



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, June 30, 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: Yields of core government bonds remained in an upward trend in European trade on Friday in response to recent hawkish comments from G10 central bankers suggesting that the Fed is no longer the only G10 Central Bank on a tightening mode. In FX markets, the USD continued to lose ground across the board as the majority of market participants are increasingly doubtful on the extent to which the Fed can push interest rates higher in the coming months. On the data front, focus today is on the flash estimate for the euro area's June headline inflation while in the US, the most interest releases centre on the May personal income and spending report.

GREECE: According to recent press reports, the Greek government fulfilled the three remaining prior actions attached to the release of the first (out of two) disbursement amounting to €7.7bn of the €8.5bn loan tranche approved at the June 15th Eurogroup following the successful completion of the 2nd review. The ESM Board of Directors is expected to convene on July 6th to endorse the supplemental MoU and approve the release of the loan disbursement to Greece that is expected to arrive into State coffers in time for the coverage of July's debt redemptions. In other news, the Economic Sentiment Indicator for Greece improved in June mainly supported by an increase in industrial, services and consumer confidence indices with the latter moving higher for the third month in a row. The headline came in at 94.0 from 93.2 in the prior month and 90.2 in the same month a year earlier.

SOUTH EASTERN EUROPE

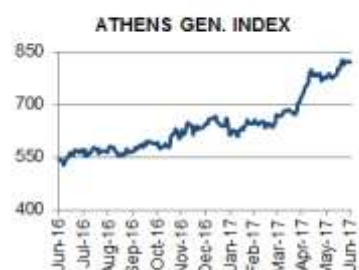
ROMANIA: Even though the Economic Sentiment Index (ESI) softened in June, it still stands very close to the post Lehman Brothers period high.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Yields of core government bonds remained in an upward trend in European trade on Friday in response to recent hawkish comments from G10 central bankers suggesting that the Fed is no longer the only G10 Central Bank on a tightening mode. UK Gilts were among the main underperformers with the 10-yr yield hitting a three-month intraday session peak of 1.29% earlier today before retreating to levels around 1.25% at the time of writing, remaining though well above last week's 1.03% settlement. With the 10-yr Bund yield hovering around 0.44% at the time of writing after marking a three-month peak of 0.475% earlier in the day, the spread against its UK counterpart was standing close to 81.5bps, the widest over the last two months. Meanwhile, the 10-yr US/Bund yield spread was hovering around 185bps, just 3bps wider from Thursday's seven-month closing low. In FX markets, the USD continued to lose ground as the majority of market participants are increasingly doubtful on the extent to which the Fed can push interest rates higher in the coming months. The DXY index hit a fresh year-to-date low of 95.470 earlier today recording cumulative losses of c. 6.5% so far this year failing to capitalize on an upward revision in US Q1 GDP by 0.2ppts to 1.4%saar mainly thanks to firmer consumer spending. Supported by a broadly weaker US currency, higher than expected June inflation data from Germany and Spain and a 1.9pts increase in the European Commission's economic sentiment index for June to a new 10-year high of 111.1, EUR/USD extended recent gains hitting a fresh multi-month high of 1.1445. GBP was also firmer across the board moving above 1.3000 against USD at some point earlier today before retreating modestly to levels around 1.2990 at the time of writing, poised for weekly gains to the tune of c. 2%. UK Prime Minister Theresa May won a crucial vote of confidence in the 650-seat House of Commons on Thursday by 323 to 309, after MPs endorsed the Queen's Speech and effectively approved the creation of a Conservative-led coalition government with Northern Ireland's DUP on "a confidence and supply" basis. On the data front, focus today is on the flash estimate for the euro area's June headline inflation while in the US, the most interest releases centre on the May personal income and spending report.

GREECE

According to recent press reports, the Greek government fulfilled the three remaining prior actions attached to the release of the first (out of two) disbursement amounting to €7.7bn of the €8.5bn loan tranche approved at the June 15th Eurogroup following the successful completion of the 2nd review; (i) extension of the voluntary contribution of the shipping industry; (ii) recalculation and processing of pension claims applied in the period between May and December 2016; and (iii) launch of the tender for the Hellenic Gas Transmission System Operator S.A. (DESFA). In addition to the above, a Supreme Court deputy prosecutor revoked yesterday a previous ruling against three HRADF BoD officials from Spain, Italy and Slovakia who faced charges stemming from a sale-and-leaseback transaction of state-owned buildings. According to the local press, Spain had warned that it would block the release of the loan disbursement unless the Greek State granted immunity to the three European officials. The ESM Board of Directors is expected to convene on July 6th to endorse the supplemental MoU and approve the release of the €7.7bn loan disbursement to Greece that is expected to arrive into State coffers in time for the coverage of July's debt redemptions. As a reminder, out of that disbursement, €6.9bn will be earmarked for debt service payments and the remaining €0.8bn for arrears clearance. In other news, the Economic Sentiment Indicator for Greece improved in June mainly supported by an increase in industrial, services and consumer confidence indices with the latter moving higher for the third month in a row. The headline came in at 94.0 from 93.2 in the prior month and 90.2 in the same month a year earlier.

June 30, 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

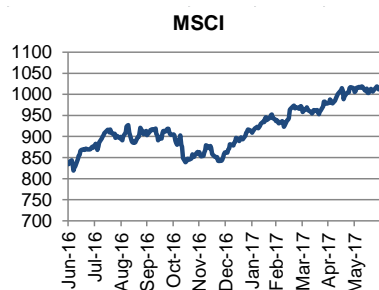
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

ROMANIA

The Economic Sentiment Index (ESI) softened a bit to 105.4 in June down from 105.9 in May. Looking at the breakdown of the survey, a deterioration on the retail and services components, by 5.6 points and 1 point respectively, was the main driver as the modest gains in industrial and consumer sentiment indicators were not enough to fully compensate. Overall, the ESI index stands very close to the post Lehman Brothers period high reading recorded in May. The improvement in the headline index so far in the past twelve months has been driven by strong gains in consumer confidence. The consumer confidence index surged to an all-time high in last March, the highest since the beginning of the series in 2001 and has stayed close to it in the last months. The strong gains in consumer confidence are rooted in the expansionary fiscal policy followed which has resulted in wage growth rallying in double digits-Romania has the highest real wage growth in EU-28- and has spurred optimism to households about their current and future financial situation. From that point of view, the June reading implies that private consumption and subsequently GDP growth are set to remain relatively strong in Q2-2017. Recall that, GDP growth dynamics surprised to the upside in Q1-2017. GDP growth came at +1.7% QoQ/+5.6% YoY in seasonally adjusted terms, +5.7% YoY in unadjusted terms significantly above analysts' consensus expectations. From a demand side point view, private consumption accounted for the bulk of it (4.8ppts).

igkionis@eurobank.gr

June 30, 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	2419.70	-0.9%	8.1%	EUR/USD	1.1394	-0.4%	8.3%	UST - 10yr	2.26	0	-18	GOLD	1244	-0.1%	8.0%
Nikkei 225	20033.43	-0.9%	4.8%	GBP/USD	1.2982	-0.2%	5.1%	Bund-10yr	0.43	-2	23	BRENT CRUDE	48	0.9%	-15.8%
STOXX 600	381.52	0.2%	5.6%	USD/JPY	111.92	0.2%	4.5%	JGB - 10yr	0.09	2	4	LMEX	2853	1.1%	7.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.97	0	-3
1-week	3.11	0	-6
1-month	3.32	0	-3
3-month	3.54	0	7
6-month	3.75	0	9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.86	0	-17
5Y RSD	5.22	0	-14
7Y RSD	5.49	-10	-14

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.92	-2	-41
USD Nov-24	6.34	0	-7

CDS

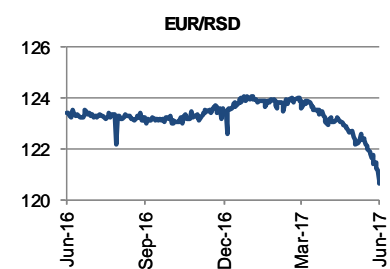
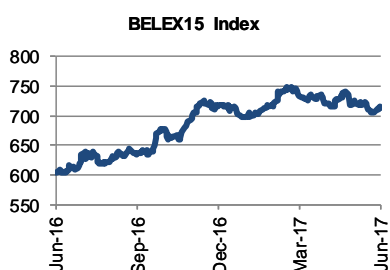
	Last	ΔDbps	ΔYTD bps
5-year	151	0	-57
10-year	201	-1	-55

STOCKS

	Last	ΔD	ΔYTD
BELEX15	713.8	-0.04%	-0.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.58	0.36%	2.39%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.68	9	12
1-month	0.65	2	-11
3-month	0.86	0	-4
6-month	1.04	1	-7
12-month	1.21	1	-4

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.35	2	-27
5Y RON	2.33	4	-19
10Y RON	3.52	6	-13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.90	3	-24
USD Jan-24	3.26	#N/A	N/A

CDS

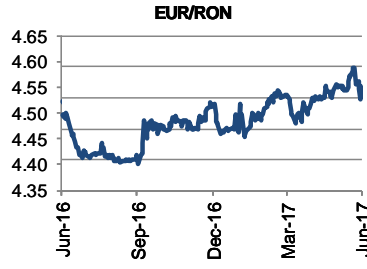
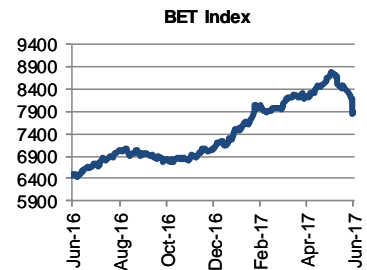
	Last	ΔDbps	ΔYTD bps
5-year	109	1	0
10-year	153	0	1

STOCKS

	Last	ΔD	ΔYTD
BET	7864.6	0.11%	11.00%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5559	0.31%	-0.37%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.27	-4	-27
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-3
12-month	0.42	0	1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	1	-22
5Y BGN	0.18	3	-32
10Y BGN	1.52	0	-38

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-7.50	-3	-722
EUR Sep-24	1.23	0	-45

CDS

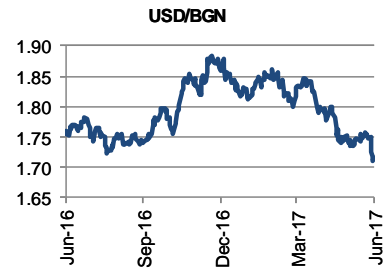
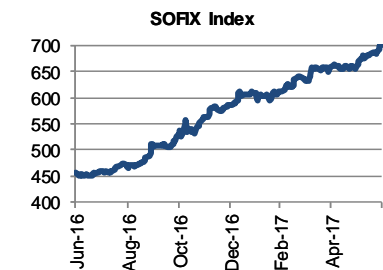
	Last	ΔDbps	ΔYTD bps
5-year	113	2	-39
10-year	163	2	-31

STOCKS

	Last	ΔD	ΔYTD
SOFIX	703.4	0.13%	19.94%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7167	-0.41%	8.25%



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

Data updated as of 12:10 EEST

June 30, 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 Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tsamatiou@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 Stamatiou: Senior Economist
tsamatiou@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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