

Friday, May 05, 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: Taking their lead from Asian equity markets' lackluster performance, the majority of European bourses opened lower on Friday pressured by lower commodity prices. The modestly more hawkish-than-expected tone of the FOMC monetary policy statement earlier this week and market caution ahead of the US non-farm payrolls report for April -due later today- may also had some impact on market appetite for risk taking. Global equity markets' poor performance favored the appeal of fixed-income safe havens. The 10-yr Treasury yield edged down to 2.35% earlier today after hitting a one-month high of 2.37% yesterday following the US House of Representatives' approval to change major portions of Obamacare and replace it with a new Republican healthcare plan. In FX market, the EUR/USD rose to a six-month high of 1.0990 in early European trade two days before the final round of the French presidential election on Sunday, as Emmanuel Macron has reportedly increased his lead in the polls over his rival Marine Le Pen. Elsewhere, the fall in oil prices weighed on the Australian dollar and Canadian dollar. Investors' focus today centres on the April's US payrolls report, where the market consensus expects an increase to +190k from +98k in March. Several Fed officials, including Fed Chair Janet Yellen and Vice Chair Stanley Fischer, are also expected to speak later in the day.

GREECE: The Greek PM Alexis Tsipras is expected to address the SYRIZA parliamentary group today 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 measures that are to be legislated will reportedly be submitted to the Hellenic Parliament by May 13th and voted by May 17th. The Euroworking Group (EWG) that convened yesterday discussed and welcomed the preliminary technical agreement but did not address issues pertaining to the debt-relief framework.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded sideways earlier on Friday as investor caution prevailed ahead of the non-farm payrolls data due for release later in the day. In other news, the Central Bank of Romania held the key policy rate at the current record low level of 1.75% at its MPC meeting earlier today and cut the minimum reserve requirement ratio on foreign exchange-denominated liabilities of credit institutions to 8% from 10%.

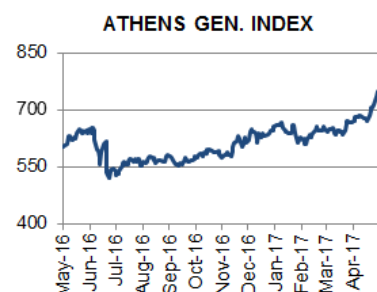
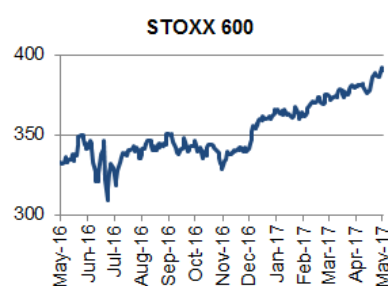
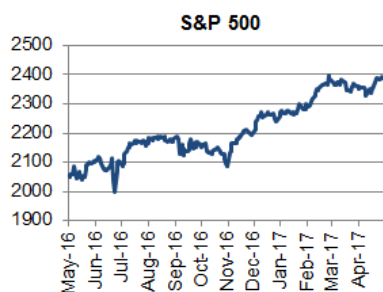
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May 5, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from Asian equity markets' lackluster performance, the majority of European bourses opened lower on Friday pressured by lower commodity prices. Brent crude oil was hovering around \$47.70/per barrel in European trade at the time of writing, the lowest in five months and 20% lower from a year-to-date peak in early January. OPEC and non-OPEC members will meet on May 25th, where they are likely to extend their agreement reached last November for oil supply cut by 1.8mn barrels per day for six months from January 2017 to mid-2017. However, according to recent comments from OPEC officials, the likelihood of adopting more drastic steps to support oil prices, such as bigger supply cuts, seems unlikely. The modestly more hawkish-than-expected tone of the FOMC monetary policy statement earlier this week and market caution ahead of the US non-farm payrolls report for April -due later today- may also had some impact on market appetite for risk taking. Global equity markets' poor performance favored the appeal of fixed-income safe havens. The 10-yr Treasury yield edged down to 2.35% earlier today after hitting a one-month high of 2.37% yesterday following the US House of Representatives' approval to change major portions of Obamacare and replace it with a new Republican healthcare plan. With the 217-213 vote, Republicans gained the required support to send the legislation to the Senate for consideration, boosting investor expectations that the US administration will be able to pass the pre-announced tax reform measures. In FX market, the EUR/USD rose to a six-month high of 1.0990 in early European trade two days before the final round of the French presidential election on Sunday, as Emmanuel Macron has reportedly increased his lead in the polls over his rival Marine Le Pen. Elsewhere, the fall in oil prices weighed on the Australian dollar and Canadian dollar. The USD/CAD hit a 14-month high of 1.3793 and the AUD/USD plunged to a four-month trough of 0.7368, while the safe haven yen edged higher on risk-off sentiment with the USD/JPY moving away from yesterday's seven-week peak of 113.05 towards 112.45/46 in European trade at the time of writing. Investors' focus today centres on the April's US payrolls report, where the market consensus expects an increase to +190k from +98k in March. Several Fed officials, including Fed Chair Janet Yellen and Vice Chair Stanley Fischer, are also expected to speak later in the day.

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GREECE

The Greek PM Alexis Tsipras is expected to address the SYRIZA parliamentary group today 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 measures that are to be legislated will reportedly be submitted to the Hellenic Parliament by May 13th and voted by May 17th. Meanwhile, according to press reports, the Euroworking Group (EWG) that convened yesterday discussed and welcomed the preliminary technical agreement but did not address issues pertaining to the debt-relief framework. According to a European official "following the implementation of the prior actions by Greece, the Eurogroup could endorse the policy package and the terms of the next disbursement and address the sustainability of Greek debt in the near future, on the basis of the May 2016 agreement". On the same wavelength, the German Ministry of Finance stated yesterday that with regard to possible debt measures a clear agreement was reached at the Eurogroup of May 2016 according to which, after the full implementation of the programme, there will be an assessment of whether debt measures are necessary. The statement adds that the implementation of the agreed reforms by Greece in return for aid would help ensure the sustainability of the country's debt.

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May 5, 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

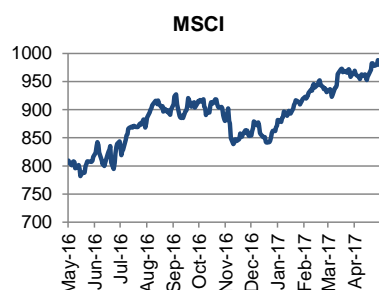
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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 traded sideways earlier on Friday as investor caution prevailed ahead of the non-farm payrolls data due for release later in the day. Additionally in focus this week is the second round of the French Presidential elections on Sunday. Meanwhile, a sharp sell-off in commodity prices hurt related shares and FX. Along these lines, the MSCI Emerging Markets index slid by 0.7% earlier today, marking the third consecutive session in the red, poised to end the week in a modestly negative territory. Bourses in the CESEE region were mixed in European trade, with Hungary's BUX index leading the way higher with a 0.6% daily advance. On the flipside, Poland's WIG underperformed its regional peers, marking a 0.8% decline, possibly due to profit taking after the index reached yesterday its highest level in a decade.

In FX markets, regional currencies also traded mixed in European trade on Friday. The Romanian leu was little changed against the euro compared to Thursday's settlement, in view of the MPC meeting today. In line with a market consensus, the Central Bank held the key policy rate at the current record low level of 1.75%. At the same time the Board of the National Bank of Romania decided to cut the minimum reserve requirement ratio on foreign exchange-denominated liabilities of credit institutions to 8% from 10%, while keeping the corresponding ratio on leu-denominated liabilities unchanged at 8%. Against this backdrop, the EUR/RON was hovering around levels of 4.5435 at the time of writing, within distance from 4.5446 on Thursday's close. That said, the pair remained not too far from a 1-month high of 4.5510 hit on Wednesday amid persisting worries over the country's fiscal position and domestic political jitters as the government tried for the second time this year to pass legislation that would ease some corruption offences. However, senators on Thursday canceled a proposal they had approved earlier in the week, following new anti-government rallies.

In the local debt markets, the Romanian finance ministry raised yesterday RON 445.21 (~€ 98mn) worth of 7-year Treasury bonds. The amount sold was slightly above an initially planned amount of RON 400mn (~€ 88mn). The average accepted yield came in at 3.46% vs. 3.41% achieved at a prior auction of the same paper held in April. The issue bears a coupon of 3.25% and expires on April 29, 2024. Meanwhile, the auction's bid to cover ratio stood at 1.76. Separately, Serbia successfully placed on Thursday RSD 7.8876bn (~€0.06bn) of government bonds due in April 5, 2020. The paper was sold at a price of 99.0805 and an average accepted yield of 5%. The latter was in line with the yield achieved at the last tender of the paper held about a month ago. Yesterday's auction was about 1.04 times oversubscribed.

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May 5, 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	2389.52	0.1%	6.7%	EUR/USD	1.0968	-0.1%	4.3%	UST - 10yr	2.35	-1	-10	GOLD	1232	0.3%	6.9%
Nikkei 225	19445.70	0.7%	1.7%	GBP/USD	1.2934	0.1%	4.7%	Bund-10yr	0.38	-1	17	BRENT CRUDE	48	-1.0%	-15.7%
STOXX 600	390.96	-0.3%	8.2%	USD/JPY	112.29	0.2%	4.2%	JGB - 10yr	0.02	0	-3	LMEX	2718	-0.8%	2.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.08	1	8
1-week	3.21	0	4
1-month	3.37	0	2
3-month	3.53	-1	6
6-month	3.73	1	7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.97	0	-11
5Y RSD	5.38	0	2
7Y RSD	5.69	0	6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.76	-2	-57
USD Nov-24	6.42	0	0

CDS

	Last	ΔDbps	ΔYTD bps
5-year	175	1	-33
10-year	229	-1	-27

STOCKS

	Last	ΔD	ΔYTD
BELEX15	715.8	-0.59%	-0.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.19	0.00%	0.22%

ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	0	7
1-month	0.73	0	-3
3-month	0.92	0	2
6-month	1.11	0	0
12-month	1.29	0	4

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.60	1	-2
5Y RON	2.51	-1	-1
10Y RON	3.62	0	-3

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.02	0	-12
USD Jan-24	3.37	0	-48

CDS

	Last	ΔDbps	ΔYTD bps
5-year	105	1	-4
10-year	150	2	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8259.1	0.28%	16.57%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5448	0.06%	-0.13%

BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	-9	-40
1-month	-0.16	0	0
3-month	-0.09	-1	-2
6-month	0.04	0	-3
12-month	0.43	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.02	-1	-17
5Y BGN	0.28	-5	-23
10Y BGN	1.64	0	-27

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.09	-5	-76
EUR Sep-24	1.45	#VALUE!	-23

CDS

	Last	ΔDbps	ΔYTD bps
5-year	110	0	-42
10-year	168	0	-26

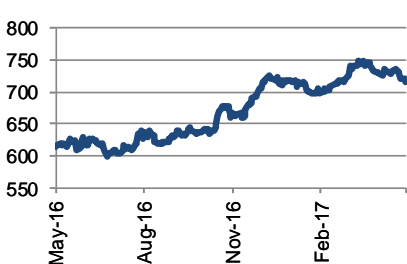
STOCKS

	Last	ΔD	ΔYTD
SOFIX	663.5	0.00%	13.15%

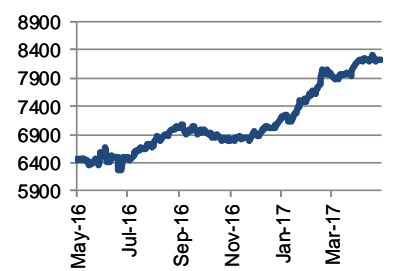
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7832	-0.14%	4.22%

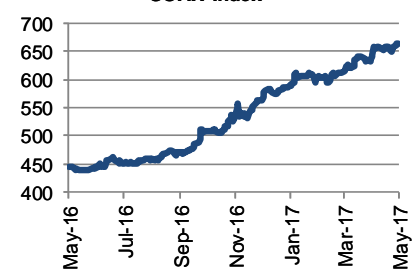
BELEX15 Index



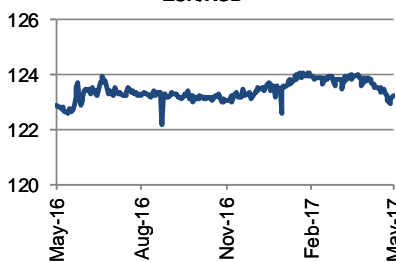
BET Index



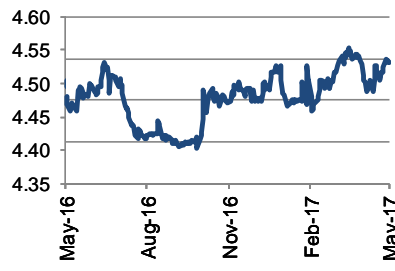
SOFIX Index



EUR/RSD



EUR/RON



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:25 EEST

May 5, 2017

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