

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

- June 7-8: G7 Summit

#### US

- June 11
  - Initial jobless claims (June 5)
  - Retail sales (May)
- June 12: UoM consumer sentiment (Jun)

#### GREECE

- June 9: industrial production (Apr)
- June 10
  - T-Bills auction
  - CPI (May)
  - HICP (May)
- June 11: U/E rate (Q1)
- June 12: IMF loan repayment (c. €350m)

#### CYPRUS

- June 9
  - HICP (May)
  - GDP (Q1, f)

#### SEE

##### BULGARIA

- June 8
  - Industrial production (Apr)
  - Retail sales (Apr)
- June 9: Trade balance (Apr)

##### ROMANIA

- June 8
  - Net wages (Apr)
  - 5.95% 2021 T-Bonds auction
- June 10
  - Industrial sales (Apr)
  - Trade balance (Apr)
- June 11: CPI (May)
- June 12: Industrial production (Apr)

##### SERBIA

- June 11: MPC meeting
- June 12: HICP (May)

Source: Reuters, Bloomberg,  
Eurobank Global Markets  
Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Mirroring the negative tone in Wall Street overnight, major Asian bourses ended lower on Tuesday on mounting concerns on the Greek issue after last weekend's meetings in Brussels failed to break the impasse in the current round of talks between the Greek government and the institutions. Market anxiety ahead of the FOMC two-day monetary policy meeting which commences later today, also had an impact. In FX markets, major currency pairs remained range-bound in European trade. Elsewhere, German Bunds were little changed while EMU periphery sovereign debt spreads widened.

**GREECE:** According to the local press, the Euro Working Group convenes via teleconference at 15:00 GMT today ahead of Thursday's Eurogroup meeting. Meanwhile, Greece's Finance Minister Yanis Varoufakis was quoted saying in a German newspaper interview that he is not planning to submit new reform proposals at this week's Eurogroup. Separately, speaking before the European Parliament y-day, ECB President Mario Draghi said that the ELA funding facility will continue to be extended to Greek banks as long as they are "solvent and have sufficient collateral".

**CYPRUS:** The reliance of the Cypriot banking system on Emergency Liquidity Assistance (ELA) funding declined further to €6.4bn at end-May.

### SOUTH EASTERN EUROPE

**ROMANIA:** The current account deficit came at €27 mn in Jan-April2015 down from €326 mn in the same period a year ago

**SERBIA:** HICP inched down, to 1.5%YoY, for the second month running in May, remaining below the lower bound of the Central Bank's (NBS) 4±1.5% target tolerance band for the 15<sup>th</sup> month running.

**BULGARIA:** Consumer prices accelerated to 0.9% yoy in May up from 0.5% yoy in April.

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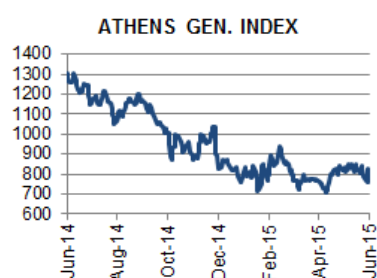
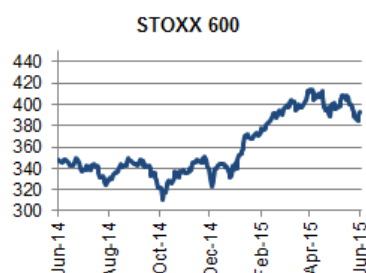
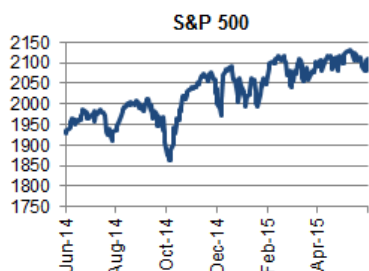
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June 16, 2015

## Latest world economic & market developments

### GLOBAL MARKETS

Mirroring the negative tone in Wall Street overnight, major Asian bourses ended lower on Tuesday on mounting concerns on the Greek issue after last weekend's meetings in Brussels failed to break the impasse in the current round of talks between the Greek government and the institutions. Market anxiety ahead of the FOMC two-day monetary policy meeting which commences later today, also had an impact on market sentiment towards equity markets. The Fed is widely expected to stay put on interest rates while focus will be on the press conference that will follow the conclusion of the meeting for signs of when a Fed rate hike is to be expected. In FX markets, major currency pairs remained range-bound in European trade. Elsewhere, German Bunds were little changed while EMU periphery sovereign debt spreads widened amid concerns about persisting divergence of views between Greece and its official creditors on key issues underlying the current review.



Source: Reuters, Bloomberg, Eurobank Research

### GREECE

According to the local press, **the Euro Working Group** convenes via teleconference at 15:00 GMT today ahead of Thursday's Eurogroup meeting where the Greek issue is likely to be on the agenda after last weekend's meetings in Brussels failed to break the impasse in the current round of talks between the Greek government and the institutions. Meanwhile, **Greece's Finance Minister Yanis Varoufakis** was quoted saying in a German newspaper interview that he is not planning to submit new reform proposals at this week's Eurogroup because this meeting "is not the right place to present proposals which haven't been discussed and negotiated on a lower level before." Yet, Mr. Varoufakis added that the Greek negotiation team is "available at any time" to find a comprehensive solution with its partners and that representatives from the three institutions need to come back to the negotiation table "with a clear, robust mandate". The Greek government denied a German newspaper report suggesting that euro area countries have reached an agreement on an emergency plan to be put in place should Greece and official creditors fail to reach an agreement by the end of this week. As per the same sources, the said plan envisions an extraordinary EU Summit taking place on Friday should Thursday's Eurogroup fail to break the impasse in official discussions. Separately, speaking before the European Parliament y-day, **ECB President Mario Draghi** said that the ELA funding facility will continue to be extended to Greek banks as long as they are "solvent and have sufficient collateral". The ECB President added that, for the Central Bank to consider an increase in the T-bills issue, a key prerequisite is the establishment of "a credible perspective for a successful conclusion of the current review and subsequent implementation". Mr. Draghi also stressed that the decision on whether to conclude Greece's review lies entirely with elected politicians, not central bankers.

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### CYPRUS

The reliance of the Cypriot banking system on Emergency Liquidity Assistance (ELA) funding declined further to €6.4bn at end-May from €6.5bn at end-April down from its record peak at €11.4bn in March 2013, while the regular financing from ECB operations remained unchanged at €996mn.

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June 16, 2015

## Latest world economic & market developments in the CESEE region

### ROMANIA

The current account deficit came at €27 mn in Jan-April down from €326 mn in the same period a year ago driven by the rise of the secondary income surplus (by €456 mn), the increase in the services surplus (by €74 mn) and the decrease of the trade of goods & services surplus (by €107mn). On the financing side, FDI inflows came at €1.16 bn out of which capital investments accounted for €199mn and intra-group loans €965mn. In the first auction after the rejection of the no-confidence vote against the Prime Minister Ponta in the parliament, the Ministry of Finance sold RON 400mn in 4Y bonds at an average yield of 2.78% on Monday, June 15th.

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### SERBIA

HICP inched down for the second month running after hitting a 4-month peak of 1.9%YoY in March. In more detail, the rate of annual increase in the harmonized consumer price index slowed to 1.5%YoY in May from 1.8%YoY in April, remaining below the lower bound of the Central Bank's (NBS) 4±1.5% target tolerance band for the 15<sup>th</sup> month running. All in all, the data indicates a benign inflation environment against a backdrop of low global oil prices and weak domestic demand dynamics. A scale back of initial plans for a hike in electricity costs, initially planned at 15% to come into effect in April and deferred for August for a smaller size of 12%, also bode well for low inflation.

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### BULGARIA

Inflation registered the third positive yearly reading in May since August 2013. Consumer prices accelerated to -0.2%/+0.9% mom/yoy in May up from +0.7%/+0.5% yoy in April, bringing the annual average inflation at -0.5% in the first five months of the year. Food (+1.6% yoy) and regulated prices (+5.6% yoy) had the highest contribution to inflation on a yearly basis. In addition, registered unemployment declined to 10.1% in May compared to 10.7% in April down from 11.2% in the same month a year ago. Finally, Standard & Poor's has confirmed its long- and short-term foreign and local currency rating on Bulgaria at 'BB +/ B' with stable outlook. The stable outlook reflects the balance between persistent risk for the financial sector and the still low general government debt.

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BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	1.8
CPI (pa, yoy %)	0.9	-1.4	-0.5
Budget Balance/GDP*	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.9	0.5
EUR/BGN (eop)	1.9558		
	<b>current</b>	<b>2014</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

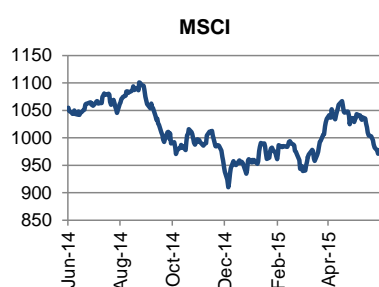
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	0.0
CPI (pa, yoy %)	7.9	2.2	3.0
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.1	-4.7
EUR/RSD (eop)	114.60	120.96	123.00
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	6.00	5.50

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	B3	B+	B-

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



June 16, 2015

**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	2086.36	-0.4%	1.3%	EUR/USD	1.1255	-0.1%	-7.0%	UST - 10yr	2.35	-4	18	GOLD	1189	0.7%	0.4%
Nikkei 225	20387.79	-0.1%	16.8%	GBP/USD	1.5566	0.0%	-0.1%	Bund-10yr	0.83	-1	28	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	383.02	-1.6%	11.8%	USD/JPY	123.42	0.0%	-3.0%	JGB - 10yr	0.51	-1	18	LMEX	2701	0.0%	-7.3%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	454	-8	-537
1-week	4.83	-3	-518
1-month	5.29	-7	-476
3-month	5.82	-5	-403
6-month	6.12	-5	-367

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.22	-1	-282
5Y RSD	8.32	1	-186
7Y RSD	8.76	0	-332

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.75	5	-51
USD Nov-24	6.45	0	-14

**CDS**

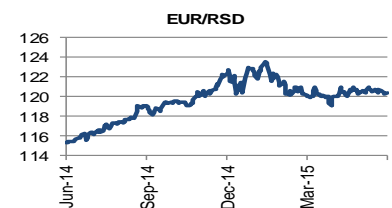
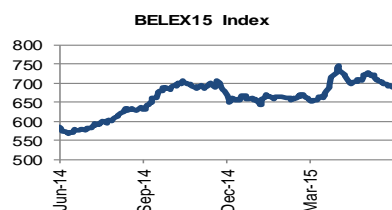
	Last	ΔDbps	ΔYTD bps
5-year	198	0	-92
10-year	247	0	-109

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	689.3	-0.50%	3.33%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	120.41	-0.03%	0.78%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.56	0	-1
1-month	1	1	9
3-month	1.23	-2	-47
6-month	1.48	-4	-53
12-month	1.54	-1	-48

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	2.10	1	-21
5Y RON	2.78	2	7
10Y RON	4.00	7	34

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.85	4	12
USD Aug-23	4.18	16	57

**CDS**

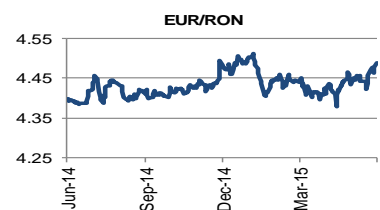
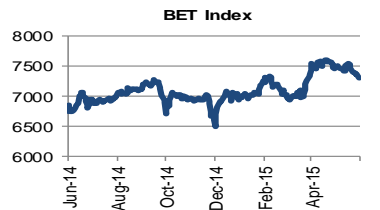
	Last	ΔDbps	ΔYTD bps
5-year	125	11	-18
10-year	168	10	-19

**STOCKS**

	Last	ΔD	ΔYTD
BET	7302.1	-0.90%	3.09%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4898	-0.28%	-0.14%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.18	0	-4
3-month	0.35	0	-8
6-month	0.68	0	-11
12-month	1.26	0	-24

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.51	3	-53
5Y BGN	1.04	13	-41
10Y BGN	2.57	0	-18

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.88	-5	-28
EUR Sep-24	2.97	-52	10

**CDS**

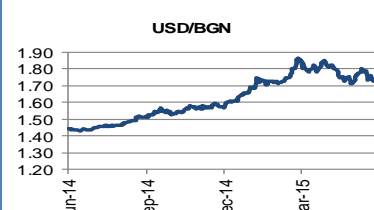
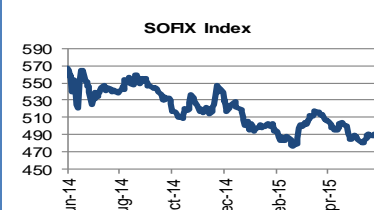
	Last	ΔDbps	ΔYTD bps
5-year	178	3	-12
10-year	230	5	-11

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	488.4	-0.10%	-6.46%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7378	-0.12%	-6.98%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:00 EET

June 16, 2015

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