

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 14: Retail sales (May)
- June 15
 - Empire State Index (May)
 - Industrial production (Apr)
 - FOMC decision
- June 16:
 - CPI (May)
 - Jobless claims (June 11)
 - Philly Fed (Jun)
 - NAHB house index (May)
- June 17: Housing starts/permits (May)

EUROZONE

- June 16: HICP (May, f)
- June 16/17: Eurogroup/Ecofin

GREECE

- June 13: Building activity (Mar)
- Labor Force Survey (Q1 2016)

SEE

BULGARIA

- June 13: CPI (May)
- June 15-19: U/E rate (May)
- June 17: Current account (Apr)

ROMANIA

- June 13
 - Current account (Apr)
 - 3.50% 2022 T-bonds auction
- June 14: IP (Apr)
- June 16: 3.25% 2021 T-bonds auction

SERBIA

- June 13
 - HICP (May)
 - 6% 2019 T-Bonds auction
- June 16: 3Y T-bonds auction
- June 17: Fitch credit rating review

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from the positive tone in the majority of Asian bourses earlier today, major European equity markets were firmer in early trade on Friday after the killing of a British pro-EU lawmaker appeared to have been interpreted by investors as swaying sentiment towards the "Remain" camp. In this context, major global sovereign bond yields moved modestly higher while the JPY retained a firm tone assisted by lingering Brexit jitters and the BoJ's decision this week to refrain from adopting further policy stimulus.

GREECE: As was expected, the Eurogroup approved at its meeting yesterday (Thursday, June 16th), the supplementary MoU and the release of the next loan sub-tranche to Greece amounting to €7.5bn which is expected to arrive in state coffers early next week, ahead of the EU referendum in the UK on June 23rd.

SOUTH EASTERN EUROPE

CESEE MARKETS: Most **emerging markets assets** staged a relief rally earlier on Friday as risk sentiment somewhat improved, paring part of the recent losses suffered in view of mounting investor caution ahead of the UK's EU referendum on June 23rd. The majority of **CESEE stock market and government bonds** also recovered some ground in morning trade today, while regional currencies were little changed on a daily basis remaining near recent lows.

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Latest world economic & market developments

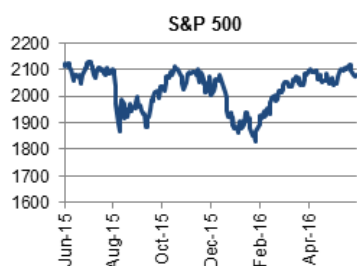
GLOBAL MARKETS

Taking their cue from the positive tone in the majority of Asian bourses earlier today, major European equity markets were firmer in early trade on Friday after the killing of a British pro-EU lawmaker appeared to have been interpreted by investors as swaying sentiment towards the "Remain" camp. In this context, major global sovereign bond yields moved modestly higher remaining though below levels recorded earlier this month. After retesting levels in negative territory on Thursday, the 10-yr Bund yield was trading close to 0.001% in European trade at the time of writing, remaining though below levels around 0.040% marked a week earlier. In FX markets, the JPY retained a firm tone assisted by lingering Brexit jitters ahead of the June 23rd EU referendum in the UK as well as the BoJ's decision at this week's policy meeting to refrain from adopting further policy stimulus in spite of persistently subdued inflation pressures. The USD/JPY was hovering around 104.15/20 at the time of writing, not far from Thursday's intersession trough of 103.60, the lowest in near two-years. Hints over a possible JPY-selling market intervention by the Japanese authorities after Japanese Minister of Finance Taro Aso was quoted saying earlier today that he is deeply concerned about "one-sided, rapid and speculative" currency moves and would respond urgently if necessary, failed to exert a material impact on the JPY. Meanwhile, the less hawkish than expected tone of the FOMC June policy statement issued after the completion of this week's meeting leaves the USD vulnerable short-term. Following a short-lived drop to 1.1130 on Thursday pressured by Brexit jitters, the EUR/USD gained some ground earlier today to stand close to 1.1245/50 at the time of writing. Looking ahead, the EUR/USD is likely to retain a positive tone in the coming sessions and, assuming that the UK remains in the EU, a retest /upward break of 1.1615 recent high (May 3rd peak) cannot be ruled out especially if the US' June non-farm payrolls report (due on July 8th) comes in weaker than expected.

GREECE

As was expected, the Eurogroup approved at its meeting yesterday (Thursday, June 16th), the supplementary MoU which incorporates, among others, the fiscal contingency mechanism which will be activated in case annual general government accounts released by Eurostat in mid-April show a deviation from the agreed primary surplus target of the previous year, in line with the agreement reached between the Greek government and official creditors in the context of the 1st programme review. Eurozone finance ministers also endorsed the release of the next loan sub-tranche to Greece amounting to €7.5bn which is expected to arrive in state coffers early next week, ahead of the EU referendum in the UK on June 23rd. Out of that amount, €5.7bn will be forwarded for covering debt servicing needs including two GGBs that mature on July 20th for a total notional amount of €2.3bn. As per the same sources, the remaining €1.8bn will be deposited in a special so-called "dedicated account" for covering state arrears and will be disbursed in three tranches in June (€500mn), July (€800mn) and in August (€500mn).

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Source: Reuters, Bloomberg, Eurobank Research

June 17, 2016

BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	2.9	3.0
CPI (pa, yoy %)	-1.4	-0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	1.5	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

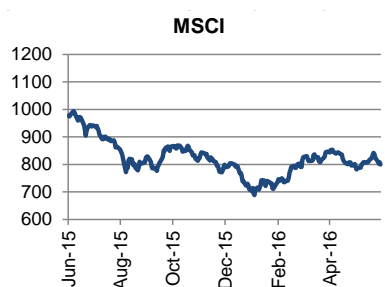
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.25	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

CESEE MARKETS

Most **emerging markets assets** staged a relief rally earlier on Friday as risk sentiment somewhat improved, paring part of the recent losses suffered in view of mounting investor caution ahead of the UK's EU referendum on June 23rd. In the emerging stock markets, the MSCI Emerging Markets index trimmed part of its earlier losses, though was poised to end the week in the red. The majority of **CESEE stock market and government bonds** also recovered some ground earlier on Friday, while regional currencies were little changed on a daily basis remaining near recent lows. Indicatively, Hungary's BUX index led the gains in regional bourses with a 1.5% advance, while Polish government paper broadly outperformed its CESEE peers with the benchmark 10-year bond yield sliding by ca 7bps compared to the prior session's settlement to 3.23% at the time of writing.

In **other news**, the Romanian finance ministry sold at an auction on Thursday the planned RON 500mn (~€110.3mn) worth of 3.25% March 2021 T-bonds. The average accepted yield came in at 2.73%, 5bps higher compared to that achieved at a prior auction of the same paper held a month earlier. The tender's bid to cover ratio came in at 1.48, reflecting rather decent demand. Separately, Serbia's Public Debt Administration sold yesterday €99.88bn of 3-year euro-denominated bonds. The average accepted yield declined to 2.59% from 3.25% at a prior sale of similar maturity paper. The bond, which carries a 2% coupon, matures on June 20, 2019. Meanwhile, the auction's bid to cover ratio came in at 1.72.

Focus today in the region is on industrial production, budget and retail sales May data from Poland, while a sovereign credit rating review by Fitch on Serbia also lures market attention. Despite today's recovery in risk appetite, investor sentiment will likely remain fragile over the coming days as the focus is on the upcoming UK vote, with recent opinion surveys suggesting that the outcome is too close to call. Should the "remain" campaign win, a relief rally in risky assets is likely to follow. The opposite result is likely to lead to a more acute flight to quality.

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June 17, 2016

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	2077.99	0.3%	1.7%	EUR/USD	1.1252	0.2%	3.6%	UST - 10yr	1.61	3	-66	GOLD	1285	0.5%	21.0%
Nikkei 225	15599.66	1.1%	-18.0%	GBP/USD	1.4262	0.4%	-3.2%	Bund-10yr	0.01	3	-62	BRENT CRUDE	48	1.6%	28.6%
STOXX 600	326.73	1.7%	-10.7%	USD/JPY	104.29	0.0%	15.1%	JGB - 10yr	-0.15	4	-42	LMEX	2250	-1.8%	2.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	292	1	-11
1-week	3.02	2	-17
1-month	3.20	2	-31
3-month	3.43	2	-40
6-month	3.64	0	-39

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.35	#N/A	N/A
5Y RSD	5.26	0	13
7Y RSD	5.77	0	-193

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.65	-3	-52
USD Nov-24	6.24	2	-18

CDS

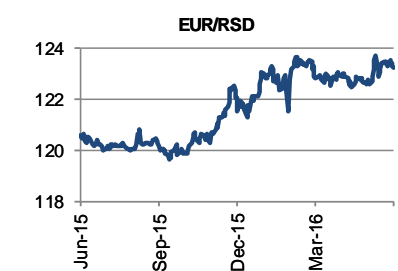
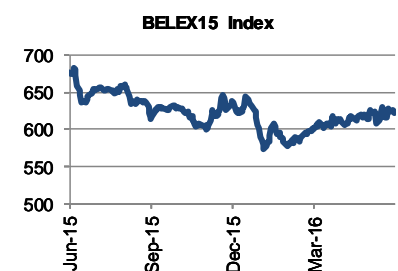
	Last	ΔDbps	ΔYTD bps
5-year	250	0	-25
10-year	294	1	-45

STOCKS

	Last	ΔD	ΔYTD
BELEX15	622.3	0.01%	-3.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.20	0.09%	-1.31%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	1	-13
1-month	0.58	0	-11
3-month	0.76	0	-26
6-month	1.01	-1	-33
12-month	1.18	0	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.80	0	-13
5Y RON	2.71	0	-9
10Y RON	3.58	-1	-20

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.51	0	-6
USD Jan-24	3.43	-5	-35

CDS

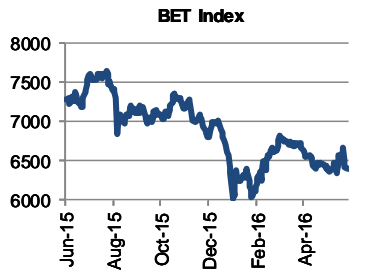
	Last	ΔDbps	ΔYTD bps
5-year	130	0	-3
10-year	172	0	0

STOCKS

	Last	ΔD	ΔYTD
BET	6488.9	0.35%	-7.36%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5341	0.13%	-0.44%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.14	0	-30
3-month	-0.04	0	-30
6-month	0.11	0	-42
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.39	0	-21
5Y BGN	1.12	-2	-15
10Y BGN	2.41	0	-25

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.01	0	-6
EUR Sep-24	2.29	8	-13

CDS

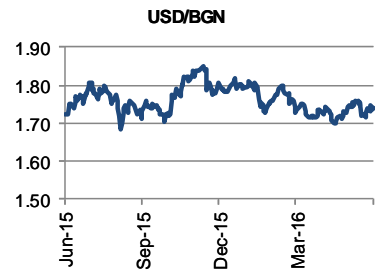
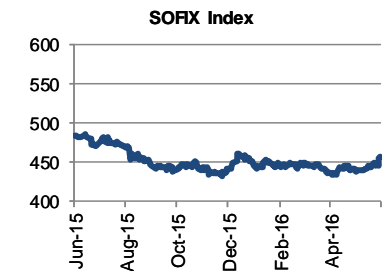
	Last	ΔDbps	ΔYTD bps
5-year	170	0	-2
10-year	219	-7	3

STOCKS

	Last	ΔD	ΔYTD
SOFIX	457.5	0.22%	-0.74%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7383	0.24%	3.57%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:45 EEST

June 17, 2016

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