

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, June 01, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- May 30:
  - Personal income (Apr)
  - Core PCE (Apr)
  - Case-Shiller index (Mar)
  - Conf. Board Cons. Sent. (May)
- May 31:
  - Chicago PMI (May)
  - Pending home sales (Apr)
- June 1:
  - ADP employment (May)
  - Initial claims (weekly)
  - ISM manufacturing (May)
  - Auto sales (May)
- June 2:
  - Empl report (May)
  - Trade balance (Apr)

#### EUROZONE

- May 29:M3 (Apr)
- May 30:Econ Sent Ind (May)
- May 31:
  - HICP (May)
  - Unempl rate (Apr)
- June 1:PMI manuf (May,f)

#### GREECE

- May 30: PPI (Apr)
- May 31: Retail sales (Mar)
- June 1: PMI manufacturing (May)
- June 2: GDP ( Q1, prov. est.)

#### SEE

#### BULGARIA

- May 30: PPI (Apr)
- May 31:
  - Budget balance (Apr)
  - Base interest rate (Jun)
- June 2: Fitch & S&P sovereign rating review

#### ROMANIA

- May 31: Unemployment (Apr)
- June 2:
  - Retail sales (Apr)
  - PPI (Apr)
  - Intern. reserves (May)

#### SERBIA

- May 31
  - Trade balance (Apr)
  - Retail sales (Apr)
- Jun 1
  - GDP (NSA, Q1)
  - IP (Apr)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** GBP remained under pressure in European trade on Thursday amid market concerns that UK PM Theresa May's Conservative party may reduce its 17-seat working majority in the 650-seat British parliament at the upcoming June 8th snap election and will likely fall short of the 326 seats needed to form a single party government tasked with the complicated Brexit talks due to start in mid-June. Elsewhere, the EUR/USD retained a firm tone for the second consecutive session favored by weaker-than-expected US housing related data which added to the view that the Fed may not rush to deliver an additional rate hike soon after the June monetary policy meeting, where the likelihood of a 25bps increase is currently priced-in with a probability of around 90%. In reaction to euro area inflation data which supported the view that no significant changes to the ECB's forward guidance should be expected at next week's monetary policy meeting, the 10-yr Bund yield dropped to a two-month intraday low on Wednesday before edging up in the following day on supply jitters.

**GREECE:** Speaking at a conference yesterday, ECB Executive Board Member Benoit Coeure said that if at the June 15<sup>th</sup> Eurogroup the debt relief measures for Greece were sufficiently clarified, this would allow the ECB to consider including Greek bonds in its QE programme. Speaking at the General Assembly of the Hellenic Federation of Enterprises (SEV) in Athens yesterday, Greek PM Alexis Tsipras reiterated his position that Greece will accept a solution that guarantees the country's return to the financial markets in a sustainable manner. The 20-year extension (2026 – 2046) of the concession of the airport of Spata to the Athens International Airport S.A. (AIA S.A.) was sealed yesterday with the Hellenic Republic Asset Development Fund (HRADF) accepting the improved offer of €600 billion made by the concessionaire. According to the Hellenic Statistical Authority (ESLAT), the overall volume index in retail trade in March 2017 recorded a decrease of 1.0%YoY.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets gained ground earlier on Thursday following upbeat PMI data in emerging Europe. Meanwhile, most currencies in the CESEE space were weaker as the USD regained some composure, while government bonds mostly retreated in early European trade on Thursday.

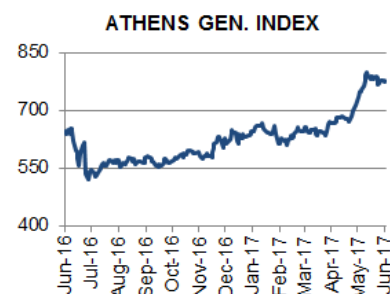
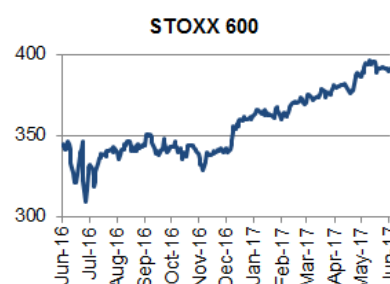
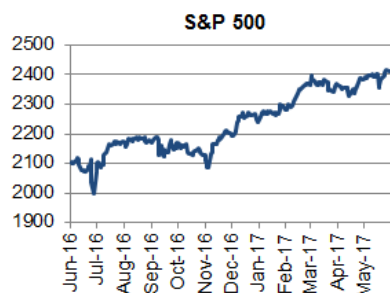
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June 1, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

GBP remained under pressure in European trade on Thursday amid market concerns that UK PM Theresa May's Conservative party may reduce its 17-seat working majority in the 650-seat British parliament at the upcoming June 8th snap election and will likely fall short of the 326 seats needed to form a single party government tasked with the complicated Brexit talks due to start in mid-June. The majority of opinion polls carried out since the May 22 Manchester terror suicide attack have shown that the Conservative Party's lead over the Labour Party has narrowed significantly from 20% on average when snap UK elections were called. GBP/USD was hovering around 1.2865/70 at the time of writing, not much changed on a daily basis and not too far from a six-week intraday low of 1.2767 marked at some point in the prior session. Elsewhere, EUR/USD retained a firm tone for the second consecutive session favored by US pending home sales for May which fell by 1.3%, the second consecutive monthly decline. In other news, according to preliminary data, euro area inflation fell to a lower than expected 1.4%YoY in May from 1.9%YoY in April and core fell to 0.9%YoY from 1.2%YoY as the calendar effect (dating of Easter) drops out of the equation. In reaction to Wednesday's euro area data which supported the view that no significant changes to the ECB's forward guidance should be expected at next week's monetary policy meeting, the 10-yr Bund yield dropped below 0.29% at some time in the prior session for the first time in the last two months before edging up to levels close to 0.31% in European trade at the time of writing on supply jitters as France and Spain are expected to auction nearly €14bn of debt today.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

Speaking at a conference yesterday, ECB Executive Board Member Benoit Coeure said that if at the June 15<sup>th</sup> Eurogroup the debt relief measures for Greece were sufficiently clarified, this would allow the ECB to consider including Greek bonds in its QE programme. At the same venue, German FinMin Wolfgang Schaeuble reportedly claimed that the best way for Greece to get back on its feet is the implementation of reforms adding that the country still has many hurdles to overcome before returning to the financial markets and that the improvement of the situation in Greece is in the interest of everyone. Meanwhile, speaking at the General Assembly of the Hellenic Federation of Enterprises (SEV) in Athens yesterday, Greek PM Alexis Tsipras reiterated his position that Greece will accept a solution that guarantees the country's return to the financial markets in a sustainable manner. At the same venue ESM Chief Economist Rolf Strauch reportedly argued that it is programme ownership that will put Greece on a stronger footing and added that the ESM will continue to look at the debt burden because sustainable financing conditions are needed for Greece to regain investor confidence. In other news, the 20-year extension (2026 – 2046) of the concession of the airport of Spata to the Athens International Airport S.A. (AIA S.A.) was sealed yesterday with the Hellenic Republic Asset Development Fund (HRADF) accepting the improved offer of €600 billion made by the concessionaire. On top of that the concessionaire will pay an annual fee of 15% of its EBITDA. The deal is expected to be concluded in October upon its approval by the Court of Auditors, the EC Directorate-General for Competition and the Hellenic Parliament. On the economic data front, according to the Hellenic Statistical Authority (ESLTAT), the overall volume index in retail trade in March 2017 recorded a decrease of 1.0%YoY. The decrease was due to a change of -4.9% in automotive fuel and -3.2% in supermarkets, which were partly counterbalanced by an improvement of +1.5% in pharmaceutical products and cosmetics, +6.0% in books, stationary and other goods, and +9.9% in furniture, electrical and household equipment. On a monthly basis, the seasonally adjusted overall volume index in retail trade in March 2017 fell -3.7%.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

June 1, 2017

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Emerging market assets gained ground earlier on Thursday following upbeat PMI data in emerging Europe. Following three consecutive sessions in the red, the MSCI Emerging Markets index stood modestly higher at the time of writing compared to yesterday's close, approaching anew a 2-year peak hit earlier in the week. In a similar vein, CESEE stock markets opened mostly firmer, favored by positive macroeconomic data released in the region this morning.

Vindicating market expectations, PMI readings from Hungary, Poland and Turkey remained above the 50-threshold confirming solid expansion in the manufacturing sector of countries in the region. In more detail, Hungary's seasonally-adjusted Purchasing Managers' Index spiked to its highest level on record of 62.1 in May, from an upwardly revised 56.2 print (vs. 55.9 initially reported) in the prior month and well above a market consensus of 56.6. According to the Istanbul Chamber of Industry and IHS Markit, manufacturing activity in Turkey gained momentum with the PMI index rising to 53.5 in May from April's 51.7 and confounding market expectations for a deterioration to 51.4, marking its strongest improvement since December 2013 and bouncing further above the 50-point that separates expansion from contraction. Meanwhile, the corresponding index in Poland fell to a 6-month low of 52.7 last month from 54.1 in April and coming in below a 54.5 market forecast. However, it remained above the historical average and the 50-mark indicating slowing but ongoing expansion in the domestic manufacturing sector.

Elsewhere, most currencies in the CESEE space were weaker as the USD regained some composure, while government bonds mostly retreated in early European trade on Thursday. In FX markets, the Hungarian forint outperformed after PMI manufacturing data showed record high expansion in the sector. Along these lines, the EUR/HUF was hovering around levels of 307.55 at the time of writing, just off a session low near 307.10 hit shortly after the data release and not too far from last week's 6-month low of 306.44.

Looking into the remainder of the day, final Q1 GDP in Serbia takes centre stage. Recall that the flash reading released in early May showed that real economic activity grew by 1.0% in comparison to the corresponding period of the previous year. The Q1 2017 data marks a significant slowdown from growth of 3.9%YoY in Q1 2016 and 2.5%YoY in Q4 2016. Today's data release which includes the breakdown is likely to confirm that adverse weather conditions, which may have weighed on agriculture and construction, were the primary culprits of the aforementioned deceleration in real GDP growth. Base effects may also be partly to blame as the Q1 2016 reading was exceptionally strong.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

| 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

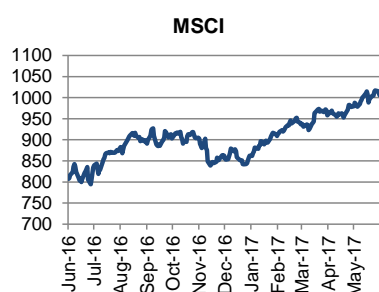
| ROMANIA: Indicator:  | 2015 | 2016e   | 2017f |
|----------------------|------|---------|-------|
| Real GDP growth %    | 3.7  | 5.0     | 3.5   |
| CPI (pa, yoy %)      | -0.6 | -1.8    | 1.5   |
| Budget Balance/GDP * | -1.9 | -2.8    | -3.7  |
| Current Account/GDP  | -1.1 | -3.0    | -3.2  |
| 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

June 1, 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       | 2411.80  | 0.0% | 7.7% | EUR/USD | 1.1231 | -0.1% | 6.8%             | UST - 10yr | 2.21 | 1           | -23      | GOLD        | 1267 | -0.2% | 9.9%  |
| Nikkei 225    | 19860.03 | 1.1% | 3.9% | GBP/USD | 1.2876 | -0.1% | 4.2%             | Bund-10yr  | 0.30 | 0           | 9        | BRENT CRUDE | 51   | 1.2%  | -9.6% |
| STOXX 600     | 391.51   | 0.4% | 8.3% | USD/JPY | 111.12 | -0.3% | 5.3%             | JGB - 10yr | 0.05 | 0           | 0        | LMEX        | 2759 | 0.1%  | 3.7%  |

## CESEE MARKETS

### SERBIA

#### Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N     | 3.02 | 0     | 2        |
| 1-week  | 3.15 | -1    | -2       |
| 1-month | 3.34 | -2    | -1       |
| 3-month | 3.52 | -2    | 5        |
| 6-month | 3.71 | 0     | 5        |

#### RS Local Bonds

|        | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 4.89 | -1    | -14      |
| 5Y RSD | 5.27 | 0     | -9       |
| 7Y RSD | 5.65 | 3     | 2        |

#### RS Eurobonds

|            | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 1.69 | -4    | -64      |
| USD Nov-24 | 6.34 | 0     | -7       |

#### CDS

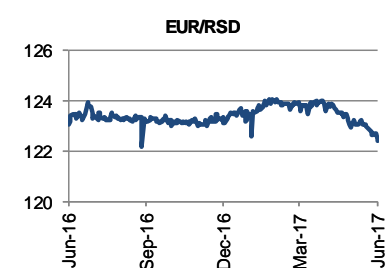
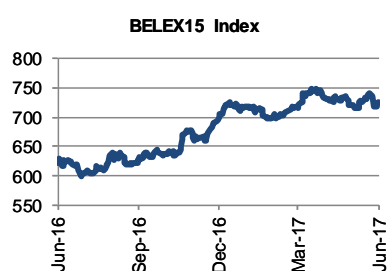
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 169  | 1     | -38      |
| 10-year | 222  | 1     | -33      |

#### STOCKS

|         | Last  | ΔD     | ΔYTD  |
|---------|-------|--------|-------|
| BELEX15 | 724.1 | -0.24% | 0.94% |

#### FOREX

|         | Last   | ΔD     | ΔYTD  |
|---------|--------|--------|-------|
| EUR/RSD | 122.48 | -0.07% | 0.80% |



### ROMANIA

#### Money Market

| ROBOR    | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N      | 0.54 | 0     | -2       |
| 1-month  | 0.66 | 0     | -10      |
| 3-month  | 0.86 | 0     | -4       |
| 6-month  | 1.04 | 0     | -7       |
| 12-month | 1.23 | 0     | -2       |

#### RO Local Bonds

|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON  | 1.38 | -1    | -24      |
| 5Y RON  | 2.25 | -2    | -27      |
| 10Y RON | 3.35 | 1     | -30      |

#### RO Eurobonds

|            | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.92 | -1    | -22      |
| USD Jan-24 | 3.26 | -3    | -59      |

#### CDS

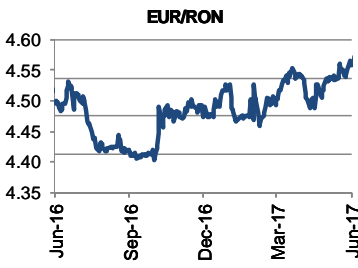
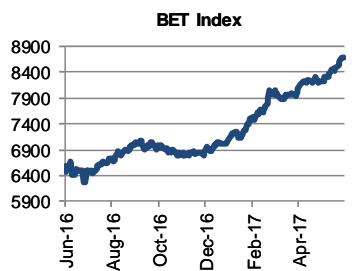
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 104  | 1     | -6       |
| 10-year | 149  | 2     | -3       |

#### STOCKS

|     | Last   | ΔD    | ΔYTD   |
|-----|--------|-------|--------|
| BET | 8769.4 | 0.93% | 23.77% |

#### FOREX

|         | Last   | ΔD     | ΔYTD   |
|---------|--------|--------|--------|
| EUR/RON | 4.5665 | -0.01% | -0.60% |



### BULGARIA

#### Money Market

| SOFIBOR  | Last  | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| LEONIA   | -0.16 | 24    | -16      |
| 1-month  | -0.16 | 0     | 0        |
| 3-month  | -0.08 | 0     | -1       |
| 6-month  | 0.04  | 0     | -3       |
| 12-month | 0.43  | 0     | 2        |

#### BG Local Bonds

| (yields) | Last  | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| 3Y BGN   | -0.01 | -1    | -17      |
| 5Y BGN   | 0.19  | -10   | -32      |
| 10Y BGN  | 1.59  | 0     | -32      |

#### BG Eurobonds

|            | Last  | ΔDbps   | ΔYTD bps |
|------------|-------|---------|----------|
| EUR Jul-17 | -2.35 | 7       | -203     |
| EUR Sep-24 | 1.39  | #VALUE! | -29      |

#### CDS

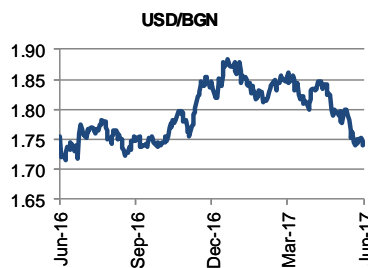
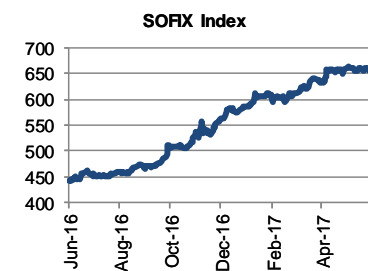
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 113  | 1     | -39      |
| 10-year | 165  | 2     | -29      |

#### STOCKS

|       | Last  | ΔD    | ΔYTD   |
|-------|-------|-------|--------|
| SOFIX | 662.4 | 0.18% | 12.96% |

#### FOREX

|         | Last   | ΔD     | ΔYTD  |
|---------|--------|--------|-------|
| USD/BGN | 1.7416 | -0.11% | 6.71% |



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

Data updated as of 11:40 EEST

June 1, 2017

## Contributors

**Paraskevi Petropoulou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Theodoros Stamatiou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
30 210 3371228  
[tsamatiou@eurobank.gr](mailto:tsamatiou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) +30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) +30 210 33 71 227

**Mariana Papoutsaki**  
[mpapoutsaki@eurobank.gr](mailto:mpapoutsaki@eurobank.gr) +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tsamatiou@eurobank.gr](mailto:tsamatiou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto:etsiampaou@eurobank.gr), +30 210 3337871

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankEA\\_FMR@eurobank.gr](mailto:EurobankEA_FMR@eurobank.gr)

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