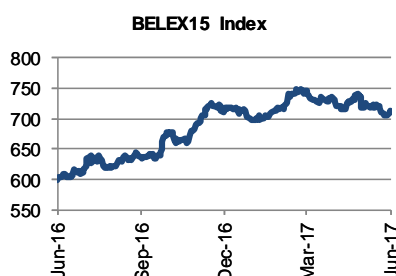
	Last	ΔDbps	ΔYTD bps
5-year	150	-6	-58
10-year	201	-7	-55

STOCKS

	Last	ΔD	ΔYTD
BELEX15	713.5	0.51%	-0.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.41	0.06%	1.69%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.54	0	-2
1-month	0.62	0	-14
3-month	0.84	0	-6
6-month	1.02	-2	-9
12-month	1.19	0	-6

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.29	0	-33
5Y RON	2.18	0	-34
10Y RON	3.29	0	-36

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.81	#N/A	N/A
USD Jan-24	3.12	#N/A	N/A

CDS

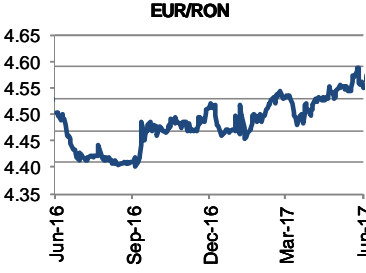
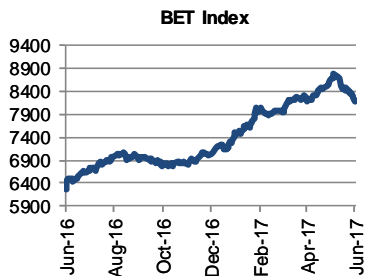
	Last	ΔDbps	ΔYTD bps
5-year	102	0	-7
10-year	147	3	-5

STOCKS

	Last	ΔD	ΔYTD
BET	8170.4	-0.82%	15.32%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5668	0.24%	-0.61%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.23	0	-23
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-3
12-month	0.41	0	1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.03	4	-18
5Y BGN	0.18	3	-33
10Y BGN	1.49	0	-41

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-80.75	227	-8043
EUR Sep-24	1.77	-359	9

CDS

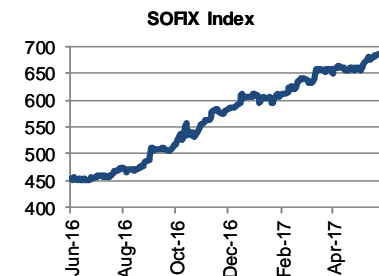
	Last	ΔDbps	ΔYTD bps
5-year	113	0	-39
10-year	163	0	-31

STOCKS

	Last	ΔD	ΔYTD
SOFIX	696.1	0.67%	18.71%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7392	0.58%	6.85%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 12:00 EEST

June 27, 2017

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