



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, May 04, 2017

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: In line with market expectations, the FOMC left unchanged its target range for the federal funds rate at 0.75%-1.00%. However, the tone of the accompanying statement was somewhat more hawkish than expected, reinforcing market expectations for additional rate tightening in the coming months. In reaction to the above, US Treasury yields were mostly higher in European trade while the USD gained, especially against commodity related currencies.

GREECE: The Greek PM Alexis Tsipras is expected to address his cabinet today and the SYRIZA parliamentary group tomorrow to brief them on the preliminary technical agreement that was reached with the institutions (EC/ECB/ESM/IMF) on May 2nd in the context of the 2nd programme review. The Euroworking Group (EWG) is expected to convene today in order to discuss the preliminary technical agreement, the size and the duration of the primary surplus target in the post-programme period and the debt relief framework.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets broadly recoiled earlier on Thursday after the Fed's monetary policy statement released upon the conclusion of yesterday's monetary policy meeting added to expectations for a rate hike in June. Market caution also prevails ahead of key labor data releases in the US later in the week and the second round of the French Presidential elections on Sunday.

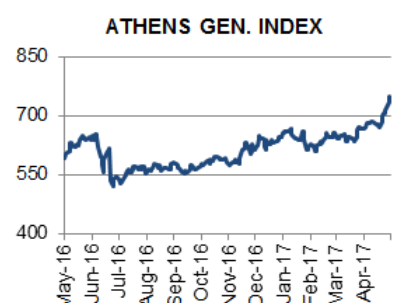
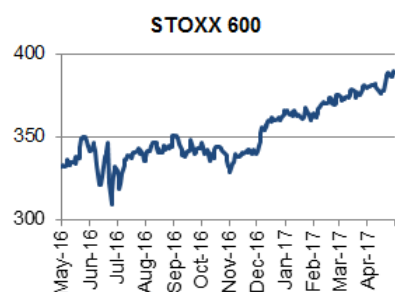
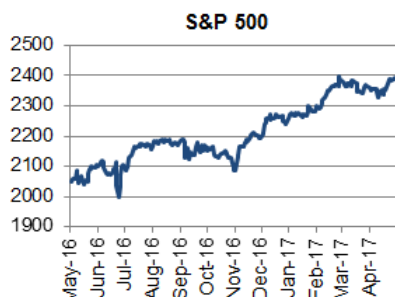
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May 4, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the FOMC left unchanged its target range for the federal funds rate at 0.75%-1.00% at this week's two-day monetary policy meeting that concluded late on Wednesday. However, the tone of the accompanying statement was somewhat more hawkish than expected, reinforcing market expectations for additional rate tightening in the coming months. In more detail, the FOMC did acknowledge the slowdown of economic growth in the first quarter but said that it is likely to be "transitory" noting that "the fundamentals underpinning the continued growth of consumption remained solid". In addition, the Committee revised slightly upward its assessment on business fixed investment and showed little concern about the drop in the March core PCE to 1.6%YoY saying that, on a 12-month basis, inflation "has been running close to the Committee's 2 percent longer-run objective". Adding to the above, the FOMC emphasized the strength of the labor market saying that "the labor market has continued to strengthen even as growth in economic activity slowed". In reaction to the more upbeat than expected FOMC economic assessment, US Treasury yields were mostly higher in European trade while the USD gained some ground. The 2-yr note yield moved above 1.30% for the first time in the last six weeks while the 10-yr paper was yielding levels around 2.33% at the time of writing, the highest since mid-April and up by 2bps compared to the settlement in the prior session. In FX markets, USD gains were relatively more pronounced against commodity related currencies, especially the AUD. The AUD/USD fell to a four-month low below 0.7400 earlier today while persistently subdued commodity prices also weighed on the AUD. Elsewhere, the EUR/USD was little changed as investors adopt a cautious stance ahead of the runoff French Presidential election on Sunday. The two candidates, Emmanuel Macron and Marine Le Pen, faced each other in a televised debate yesterday with opinion polls suggesting that the independent centrist candidate was found was more convincing.

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GREECE

The Greek PM Alexis Tsipras is expected to address his cabinet today and the SYRIZA parliamentary group tomorrow to brief them on the preliminary technical agreement that was reached with the institutions (EC/ECB/ESM/IMF) on May 2nd in the context of the 2nd programme review. Although the agreement contains several politically sensitive elements, according to press reports, no defects from the ruling SYRIZA-ANEL coalition are considered likely during the voting of the measures in the Hellenic Parliament, which is expected to take place by May 16th. Meanwhile, the Euroworking Group (EWG) is expected to convene today in order to discuss the preliminary technical agreement, the size and the duration of the primary surplus target in the post-programme period and the debt relief framework. With regard to the second issue, the German side is understood to insist on maintaining a 3.5% of GDP primary surplus for 10 years after 2018 while Greece argues in favour of 3 years. A compromise of 4 years is reportedly likely. With regard to debt relief, an initial discussion is expected to take place on the sidelines of the G7 Finance Ministers Summit on 11-13 May. Provided that all goes as planned, a global deal could be sealed at the May 22nd Eurogroup opening the way for the disbursement of the next loan tranche, which is expected to amount to c. €7 billion, and the inclusion of Greece in the ECB's QE programme.

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May 4, 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

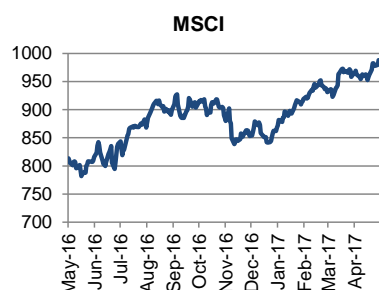
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CESEE MARKETS

Emerging market assets broadly recoiled earlier on Thursday after the Fed's monetary policy statement released upon the conclusion of yesterday's monetary policy meeting added to expectations for a rate hike in June. Market caution also prevails ahead of key labor data releases in the US later in the week and the second round of the French Presidential elections on Sunday. Notwithstanding the aforementioned, the MSCI Emerging Markets index remained near a recent 2-year high, while the majority of bourses in the CESEE region traded in a positive territory. In more detail, Bulgaria's SOFIX led the gains with a 0.9% rally, while Poland's WIG followed suit advancing by 0.8% compared to Tuesday's settlement (stock markets in Poland were closed yesterday on national holiday). At the same time main indices in Hungary and Romania firmed by approximately 0.2-0.3%.

In FX markets, most regional currencies came under pressure against a firmer US dollar. The Hungarian forint broadly underperformed its regional peers, largely shrugging off upbeat retail sales data for March, which rose by a higher than anticipated 5.6% annual pace, exceeding a market consensus of 3.4%YoY and a downwardly revised 0.9%YoY advance (vs. 1.2%YoY initially reported) marked in the prior month. Nonetheless, the EUR/HUF stood 0.2% weaker compared to the prior session's settlement hovering around levels of 312.20 in European trade, though remaining within distance from a 1-week trough of 311.46 hit in Asian markets. Elsewhere, the Serbian dinar stood marginally firmer vs. yesterday's close of 123.14 against the euro. However, the EUR/RSD remained not too far from a multi-session peak of 123.27 reached in late Asian trade.

Gross domestic product data, released yesterday in Serbia, 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. The breakdown of the data is not yet available and is due for publication on May 31st. However, adverse weather conditions, which may have weighed on agriculture and construction, are likely to prove 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.

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May 4, 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	2388.13	-0.1%	6.7%	EUR/USD	1.0881	0.0%	3.4%	UST - 10yr	2.33	1	-12	GOLD	1235	-0.2%	7.2%
Nikkei 225	19445.70	0.7%	1.7%	GBP/USD	1.2847	-0.2%	4.0%	Bund-10yr	0.35	3	14	BRENT CRUDE	50	-0.6%	-11.2%
STOXX 600	389.37	0.0%	7.7%	USD/JPY	112.72	0.0%	3.8%	JGB - 10yr	0.02	0	-3	LMEX	2740	-2.4%	3.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.07	-1	7
1-week	3.21	1	4
1-month	3.37	0	2
3-month	3.54	1	7
6-month	3.72	-1	6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.97	-1	-11
5Y RSD	5.37	-1	2
7Y RSD	5.69	0	6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.65	-5	-62
USD Nov-24	6.41	-1	0

CDS

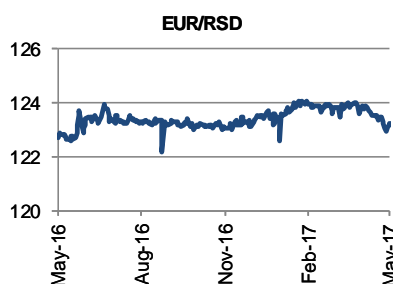
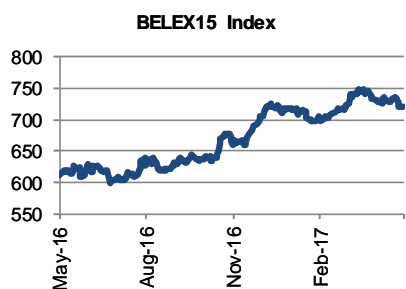
	Last	ΔDbps	ΔYTD bps
5-year	174	0	-33
10-year	230	2	-26

STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.0	-0.09%	0.36%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.19	-0.02%	0.22%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.68	0	12
1-month	0.73	0	-3
3-month	0.93	0	3
6-month	1.13	0	2
12-month	1.32	0	7

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.60	0	-2
5Y RON	2.52	0	0
10Y RON	3.61	0	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.02	0	-12
USD Jan-24	3.36	0	-50

CDS

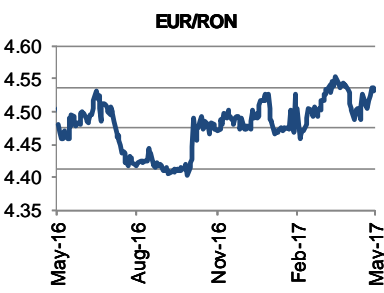
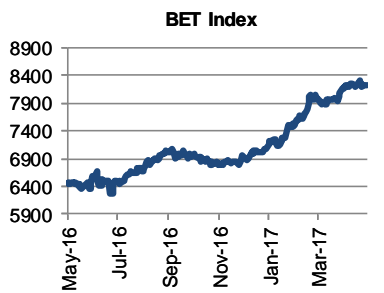
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-5
10-year	148	-2	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8249.0	0.48%	16.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5474	-0.03%	-0.18%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.31	-3	-31
1-month	-0.17	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	0.04	-2	-10
5Y BGN	0.31	-1	-18
10Y BGN	1.60	0	-31

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.29	0	-96
EUR Sep-24	1.45	#VALUE!	-23

CDS

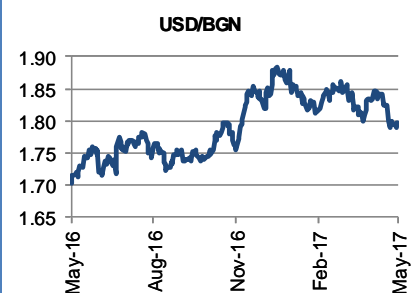
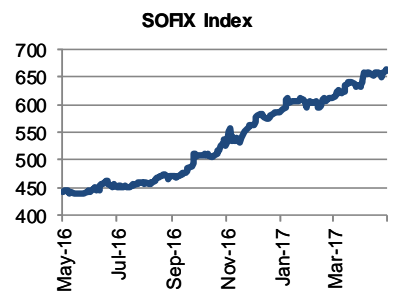
	Last	ΔDbps	ΔYTD bps
5-year	110	-1	-42
10-year	168	-2	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	664.7	0.63%	13.35%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7979	-0.07%	3.37%



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

Data updated as of 10:00 EEST

May 4, 2017

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