

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jun 5: ISM non-manufacturing (May)
- Jun 8: Initial claims (weekly)

EUROZONE

- Jun 6: PMI services (May, f)
- Jun 7: OECD EA & Economic Outlook
- Jun 8: ECB monetary policy & press conference
- June 11: IT: Local elections

UK

- Jun 8: Early general election

GREECE

- Jun 8: U/E rate (Mar)
- Jun 9
 - Industrial production (Apr)
 - CPI/HICP (May)

SEE

BULGARIA

- Jun 7: GDP (Q1, f)
- Jun 8
 - Industrial production (Apr)
 - Retail sales (Jun)
- Jun 9: Trade balance (Apr)

ROMANIA

- Jun 6
 - Retail sales (Apr)
 - T-bonds auction
- Jun 7: GDP (Q1, p)
- Jun 8: T-bonds auction
- Jun 9
 - Trade balance (Apr)
 - President Iohannis visits US President Trump at White House

SERBIA

- Jun 7: PPI (May)
- June 8: MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity markets opened lower on Tuesday as investors adopt a cautious stance ahead of a string of major events in the remainder of this week. Former FBI director James Comey is scheduled to testify before a Senate Committee on Thursday about an investigation into former National Security Advisor, the ECB Governing Council convenes on the same day and the UK holds snap general elections. Market focus this week also shifts in Italy where parliamentary discussion on a new electoral law is scheduled to start in the lower house today. In FX markets, the USD was under pressure marking a fresh six-week low against the JPY.

GREECE: Speaking about Greece in an interview in German newspaper Handelsblatt, IMF Managing Director Christine stated that the conclusion of the IMF is that debt relief is needed but if European creditors need more time to work on this, the Fund could participate in the programme without contributing funds itself yet. According to the Hellenic Statistical Authority (ELSTAT) the available seasonally adjusted data indicate that in Q1 2017 the Greek economy grew 0.4%QoQ (revised upwards from the -0.1% flash estimate of May 15, 2017) and 0.4%YoY (revised upwards from the -0.5% flash estimate of May 15, 2017).

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities closed higher last week, extending further their gains so far this week. Meanwhile, the belly of the local sovereign debt market yield curve (5-6y) lowered by around 7 bps on a weekly basis, while the Eurobond yield curve also slid lower last week, easing by 5bps for most maturities.

SERBIA: The EUR/RSD extended its downward trajectory last week, despite renewed intervention of the National Bank of Serbia in the FX markets to halt any further appreciation of the local currency.

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Latest world economic & market developments

GLOBAL MARKETS

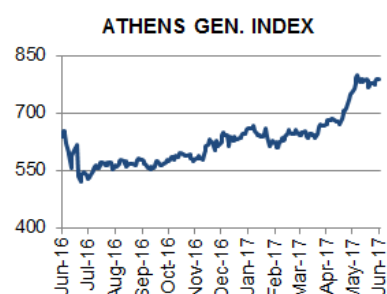
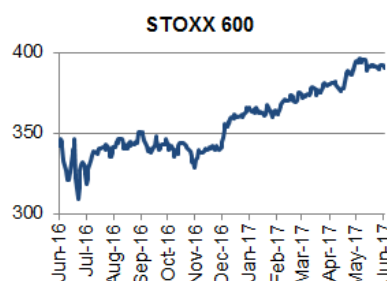
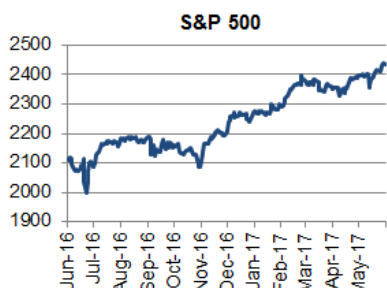
Global equity markets opened lower on Tuesday as investors adopt a cautious stance ahead of a string of major events in the remainder of this week. Former FBI director James Comey is scheduled to testify before a Senate Committee on Thursday about an investigation into former National Security Advisor while the ECB Governing Council convenes on the same day. The Central Bank is expected to revise upward its assessment on the euro area economy adopting overall a less dovish stance compared to that in the prior meeting amid increased optimism over the euro area's growth prospects. However, with respect to the forward guidance, any change is likely to be minimal so as the ECB to prevent an unwarranted tightening of financial conditions. UK general elections are also held on Thursday with recent opinion polls suggesting a majority for the Conservative Party but not quite the landslide victory anticipated when PM Theresa May called general elections back in April. In FX markets, the USD was under pressure marking a fresh six-week low of 109.54 against the JPY earlier today on market cautiousness ahead of the former FBI director's investigation, the weaker-than-expected US non-farm payrolls report for May released late last week and an unexpected drop in the US' ISM non-manufacturing index. Turning to fixed-income safe-havens, German Bunds were little changed on a daily basis while UST yields were slightly lower, expected to continue moving within recent tight ranges ahead of the ECB meeting later this week. Market focus this week also shifts to Italy where parliamentary discussion on a new electoral law is scheduled to start in the lower house today. Italy's Constitutional Affairs Committee reportedly signed off on a new German-style electoral law that was approved by the main political parties, a development that is likely to open the way for early elections in fall.

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GREECE

Speaking about Greece in an interview in German newspaper Handelsblatt, IMF Managing Director Christine stated that the conclusion of the IMF is that debt relief is needed. This does not imply a haircut but significant extensions of maturity and deferral of interest payments, which may be delivered after the end of the programme but need to be clearly articulated now in order to restore credibility for the markets and investors. The IMF Head added, however, that if European creditors need more time to work on this, the Fund could participate in the programme "to help catalyze funding and debt relief from other creditors" without contributing funds itself yet. In any case, conditional on a positive compliance report with regard to the 2nd review pending items, the IMF's participation in the programme will allow European partners to approve at the June 15th Eurogroup the next loan disbursement for Greece, which is reportedly estimated at €7-10 billion. In other news, according to the Hellenic Statistical Authority (ELSTAT) the available seasonally adjusted data indicate that in Q1 2017 the Greek economy grew 0.4%QoQ (revised upwards from the -0.1% flash estimate of May 15, 2017) and 0.4%YoY (revised upwards from the -0.5% flash estimate of May 15, 2017).

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Source: Reuters, Bloomberg, Eurobank Research

June 6, 2017

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

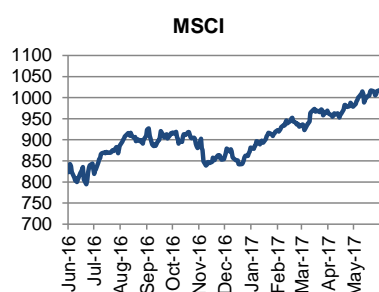
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Latest economic & market developments in the CESEE region

BULGARIA

Bulgarian equities closed higher last week, extending further their gains so far this week. Against this backdrop, the main, blue-chip, SOFIX index stretched its recent winning streak to end in the black over the last three weeks. The index gained 1.66% last week and advanced by an additional 1.00% so far this week reaching earlier today its highest level since October 2008 around 678 points. Last week's turnover was at its highest in two months (€5.5mn), boosted by Sopharma AD and Doverie United Holding AD. Meanwhile, there was some price adjustment on the local sovereign market with the belly of the yield curve (5-6y) lowering by around 7 bps. The next treasury auction is set on June 19th, when MinFin plans to re-tap the 4-year issue for BGN 50 mn. The Eurobond yield curve also slid lower last week, easing by 5bps for most maturities.

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CESEE MARKETS

The EUR/RSD extended its downward trajectory last week, despite renewed intervention of the National Bank of Serbia (NBS) in the FX markets to halt any further appreciation of the local currency. The pair closed on Friday at 122.20/40, having hit a new one-year low of 122.15/35 intraday earlier in the week, before the NBS bought around EUR30mn in the FX market, and opened at 122.65/85 last week. Including Friday's intervention, NBS has bought a total of EUR 135 million since May 22nd, just to prevent excessive daily fluctuations of foreign exchange. Separately, according to the press release of the Statistical Office of Serbia published on Thursday, real GDP growth in the first quarter of 2017, compared to the corresponding period of the previous year, rose by 1.2%. Observed by activities, in the first quarter of 2017, compared to the same quarter of the previous year, significant real growth in the gross value added was recorded in the sector of financial and insurance activities – 4.5%; section of wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage and accommodation and food service activities – 2.8%, and the section of industry; water supply, sewerage, waste management and remediation, – 1.3%. A drop in the gross value added was recorded in the section of construction – 5.1%.

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June 6, 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	2436.10	-0.1%	8.8%	EUR/USD	1.1248	-0.1%	6.9%	UST - 10yr	2.16	-2	-29	GOLD	1289	0.8%	11.9%
Nikkei 225	19979.90	-0.9%	4.5%	GBP/USD	1.2933	0.2%	4.7%	Bund-10yr	0.27	-1	7	BRENT CRUDE	49	-0.3%	-13.2%
STOXX 600	390.97	-0.3%	8.2%	USD/JPY	109.63	0.7%	6.7%	JGB - 10yr	0.05	-1	0	LMEX	2719	-1.0%	2.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	0	2
1-week	3.18	2	1
1-month	3.36	1	1
3-month	3.54	1	7
6-month	3.72	1	6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.89	0	-14
5Y RSD	5.27	0	-9
7Y RSD	5.65	2	2

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.74	6	-58
USD Nov-24	6.32	0	-9

CDS

	Last	ΔDbps	ΔYTD bps
5-year	168	0	-39
10-year	221	0	-35

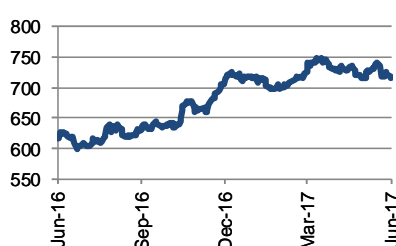
STOCKS

	Last	ΔD	ΔYTD
BELEX15	714.9	-0.36%	-0.35%

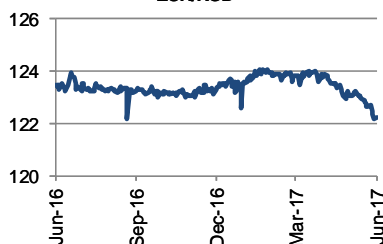
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.20	0.04%	1.03%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.53	#VALUE!	-3
1-month	0.65	#VALUE!	-11
3-month	0.86	#VALUE!	-4
6-month	1.06	#VALUE!	-5
12-month	1.24	#VALUE!	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.36	-1	-26
5Y RON	2.22	0	-30
10Y RON	3.34	0	-31

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.92	#N/A N/A	-22
USD Jan-24	3.27	2	-59

CDS

	Last	ΔDbps	ΔYTD bps
5-year	104	1	-5
10-year	149	0	-3

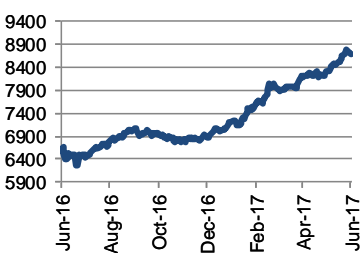
STOCKS

	Last	ΔD	ΔYTD
BET	8675.2	-1.07%	22.44%

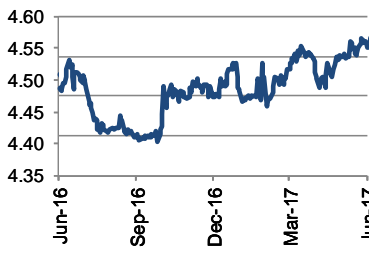
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5603	0.20%	-0.47%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.27	13	-27
1-month	-0.16	0	0
3-month	-0.08	1	-1
6-month	0.04	0	-4
12-month	0.42	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.02	0	-18
5Y BGN	0.22	-2	-29
10Y BGN	1.56	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.57	1	-125
EUR Sep-24	1.31	-14	-37

CDS

	Last	ΔDbps	ΔYTD bps
5-year	113	3	-39
10-year	165	0	-29

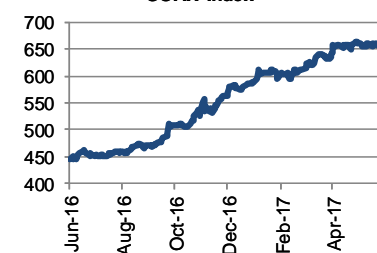
STOCKS

	Last	ΔD	ΔYTD
SOFIX	677.6	0.56%	15.54%

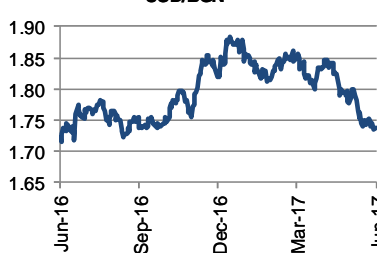
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7388	-0.05%	6.88%

SOFIX Index



USD/BGN



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

Data updated as of 10:50 EEST

June 6, 2017

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