

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 1
 - Personal income/spending (Mar)
 - Core PCE (Mar)
 - ISM manufacturing (Apr)
- May 2: Car sales (Mar)
- May 3
 - ADP employment change (Apr)
 - ISM non-manufacturing (Apr)
 - FOMC meeting decision
- May 4
 - Initial jobless claims (weekly)
 - Trade balance (Mar)
 - Factory orders (Mar)
- May 5
 - NFP (Apr)
 - U/E rate (Apr)
 - Average hourly earnings (Apr)

EUROZONE

- May 2: PMI manufacturing (Apr, f)
- May 3: GDP (Q1, A)
- May 4
 - PMI services (Apr, f)
 - Retail sales (Mar)

GREECE

- May 2: Markit manufacturing PMI (Apr)

SEE

ROMANIA

- May 2
 - PPI (Mar)
 - ILO U/E rate (Mar)
 - International reserves (Apr)
- May 4
 - Retail sales (Mar)
 - 3.25% 2024 T-Bonds sale
- May 5: MPC announcement

SERBIA

- May 2: National holiday
- May 3: GDP (Q1 2017, p)
- May 4: 4.50% 2020 T-Bonds sale

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of global equity markets were firmer in early trade on Tuesday, with investors focusing on stronger than expected US tech industry earnings and easing worries over North Korean after U.S. President Donald Trump left the door open for a meeting with North Korea's supreme leader Kim Jong Un. In the rates markets, the 30yr Treasury yield rose above 3.0% for the first time in three weeks, following US Treasury Secretary Steven Mnuchin's comments that the issuance of long-term bonds with maturities beyond 30 years "can absolutely make sense". Lifted by higher US government bond yields and reduced risk aversion, the US dollar hit a one-month high of 112.19 against the JPY.

GREECE: A preliminary agreement was reached earlier today between Greece and its official lenders (EC/ESM/ECB/IMF) in the context of the 2nd programme review, which had initially started in October 2016. The preliminary agreement is the precursor of the staff level agreement (SLA) which is expected to be reached once the issue of the medium-term debt relief framework has been addressed. The latest round of talks, which commenced on April 24th and was concluded this morning, was based on the framework that was agreed at the April 7th Eurogroup. The ESM stated earlier today that the preliminary agreement will now be complemented by further discussions in the coming weeks on a credible strategy for ensuring that Greece's debt is sustainable.

SOUTH EASTERN EUROPE

SERBIA: Upward pressures on the EUR/RSD, instigated over recent weeks mostly due to seasonal factors, waned over the last few days leading to an appreciation of the dinar. However, the Central Bank intervened in the FX markets in order to halt any further downside for the pair.

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May 2, 2017

Latest world economic & market developments

GLOBAL MARKETS

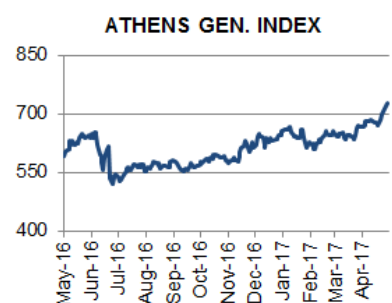
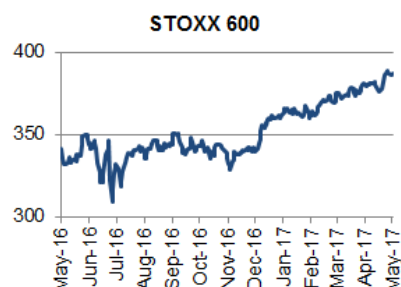
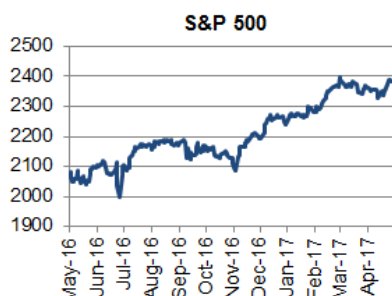
The majority of global equity markets were firmer in early trade on Tuesday, with investors focusing on stronger than expected US tech industry earnings and easing worries over North Korea after U.S. President Donald Trump left the door open for a meeting with North Korea's supreme leader Kim Jong Un. US equity markets gained on Monday on news that the House of Representatives and the Senate reached a \$1.1trillion deal to fund the government through the remainder of the fiscal year, but closed off intraday highs after Donald Trump suggested the reintroduction of rules that separate consumer lending from investment banking. In the rates markets, the 30yr Treasury yield rose above 3.0% for the first time in three weeks, following US Treasury Secretary Steven Mnuchin's comments that the issuance of long-term bonds with maturities beyond 30 years "can absolutely make sense". Lifted by higher US government bond yields and reduced risk aversion, the US dollar hit a one-month high of 112.19 against the JPY. Nevertheless, the EUR was little changed against the US dollar consolidating around levels of 1.0910/15 in European trade, as investors grow cautious ahead of the second round of French presidential elections on Sunday.

okosma@eurobank.gr

GREECE

A preliminary agreement was reached earlier today between Greece and its official lenders (EC/ESM/ECB/IMF) in the context of the 2nd programme review, which had initially started in October 2016. The preliminary agreement is the precursor of the staff level agreement (SLA) which is expected to be reached once the issue of the medium-term debt relief framework has been addressed. The latest round of talks, which commenced on April 24th and was concluded this morning, was based on the framework that was agreed at the April 7th Eurogroup and, according to press releases, the key elements of the deal are as follows: 1) in 2018 a number of benefits (such as unemployment, child, poverty and natural disasters ones) will be decreased to achieve savings in the area of €447 million, the heating benefit will be reduced by €58 million while the discount for medical expenses will also be cut, 2) as of 1st January 2019 the "personal difference" in main pensions is to be cut by a maximum of 18% to achieve savings of 1% of GDP, 3) as of 1st January 2020 – or 2019 if the primary surplus target has not been met – the tax-free threshold will be reduced to €5,681 from €8,636 currently, 4) the public administration reform foresees the evaluation and mobility of public servants while in 2018 the ratio for new hires is to be changed to one new hire for every three retirements (from one to five currently) provided that the fiscal target is being met. Additionally, an upper limit is to be applied to the number of public servants that are employed under a fixed-term contract. 5) a 17% stake in the Public Power Corporation (PPC) is to be privatised through the Hellenic Republic Asset Development Fund (HRADF) while 30% to 40% of its lignite production is to be sold, 6) restrictions regarding the operation of shops on Sundays are to become laxer while over-the-counter drugs will be sold in shops other than pharmacies, 7) in the labour market the current regime is maintained by law until the end of the programme while the veto power of the Minister of Labour on collective dismissals is abolished and the competent authority to oversee such issues becomes the Supreme Labour Council, and 8) the counter-measures are to be implemented as of 2019 provided that the 3.5% primary surplus target has been attained. Meanwhile, the ESM stated earlier today that the preliminary agreement will now be complemented by further discussions in the coming weeks on a credible strategy for ensuring that Greece's debt is sustainable.

andimitriadou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

May 2, 2017

Latest economic & market developments in the CESEE region

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

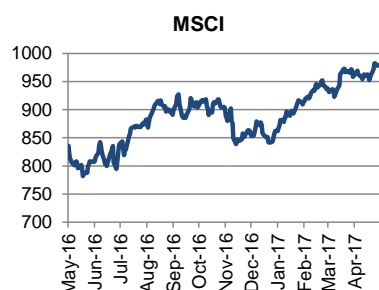
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

SERBIA

Upward pressures on the EUR/RSD, instigated over recent weeks mostly due to seasonal factors, waned over the last few days leading to an appreciation of the dinar. Aiming to ease excessive short-term volatility of the exchange rate, as has been its usual practice, the Central Bank (NBS) intervened in the FX markets in order to halt any further downside for the pair. In more detail, NBS bought on Friday roughly €40mn at 122.95 in order to stem any further gains of the dinar. The level of intervention, which almost matched a long term resistance of 123.00 for the pair, was a bit further below an initial resistance of 123.45 (2017 opening price), where we had expected the Central Bank to act. Despite the intervention's large size, the EUR/RSD moved only several pips higher, to eventually close the week at 123.10/30, which indicates a heavily long dinar market. Looking ahead, we expect the pair to remain range-bound within 123.15 and 123.55 in the coming sessions/weeks. In other news, the trade deficit increased in Q1 by 22.2% compared with the same period a year earlier, lifting the export-import coverage ratio to 77.8% (vs 76.5% year-end).

Zoran.Korac@eurobank.rs

May 2, 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	2388.33	0.2%	6.7%	EUR/USD	1.0911	0.1%	3.7%	UST - 10yr	2.33	1	-11	GOLD	1255	-0.2%	8.9%
Nikkei 225	19445.70	0.7%	1.7%	GBP/USD	1.2891	0.0%	4.3%	Bund-10yr	0.33	1	12	BRENT CRUDE	52	0.6%	-8.8%
STOXX 600	387.45	0.2%	7.2%	USD/JPY	112.22	-0.3%	4.3%	JGB - 10yr	0.02	1	-3	LMEX	2783	0.5%	4.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.08	0	8
1-week	3.20	0	3
1-month	3.37	0	2
3-month	3.53	0	6
6-month	3.73	0	7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.87	0	-21
5Y RSD	5.30	0	-6
7Y RSD	5.66	0	2

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.70	-6	-62
USD Nov-24	6.42	1	1

CDS

	Last	ΔDbps	ΔYTD bps
5-year	182	6	-26
10-year	236	6	-20

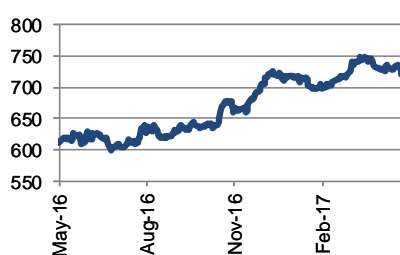
STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.6	-1.14%	0.46%

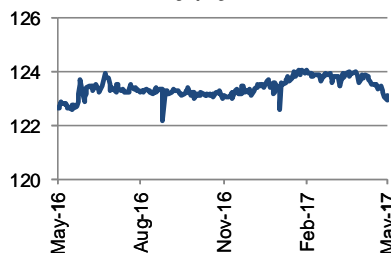
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.05	-0.08%	0.33%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.68	#VALUE!	12
1-month	0.73	#VALUE!	-3
3-month	0.91	#VALUE!	1
6-month	1.11	#VALUE!	0
12-month	1.3	#VALUE!	5

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.59	0	-3
5Y RON	2.51	1	-1
10Y RON	3.59	0	-6

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.03	#N/A N/A	-11
USD Jan-24	3.37	0	-49

CDS

	Last	ΔDbps	ΔYTD bps
5-year	106	0	-3
10-year	150	0	-2

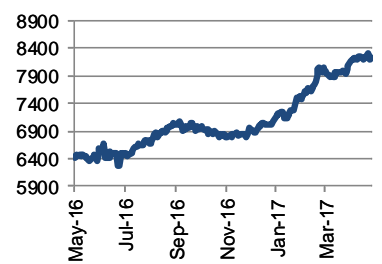
STOCKS

	Last	ΔD	ΔYTD
BET	8239.5	0.11%	16.29%

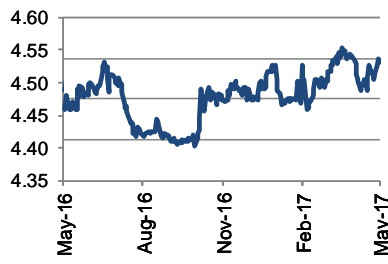
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5464	-0.10%	-0.16%

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	-0.09	-1	-2
6-month	0.04	0	-4
12-month	0.43	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.05	5	-10
5Y BGN	0.32	-3	-18
10Y BGN	1.57	0	-34

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.96	#VALUE!	-64
EUR Sep-24	1.45	44	-23

CDS

	Last	ΔDbps	ΔYTD bps
5-year	114	0	-38
10-year	175	5	-19

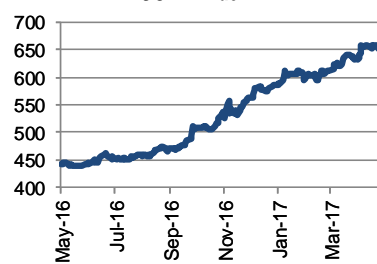
STOCKS

	Last	ΔD	ΔYTD
SOFIX	662.7	0.82%	13.00%

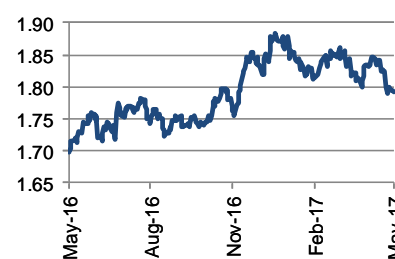
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7928	0.01%	3.66%

SOFIX Index



USD/BGN



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

Data updated as of 12:05 EEST

May 2, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

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

Theodoros Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tsamatiou@eurobank.gr

Regional Contributors

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

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokrousos@eurobank.gr, + 30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr + 30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr + 30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr + 30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tsamatiou@eurobank.gr, + 30 210 3371228

Elia Tsiampaou: Economic Analyst
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

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