

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- June 15: G20 Finance and Central Bank deputies meet in Turkey

US

- June 15
 - Empire State Index (Jun)
 - Industrial production (May)
 - NAHB Index (Jun)
- June 16
 - Housing starts (May)
 - Housing permits (May)
- June 17: FOMC announcement
- June 18
 - Initial jobless claims (June 13)
 - CPI (May)
 - Philly Fed (Jun)

EUROZONE

- June 15: ECB's Draghi testifies before the EU Parliament's Committee on Economic and Monetary Affairs
- June 17: HICP (May, final)
- June 18: Eurogroup meeting
- June 19: Ecofin meeting

SEE

BULGARIA

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

ROMANIA

- June 15
 - Current account (Apr)
 - 4.75% 2019 T-bonds auction
- June 18: 4.75% 2025 T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In its two-day monetary policy meeting which concluded y-day, the FOMC decided to stay put on interest rates, as expected. Focus was on the press conference that followed where Chair Janet Yellen adopted a more dovish than expected tone emphasizing that the conditions for justifying monetary policy tightening are not yet in place. Against this background the USD dropped across the board and yields of US government bonds moved lower.

GREECE: The Eurogroup convenes today and while the issue of Greece is likely to be included in the agenda, recent comments by a number of high-level EU officials suggested that the meeting is unlikely to yield any concrete results. In its updated Report on Monetary Policy 2014-2015 submitted to the Speaker of the Greek parliament and the Cabinet y-day, the Bank of Greece (BoG) stressed that "the conclusion of a new agreement with our partners is of the utmost importance to fend off the immediate risks to the economy, reduce uncertainty and ensure a sustainable growth outlook for Greece". In other news, in its weekly non-monetary policy meeting y-day, the ECB renewed its approval to the provision of the ELA facility to Greek banks and increased the funding ceiling by €1.1bn to €84.1bn.

SOUTH EASTERN EUROPE

BULGARIA: Bulgaria's current account deficit narrowed by ca 66%YoY to €99.1mn in April, bringing the corresponding balance over the first four months of the year to a cumulative surplus of €163.8mn.

CESEE MARKETS: Most emerging markets assets remained under pressure yesterday ahead of the conclusion of the FOMC's two-day meeting and in view of lingering concerns over the Greek issue.

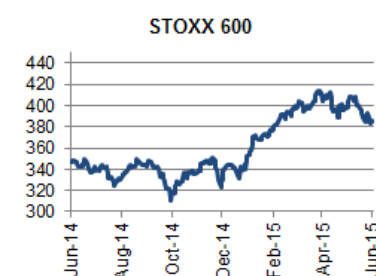
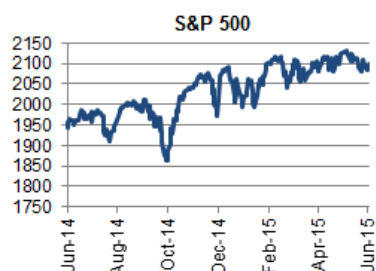
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Latest world economic & market developments

GLOBAL MARKETS

As expected, in its two-day monetary policy meeting which concluded y-day, the FOMC decided to stay put on interest rates. In the accompanying statement, the Fed acknowledged some moderate expansion in economic activity as well as some further diminishing of underutilized labor resources. Focus was on the press conference that followed where Chair Janet Yellen adopted a more dovish than expected tone, emphasizing that the conditions for justifying monetary policy tightening are not yet in place. Along these lines, the Fed's projections for the future path of monetary policy suggested that, while once rate tightening begins, the pace of rate hikes will likely be more gradual than previously expected. The FOMC's updated economic projections were little changed while the only meaningful revision was a downward of the 2015 GDP growth forecast by around 0.6ppt to 1.9% from 2.5% back previously. Against this background the USD dropped across the board with the EUR/USD hitting multi-session highs near 1.1380 earlier today after falling to levels close to 1.1330 at some point y-day. Elsewhere, yields of US government bonds moved lower with the 10-yr bond yield trading close to 2.27% in European trade on Thursday, down from levels near 2.32% in the prior session. On the calendar front, focus today is on US May CPI report for May and the Philly Fed survey for the month of June.



Source: Reuters, Bloomberg, Eurobank Research

GREECE

The Eurogroup convenes today and while the issue of Greece is likely to be included in the agenda, recent comments by a number of high-level EU officials suggested that the meeting is unlikely to yield any concrete results. Along these lines, Greece's Minister of Finance Yanis Varoufakis reportedly said that he does not expect a deal at the June 18 Eurogroup and that only an agreement between the heads of euro area governments could overcome the current impasse. Meanwhile, Euclid Tsakalotos, the head of Greece's negotiating team in discussions with official creditors, reportedly said that, unless an agreement is finally sealed by then opening the door for further official financing, Greece will not be able to meet the lump-sum payment of €1.5bn due on June 30 to the IMF. As per the same sources, Mr. Tsakalotos noted that the Greek government is willing to make concessions for an agreement with creditors if it is "economically viable" but ruled out the prospect of further cuts in pensions. Meanwhile, in its updated Report on Monetary Policy 2014-2015 submitted to the Speaker of the Greek parliament and the Cabinet y-day, the Bank of Greece (BoG) stressed that "the conclusion of a new agreement with our partners is of the utmost importance to fend off the immediate risks to the economy, reduce uncertainty and ensure a sustainable growth outlook for Greece". As per the same report, the BoG warned that "failure to reach an agreement would, on the contrary, mark the beginning of a painful course that would lead initially to a Greek default and ultimately to the country's exit from the euro area and –most likely- from the European Union". In other news, in its weekly non-monetary policy meeting y-day, the ECB renewed its approval to the provision of the ELA facility to Greek banks and increased the funding ceiling by €1.1bn to €84.1bn.

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June 18, 2015

Latest world economic & market developments in the CESEE region

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		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

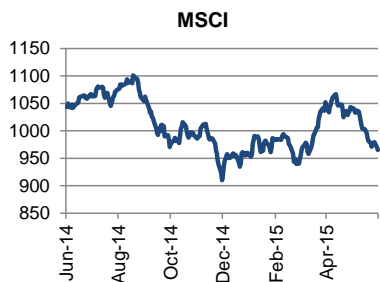
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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
	2014	current	2015f
Policy Rate (eop)	8.00	6.00	5.50

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



L-T ccy	Credit Ratings		
	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

BULGARIA

Bulgaria's current account deficit narrowed by ca 66%YoY to €99.1mn in April, bringing the corresponding balance over the first four months of the year to a cumulative surplus of €163.8mn. As GDP percent, the latter is equivalent to a surplus of 0.4%, which compares with a 1.0% shortfall recorded over the January-April period a year earlier. The aforementioned improvement in the current account balance came primarily on the back of a 15%YoY increase to €7,190mn in the exports of goods. Meanwhile, foreign direct investment in Bulgaria rose to €523.5mn in the first four months of 2015 from €426.6mn over the same period of 2014.

CESEE MARKETS

Most **emerging markets assets** remained under pressure yesterday ahead of the conclusion of the FOMC's two-day meeting and in view of lingering concerns over the Greek issue. In more detail, **CESEE government bonds** and **regional currencies** closed broadly weaker, while **stock markets** ended mixed and **emerging markets external debt** spreads over USTs on the EMBI plus index widened to a 2-month high near 400bps intraday.

Bulgaria's SOFIX index recovered some ground to close ca 0.8% higher on the day, after encountering losses to the tune of 1.9% in the prior session. Meanwhile, bourses in Poland and Serbia led the losses in the region on Wednesday, posting respective declines to the tune of around 1.4% and 1.0%.

In the CESEE FX markets, the Polish zloty closed ca 0.4% weaker against the euro near 4.1585 levels, with a recent government reshuffle having a rather limited impact as it does not anticipated to change much the domestic political landscape. Recall that, in late May incumbent President Bronislaw Komorowski, backed by the ruling Civic Platform party (PO), was unexpectedly defeated by the candidate of main opposition Law and Justice party (PiS), Andrzej Duda, in the country's presidential elections. This development raised stirred concerns over the government's performance in the upcoming general elections in autumn and has weighed on the zloty of late.

Elsewhere, the Serbian dinar closed flat at around 120.50 remaining within its recent trading range of 120-121 per euro. Separately, the Romanian leu remained under pressure on Wednesday, with the EUR/RON ending near 4.4855 and standing within distance from a 5-month high of 4.4930 hit a day earlier. The currency has lost ground since early June on mounting concerns over the Greek issue and escalating domestic political noise in view of a corruption investigation against Prime Minister Victor Ponta. National Bank of Romania governor's comments on Tuesday, suggesting that NBR may refrain from further reducing its key policy rate, appeared to provide little respite to the leu.

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June 18, 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	2100.00	0.2%	2.0%	EUR/USD	1.1246	0.0%	-7.0%	UST - 10yr	2.36	5	19	GOLD	1177	-0.4%	-0.6%
Nikkei 225	20219.27	-0.2%	15.9%	GBP/USD	1.571	0.4%	0.8%	Bund-10yr	0.81	1	27	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	384.66	-0.2%	12.3%	USD/JPY	124.16	-0.6%	-3.6%	JGB - 10yr	0.48	-2	15	LMEX	2635	-1.0%	-9.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	451	-3	-540
1-week	4.74	-9	-527
1-month	5.24	-5	-481
3-month	5.76	-5	-409
6-month	6.03	-8	-376

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.16	0	-292
5Y RSD	8.32	0	-186
7Y RSD	8.76	0	-332

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.74	-4	-52
USD Nov-24	6.47	0	-12

CDS

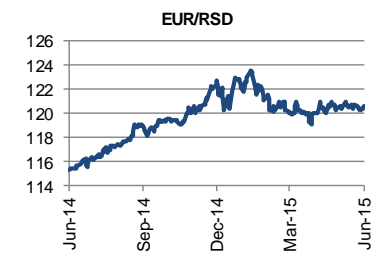
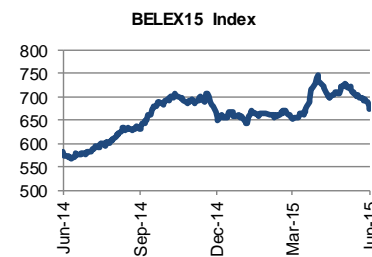
	Last	ΔDbps	ΔYTD bps
5-year	210	12	-80
10-year	260	13	-96

STOCKS

	Last	ΔD	ΔYTD
BELEX15	674.8	-0.95%	1.17%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.63	0.03%	0.60%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.59	2	2
1-month	1	0	9
3-month	1.24	1	-46
6-month	1.49	1	-52
12-month	1.56	0	-46

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.15	1	-16
5Y RON	2.84	1	13
10Y RON	4.21	6	55

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.83	-14	10
USD Aug-23	4.03	-8	41

CDS

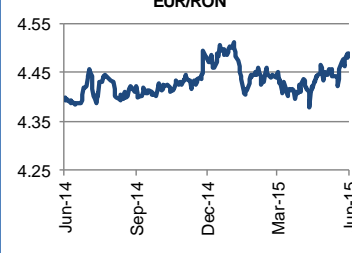
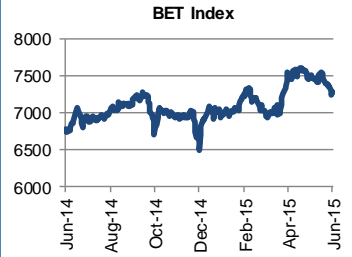
	Last	ΔDbps	ΔYTD bps
5-year	130	2	-13
10-year	172	1	-14

STOCKS

	Last	ΔD	ΔYTD
BET	7275.5	0.54%	2.72%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.489	-0.20%	-0.12%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	-1	-1
1-month	0.18	0	-4
3-month	0.35	0	-8
6-month	0.69	0	-11
12-month	1.26	0	-24

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.55	0	-49
5Y BGN	1.06	-9	-39
10Y BGN	2.57	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.97	-5	-19
EUR Sep-24	3.11	8	24

CDS

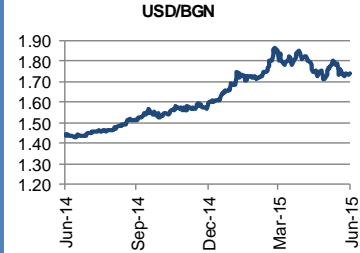
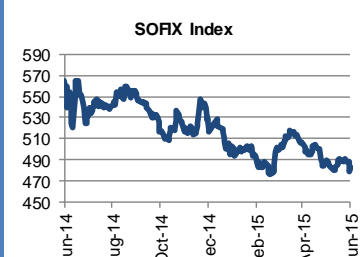
	Last	ΔDbps	ΔYTD bps
5-year	184	2	-7
10-year	235	1	-6

STOCKS

	Last	ΔD	ΔYTD
SOFIX	482.6	0.76%	-7.56%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7396	-0.05%	-7.08%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 18:30 EET of previous session

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