



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, June 02, 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:** Global equity markets were firmer in early trade on Friday supported by solid May manufacturing PMI readings from both sides of the Atlantic. In FX markets, the USD gained some ground on the view that today's US non-farm payrolls report for May will confirm an ongoing improvement in labor market conditions. Elsewhere, the 10-yr Bund yield retreated to the lowest level in nearly six weeks, with the Italian/German yield spread widening by some 20bps from last week's 4 ½ month low amid increased expectations for early elections in Italy.

**GREECE:** In view of the upcoming June 15<sup>th</sup> Eurogroup meeting no change has apparently been made to the latest proposal regarding the issue of debt relief for Greece, which entails the IMF remaining in the programme in an advisory/supervisory capacity and re-considering contributing funds after the German federal elections in September 2017. The June 6<sup>th</sup> Euroworking Group teleconference will reportedly be confined to assessing the completion of the prior actions attached to the 2<sup>nd</sup> programme review and will not deal with the debt issue. The Markit PMI Manufacturing index for Greece improved slightly in May 2017 coming in at 49.6 up from 48.2 in April.

### SOUTH EASTERN EUROPE

**SERBIA:** Final national accounts data showed real economic activity grew by 1.2%YoY in Q1 2017, revised from a preliminary 1.0%YoY estimate.

**CESEE MARKETS:** The majority of emerging market assets retained a firm tone earlier on Friday on improving global risk sentiment.

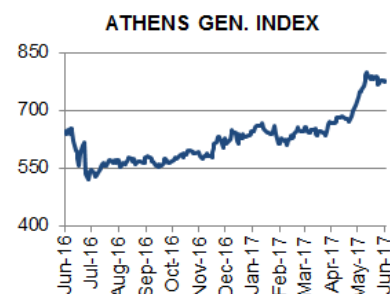
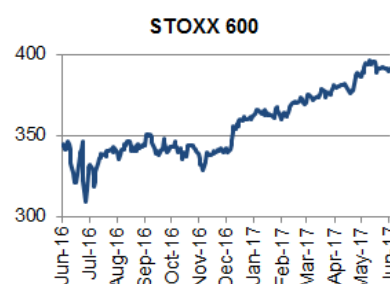
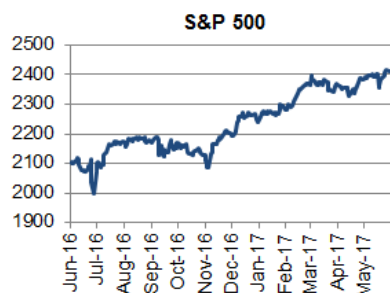
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June 2, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets were firmer in early trade on Friday supported by solid May manufacturing PMI readings from both sides of the Atlantic. The US' ISM manufacturing index edged up to 54.9 in May from 54.8 in April, halting a two-month falling streak. In the UK, even though the Markit/CIPS manufacturing PMI slipped to 56.7 from a three-year high of 57.3 in April, the May figure was still the second highest in the last three years. On a more encouraging tone, the Markit euro area final manufacturing PMI came in at 57.0, the highest in more than six years and up from April's 56.7. In FX markets, the USD gained some ground on the view that today's US non-farm payrolls report for May will confirm an ongoing improvement in labor market conditions after yesterday's ADP employment report revealed a higher than expected increase in private sector payrolls. Consensus is for a 175k rise in non-farm payrolls and an unchanged unemployment rate at 4.4% while wage growth data also lure market attention. According to the minutes from the May's monetary policy meeting, policy makers await data confirming that the recent weakness in inflation and economic activity in the first few months of the current year was temporary before deciding to deliver another rate hike after the June 13-14 monetary policy meeting where a 25bps increase is firmly priced-in. The USD/JPY hit a one-week high of 11.70 before moving modestly lower to levels around 111.45/50 at the time of writing while the EUR/USD was hovering around 1.1225 in European trade, a tad lower on a daily basis but poised for weekly gains to the tune of c. 0.3%. Elsewhere, the 10-yr Bund yield retreated to levels close to 0.29%, the lowest in nearly six weeks, with the Italian/German yield spread hovering around 192bps, some 20bps wider from last week's 4 ½ month low amid increased expectations for early elections in Italy.

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### GREECE

In view of the upcoming June 15<sup>th</sup> Eurogroup meeting no change has apparently been made to the latest proposal regarding the issue of debt relief for Greece, which entails the IMF remaining in the programme in an advisory/supervisory capacity and re-considering contributing funds after the German federal elections in September 2017. This proposal does not satisfy the Greek side, which is reportedly contemplating bringing the issue up at the June 22<sup>nd</sup> European Council Summit. In any case, it is understood that the June 6<sup>th</sup> Euroworking Group teleconference will be confined to assessing the completion of the prior actions attached to the 2<sup>nd</sup> programme review and will not deal with the debt issue. In other news, even though still below the boom-or-bust level of 50, the Markit PMI Manufacturing index for Greece improved slightly in May 2017 coming in at 49.6 up from 48.2 in April, signaling a ninth consecutive deterioration in manufacturing sector conditions, albeit at a weaker rate. Based on the Markit report, new business decreased to the least extent in 2017 so far, employment increased for the first time in six months and optimism towards future output growth remained robust.

*Correction: In Daily Overview of Global Markets & the SEE Region, 1 June 2017, it is mistakenly written that the offer by the concessionaire for the Athens International Airport is €600 billion when the correct figure is €600 million.*

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June 2, 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

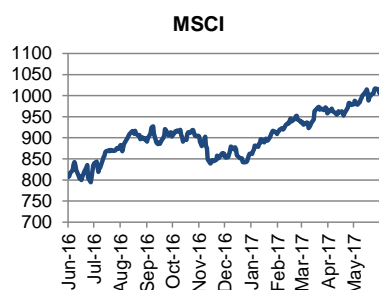
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### SERBIA

Final national accounts data showed real economic activity grew by 1.2%YoY in Q1, revised from a preliminary 1.0%YoY estimate. Nonetheless, the data marks a significant slowdown from recent quarters. The breakdown of the data vindicated our expectations that adverse weather conditions weighed on agriculture (-2.2%YoY) and construction (-5.1%YoY), which proved to be the main culprits of the deceleration. Base effects may also be partly to blame as the Q1 2016 reading (+3.8%YoY) was exceptionally strong. From the expenditure side, household consumption gained momentum, while growth in investments slowed down further and net exports' contribution turned negative on accelerating imports' growth (+10.9%YoY) which reflected strengthening domestic demand and higher energy imports due to cold weather. Economic activity is likely to pick up additional pace towards 3.0% this year and accelerate slightly further in 2018, from an 8-year high growth of 2.8% in 2016, as last year's positive trends are likely to continue and private consumption appears poised to recover further on real wage growth and targeted increases in public wages and pensions.

### CESEE MARKETS

The majority of emerging market assets retained a firm tone earlier on Friday on improving global risk sentiment. In more detail, the MSCI Emerging Markets index firmed modestly, standing within distance from a 2-year peak hit earlier in the week. In a similar vein, CESEE stock markets moved broadly higher, with Bulgaria's SOFIX outperforming its regional peers posting daily gains to the tune of 1.1% at the time of writing.

Elsewhere, most regional currencies firmed and government bonds were mixed in early European trade today. In FX markets, the Turkish lira bucked the positive trend faring worse than its regional peers, with the USD/TRY hovering around levels of 3.5300 vs. yesterday's close near 3.5240. Yet the pair remained just off a 1-month low of 5.5200 hit in the prior session.

Attention now turns on global developments, with the US non-farm payrolls report release later on the day taking centre stage ahead of the ECB meeting next week. In the CESEE space, the calendar is particularly light today, with S&P's and Fitch's reviews on Bulgaria's sovereign credit ratings being among the events worth noting. S&P's long-term foreign exchange rating for Bulgaria currently stands at BB+ with stable outlook and Fitch's corresponding rating is at BBB- with outlook stable.

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June 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	2430.06	0.8%	8.5%	EUR/USD	1.1223	0.1%	6.7%	UST - 10yr	2.21	0	-23	GOLD	1262	-0.3%	9.5%
Nikkei 225	20177.28	1.6%	5.6%	GBP/USD	1.2874	-0.1%	4.2%	Bund-10yr	0.29	-1	8	BRENT CRUDE	50	-2.0%	-12.7%
STOXX 600	393.88	0.6%	9.0%	USD/JPY	111.51	-0.1%	4.9%	JGB - 10yr	0.06	1	1	LMEX	2758	-0.1%	3.7%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	0	2
1-week	3.16	1	-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	#N/A	N/A
5Y RSD	5.27	0	-9
7Y RSD	5.63	0	0

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.70	3	-62
USD Nov-24	6.35	1	-7

#### CDS

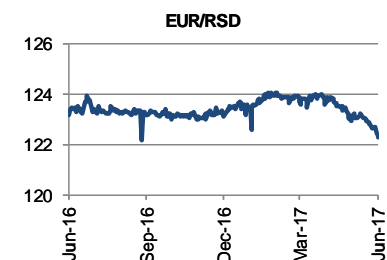
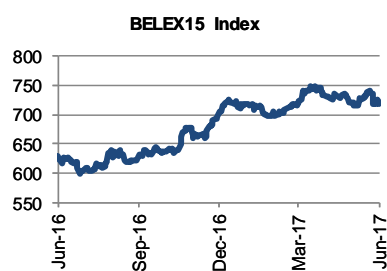
	Last	ΔDbps	ΔYTD bps
5-year	169	-1	-39
10-year	221	-1	-34

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	718.4	-0.22%	0.14%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.09	0.17%	1.12%



### 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	1.37	-1	-25
5Y RON	2.24	-1	-28
10Y RON	3.35	0	-30

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.92	0	-22
USD Jan-24	3.27	1	-59

#### CDS

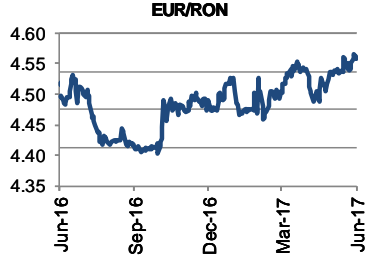
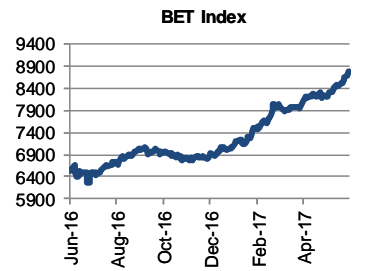
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-6
10-year	149	0	-3

#### STOCKS

	Last	ΔD	ΔYTD
BET	8769.4	0.93%	23.77%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5655	0.08%	-0.58%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	-24	-40
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-4
12-month	0.42	-1	2

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.02	-1	-17
5Y BGN	0.22	4	-28
10Y BGN	1.59	0	-32

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.23	-12	-90
EUR Sep-24	1.33	40	-35

#### CDS

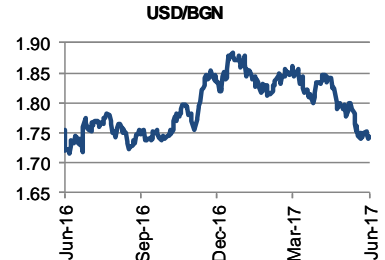
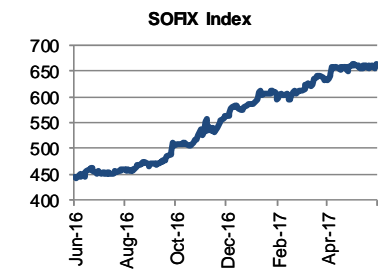
	Last	ΔDbps	ΔYTD bps
5-year	113	0	-39
10-year	165	0	-29

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	668.1	0.61%	13.93%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7429	0.10%	6.63%



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

Data updated as of 11:20 EEST

June 2, 2017

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