

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, June 08, 2017

### 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:** The UK holds snap elections today with markets appearing to be pricing in a significant probability of a strong Conservative majority, a development that could potentially provide PM Theresa May with a stronger hand and higher flexibility in upcoming Brexit negotiations. On the flipside, a slim Conservative majority or a hung parliament would likely prompt increased political uncertainty. Polling stations will be open between 7 am and 10 pm. Exit polls will begin to be published from 10 pm while the first official results can be expected around 1 am. Ahead of the UK vote results, the ECB Governing Council convenes with investors expected to pay particular attention on any changes in its economic assessment and policy guidance amid improved growth prospects for the euro area.

**GREECE:** According to press reports, the Greek government is expected to submit today or tomorrow to Parliament another multi-bill containing the remaining items attached to the 2<sup>nd</sup> review that need to be legislated ahead of the June 15<sup>th</sup> Eurogroup. Speaking at a conference yesterday, Greek PM Alexis Tsipras reiterated his claim for a decision that will definitively resolve the Greek issue at the June 15<sup>th</sup> Eurogroup and called official creditors on to do what they can and what they ought to do.

### SOUTH EASTERN EUROPE

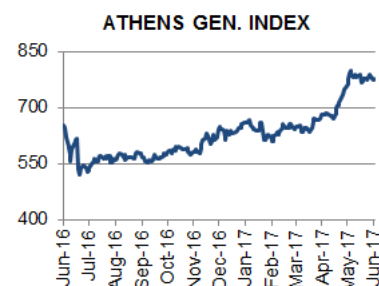
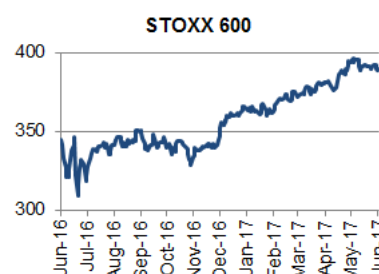
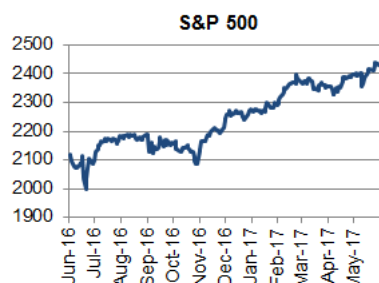
**CESEE MARKETS:** Emerging market assets remained mostly range-bound earlier on Thursday as caution prevailed ahead of today's ECB meeting, former FBI director James Comey's congressional testimony and the UK general elections.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The UK holds snap elections today with markets appearing to be pricing in a significant probability of a strong Conservative majority, a development that could potentially provide PM Theresa May with a stronger hand and higher flexibility in upcoming Brexit negotiations. On the flipside, a slim Conservative majority would likely prompt increased political uncertainty amid concerns that the PM could face a leadership challenge. We may also see increased political uncertainty in case today's general election yields a hung parliament amid concerns that any post-election coalition government may fail to make it through the full five-year term. Furthermore, such a development could also entail the need for redefinition of the UK government's Brexit negotiating strategy as the major opposition parties' approach to Brexit is different from that of the Conservative Party. Polling stations will be open between 7 am and 10 pm. Exit polls will begin to be published after 10 pm while the first official results can be expected around 1 am. Meanwhile, GBP retained a firm tone in European trade hovering around today's two-week intraday high of 1.2976 against the USD while EUR/GBP extended recent losses recording a multi-session low of 0.8668. A Conservative victory with a wider majority well above 17 seats currently, would likely benefit GBP with GBP/USD moving above 1.3000 and EUR/GBP breaking below 0.8600 towards 0.8550 or lower. On the flipside, a slim Conservative majority or a hung parliament could increase political uncertainty exerting a negative impact on GBP. Ahead of the UK vote results, the ECB Governing Council convenes today with investors expected to pay attention to any changes in its economic assessment and policy guidance amid improved growth prospects for the euro area. A policy announcement is due at 11:45 GMT followed by President Mario Draghi's press conference at 12:30 GMT.

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### GREECE

According to press reports, the Greek government is expected to submit today or tomorrow to Parliament another multi-bill containing the remaining items that need to be legislated ahead of the June 15<sup>th</sup> Eurogroup. Among others the Greek government will reportedly have to extend the freezing of pensions for one more year, i.e. up to 2022 in order to achieve savings of c. €90mn and reach the 3.5% of GDP primary surplus target in 2022. The Euroworking Group is scheduled to convene later today to assess the progress made in completing the prior actions attached to the 2<sup>nd</sup> programme review. Meanwhile, speaking at a conference yesterday, Greek PM Alexis Tsipras reiterated his claim for a decision that will definitively resolve the Greek issue at the June 15<sup>th</sup> Eurogroup and called official creditors on to do what they can and what they ought to do. He also emphasized the importance of placing growth in the priorities' agenda for Greece as there is now an opportunity for new wealth and new jobs to be created for the country. A solution for Greece at the upcoming Eurogroup was also reportedly in the agenda of the meetings between French FinMin Bruno Le Maire with his German and Italian counterparts yesterday.

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June 8, 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

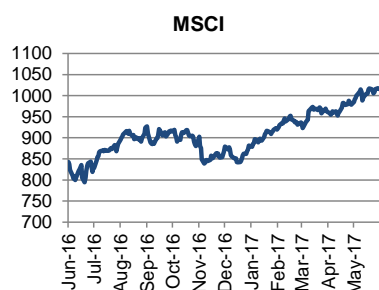
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### CESEE MARKETS

Emerging market assets remained mostly range-bound earlier on Thursday as caution prevailed ahead of today's ECB meeting, former FBI director James Comey's congressional testimony and the UK general elections. Against this backdrop, the MSCI Emerging Markets index stood in a modestly positive territory earlier in the session, snapping a 2-day losing streak and standing just off a 2-year peak hit earlier in the week. In the CESEE space, Hungary's main BUX index led the winners' pack with a 0.8% daily advance. On the flipside, Serbia's BELEX15 underperformed its regional peers registering a 1% decline.

In FX markets, the Polish zloty hit a 3-week trough at 4.2120 in late Asian trade, approaching the key psychological 4.20 level, as dovish comments upon the conclusion of the MPC meeting yesterday had a negative impact on the currency. As was broadly anticipated the Central Bank stood pat on its monetary policy holding its key policy rate at the record low level of 1.50% for the 27<sup>th</sup> consecutive month. In the press conference that followed the conclusion of the MPC meeting yesterday, NBP Governor Adam Glapinski reiterated that interest rates would likely remain at their current record low levels until the end of 2018 as inflation is anticipated to stabilise, adding that the Central Bank was not concerned about the recent strengthening of the zloty. It is worth noting that despite some weakening over the last few sessions, the currency remains not too far from a 9-month high near 4.16 hit in May.

Separately, the Hungarian forint lost some ground after May's headline CPI eased marginally coming in at 2.1%YoY, in line with a market median forecast, from 2.2%YoY in the prior month. Along these lines, the EUR/HUF rose modestly compared to Wednesday's settlement to trade around 308.25 in European markets, though standing below yesterday's multi-session peak near 308.90. Elsewhere, the Turkish lira remained under pressure amid escalating geopolitical jitters in the Middle East. News that Turkey's parliament approved on Wednesday a draft bill to deploy troops to a Turkish military base in Qatar continued to weigh on the Turkish currency. In this context, the USD/TRY traded around 3.5440 in European markets, standing just off a 1 1/2-week peak near 3.5580 hit on Wednesday and 1.5% higher from a 6-month low reached early this week.

In the external debt markets, the Turkish Treasury said on Thursday that it raised €1bn via the sale of a benchmark 8-year EUR-denominated bond, as part of its external borrowing programme for 2017. The issue matures on June 14, 2025, bears an annual coupon of 3.25% and the yield stood at 3.377%. The auction was 2.5 times oversubscribed, reflecting strong investor demand.

Today's global major events will likely set the tone for emerging market assets over the coming days. In the region, focus centres on the MPC meeting in Serbia, where the Central Bank is anticipated to stay put on its monetary policy and hold the key policy rate at the current 4.00% record low level. For the remainder of the week the CESEE calendar is very light, with government bond auctions in Poland drawing market attention tomorrow.

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June 8, 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	2433.14	0.2%	8.7%	EUR/USD	1.1258	0.0%	7.0%	UST - 10yr	2.19	2	-26	GOLD	1286	-0.1%	11.6%
Nikkei 225	19909.26	-0.4%	4.2%	GBP/USD	1.2974	0.1%	5.0%	Bund-10yr	0.28	1	7	BRENT CRUDE	48	0.8%	-14.8%
STOXX 600	389.50	0.1%	7.8%	USD/JPY	109.8	0.0%	6.6%	JGB - 10yr	0.07	2	2	LMEX	2703	-0.1%	1.6%

**CESEE MARKETS**

**SERBIA**

**Money Market**

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

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.90	0	-14
5Y RSD	5.26	-1	-10
7Y RSD	5.63	0	0

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.71	-6	-62
USD Nov-24	6.31	1	-10

**CDS**

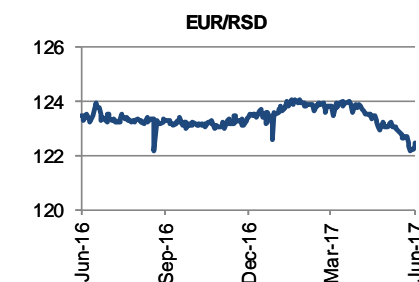
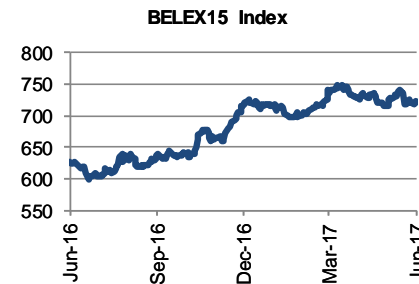
	Last	ΔDbps	ΔYTD bps
5-year	169	3	-39
10-year	223	3	-32

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	719.1	-0.48%	0.24%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	122.43	-0.07%	0.84%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	0	-7
1-month	0.6	-1	-16
3-month	0.84	-1	-6
6-month	1.01	-2	-10
12-month	1.2	-3	-5

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.37	0	-25
5Y RON	2.25	2	-27
10Y RON	3.40	2	-25

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.82	-5	-31
USD Jan-24	3.14	0	-72

**CDS**

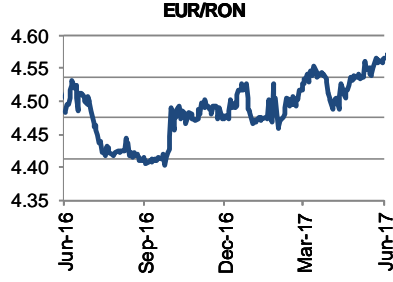
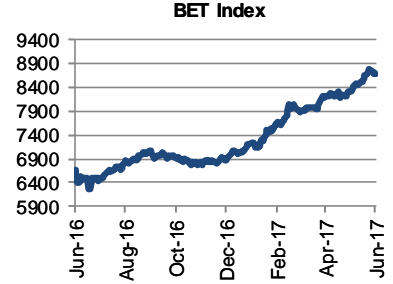
	Last	ΔDbps	ΔYTD bps
5-year	102	-2	-7
10-year	152	3	0

**STOCKS**

	Last	ΔD	ΔYTD
BET	8671.8	-0.17%	22.40%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5719	-0.02%	-0.72%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.24	4	-24
1-month	-0.16	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-4
12-month	0.42	0	1

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.03	-1	-18
5Y BGN	0.21	0	-30
10Y BGN	1.57	0	-34

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-2.60	1	-227
EUR Sep-24	1.24	19	-44

**CDS**

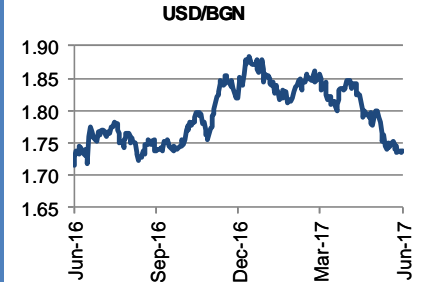
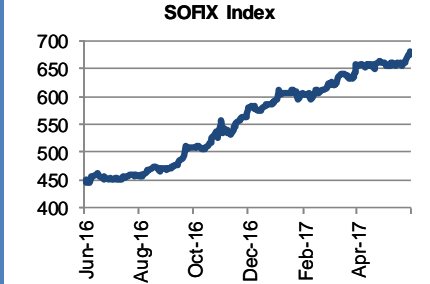
	Last	ΔDbps	ΔYTD bps
5-year	110	-3	-42
10-year	167	2	-27

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	674.7	-0.93%	15.06%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7375	0.01%	6.96%



June 8, 2017

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