

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- May 30
  - Q1 GDP (2nd estimate)
  - CB Conference Board (May)
  - Fed publishes Beige Book
- May 31
  - Personal income & spending (Apr)
  - Chicago PMI (May)
  - Pending home sales (Apr)
- June 1
  - Non-farm payrolls (May)
  - ISM index manuf. (May)

##### EUROZONE

- May 29: M3 (Apr)
- May 30
  - Economic Sentiment Indicator (May)
  - German CPI, first state results (May)
  - German unemployment (May)
- May 31
  - Consumer prices, prel. (May)
  - Unemployment (Apr)
  - German retail sales (Apr)
- June 1
  - PMI manuf. final (May)
  - Spain's PM faces motion of no confidence

##### UK

- June 1: PMI manuf. (May)

##### GREECE

- May 30: PPI (ap)
- May 31: Retail sales (Mar)
- Jun 1: PMI manufacturing (May)

##### SEE

##### BULGARIA

- May 31: Budget balance (Apr)
- Jun 1: Sovereign rating review by S&P and Fitch

##### ROMANIA

- May 31: U/E rate (Apr)

##### SERBIA

- May 31
  - Industrial production (Apr)
  - GDP (Q1, final)
  - Trade balance (Apr)
  - May 31: Retail sales (Mar)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Ending three months of political turmoil in Italy, the Five Star and League agreed on a new government with Giuseppe Conte as premier. Easing political concerns in Italy supported sovereign paper and the EUR/USD gained ground, poised for its first weekly gains in seven weeks. Meanwhile, fears of a global trade war were fueled anew after the US administration decided to let a two-month exemption granted to the EU, Canada and Mexico expire midnight today and impose tariffs on steel and aluminum imports from today onwards. On the data front, focus today is on the US non-farm payrolls data which is expected to show another strong gain in May, further supporting the view for higher Fed interest rates this year. In Spain, Prime Minister Mariano Rajoy is likely to lose today's non-confidence vote registered by the Socialist Party PSOE over a corruption case.

**GREECE:** European officials stress the importance of Greece staying on the reform path after the programme expires. Meanwhile, the German Finance Minister Olaf Scholz reportedly stated that decisions on debt relief will be made towards the end of June. The IHS Market Manufacturing PMI rose to 54.2 in May from 52.9 in April on the back of further increases in output, new orders and employment.

### SOUTH EASTERN EUROPE

**POMANIA:** Unemployment rate inched up to 4.6% in April, up from a record low of 4.4% in March.

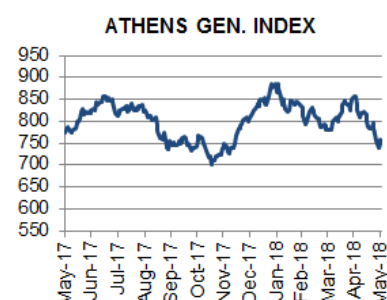
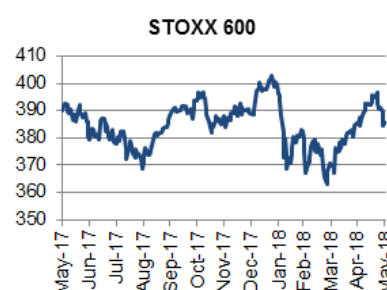
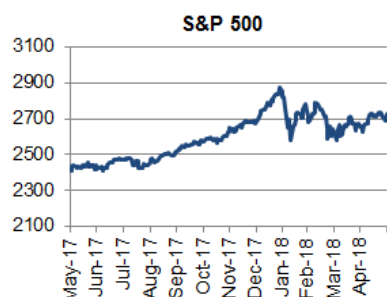
**SERBIA:** The Statistics office revised the GDP estimate of Q1-2018 to 4.6% YoY up from 4.5% YoY in the flash estimate.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Ending three months of political turmoil in Italy, the Five Star and League agreed on a new government with Giuseppe Conte as premier after having reshuffled the Cabinet initially proposed to President Sergio Mattarella last Sunday. The League backed down from its demand for Eurosceptic economist Paolo Savona as Finance Minister and both parties agreed instead on economics professor Giovanni Tria. The new government will take its oath later today before it faces a confidence vote in both houses of parliament on Monday where it is highly likely to succeed. Easing political concerns in Italy supported sovereign paper with the 10-yr yield falling at a four-session low close to 2.60% earlier today, 23bps lower on the day and 50bps from Tuesday's multi-year closing peak. It remained though well above levels that prevailed in mid-May before the commencement of coalition negotiations between the Five Star and League amid concerns that, if implemented, the fiscal and structural policies the new government intends to pursue – as presented in their programme for government published last month – could jeopardize Italy's fiscal sustainability and risk a confrontational approach from Brussels. Meanwhile, fears of a global trade war were fueled anew after the US administration decided to let a two-month exemption granted to the EU, Canada and Mexico expire midnight today and impose tariffs on steel and aluminum imports from today onwards. In FX markets, the EUR firmed against the US currency, poised for its first weekly gains in seven weeks. Focus today is on the US non-farm payrolls data, which is expected to show another strong gain in May while in Italy, Prime Minister Mariano Rajoy is likely to lose today's non-confidence vote put forward by the Socialist Party PSOE over a corruption case as the latter has reportedly secured 180 in-favor votes, more than an absolute majority of 176 votes needed. The PSOE's leader Pedro Sanchez will likely take office over the weekend and appoint a new Cabinet early next week.

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### GREECE

ESM Chief Economist Rolf Strauch said in an interview in Naftemporiki newspaper that it is crucial that Greece remains determined in implementing the remaining reforms and in staying on the reform course after the programme expires. As regards Greece's financing itself only through the markets in an environment of increased risk due to political developments in Italy, he opined that "the best thing Greece can do now is to demonstrate strong reform ownership and to clearly signal that the successful reform course will be continued". On the same wavelength, speaking at a conference yesterday in Athens, Declan Costello, EU Mission Chief for Greece stated that developments in Italy send a dual message: Firstly, that the return of Greece to the financial markets will be fragile leaving thus no room for backtracking in reforms, and secondly, that European partners must agree on a frontloaded debt relief package to give Greece a clear 10-15 year horizon. Meanwhile, the German Finance Minister Olaf Scholz reportedly stated that decisions on debt relief will be made towards the end of June lowering expectations about a potential agreement on the issue during the meeting between the institutions' heads and the Finance Ministers of Germany and France on the sidelines of the G7 meeting in Canada on Saturday. On the economic data front, the IHS Market Manufacturing PMI rose to 54.2 in May from 52.9 in April on the back of further increases in output, new orders and employment. Meanwhile, output prices rose at the fastest rate since August 2008 amid higher cost burdens.

Friday 01 June 2018

BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
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	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.0
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-5.7	-4.7
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.00	3.00

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

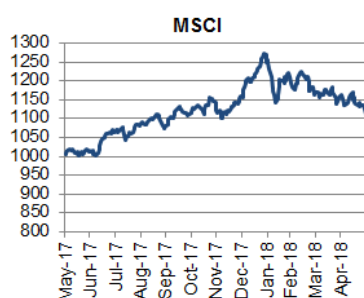
## Latest economic & market developments in the CESEE region

### ROMANIA

According to the latest announcement, the unemployment rate on a seasonally adjusted basis inched up to 4.6% in April up from a revised estimate of 4.4% in March down from 4.6% in February and 5.2% a year ago and compared to 7.1% in EU-28. The number of unemployed persons increased to 411,000 in April up by 1.7% on a monthly basis (404,000 in March), yet lower on an annual basis by 7.6% YoY (445,000 in April 2017). Although unemployment is still very low and the reading is illustrative of relatively tight labor market conditions, it could be regarded as a turning point for the economy, which has been adding more than 100k jobs annually on a twelve month rolling basis in the past twelve months. In February, total employment expanded by 107,800 accelerating from 106,600 in January. Meanwhile, after rallying in double digits in the past twelve months, nominal wages have slowed to 8.7% YoY in last March, registering single digit rates of expansion for a third consecutive month.

### SERBIA

According to the second estimate of the Statistical Service, real GDP growth of the Q1-2018 was upwards revised to 4.6% YoY compared to 4.5% YoY in the flash estimate. The data outpaced a market median forecast of 3.1%YoY as well as the prior quarter's 2.5% YoY increase, recording the fastest rate of annual growth in a decade. It also marks a reversal of last year's H1-2017 soft patch that came primarily on the back of adverse weather conditions. Taking into account the strong Q1-2018 GDP reading, risks to our full year 3% YoY forecast appear tilted to the upside.

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### Credit Ratings

L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	Ba3	BB+

Friday 01 June 2018

## 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	2705.27	-0.7%	1.2%	EUR/USD	1.1698	0.0%	-2.6%	UST - 10yr	2.87	2	47	GOLD	1300	0.1%	-0.3%
Nikkei 225	22171.35	-0.1%	-2.6%	GBP/USD	1.3292	0.0%	-1.7%	Bund-10yr	0.38	4	-4	BRENT CRUDE	78	0.0%	16.0%
STOXX 600	385.07	0.5%	-1.1%	USD/JPY	109.19	-0.3%	3.2%	JGB - 10yr	0.05	1	0	LMEX	3351	0.3%	-2.0%

### SERBIA

BELBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	1	-22
1-week	2.42	1	-19
1-month	2.59	1	-26
3-month	2.87	1	-25
6-month	3.06	1	-18

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.57	5	-70
5Y RSD	3.97	8	-27
7Y RSD	4.42	#N/A N/A	-77

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.02	-1	102
USD Nov-24	#N/A N/A	#N/A N/A	-13164

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	115	2	-3
10-year	161	-1	-1

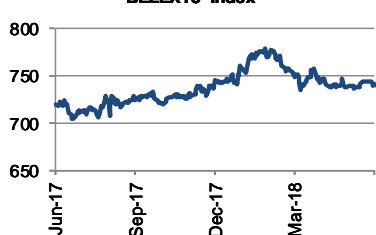
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.7	0.12%	-2.52%

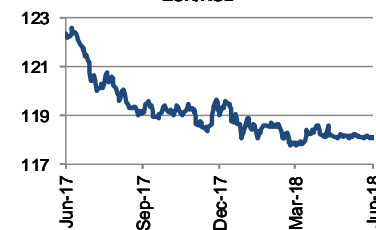
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.17	0.24%	0.62%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.89	0	180
1-month	2.86	0	99
3-month	2.83	0	78
6-month	2.94	0	67
12-month	3.05	0	73

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.90	0	52
5Y RON	4.46	0	68
10Y RON	4.86	0	55

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	-2
USD Jan-24	4.16	-4	116

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	1	10
10-year	145	1	11

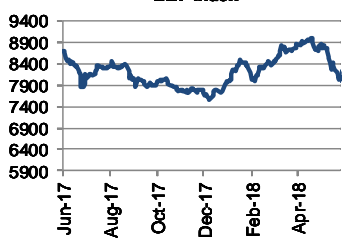
#### STOCKS

	Last	ΔD	ΔYTD
BET	8080.1	0.77%	4.21%

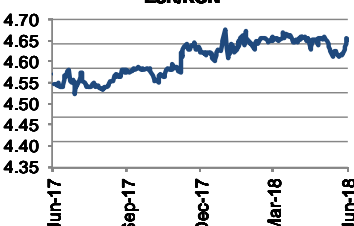
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6599	0.06%	0.11%

BET Index



EUR/RON



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.29	0	-4
3-month	-0.22	0	-4
6-month	-0.10	1	-5
12-month	0.23	0	-9

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.11	-5	-5
5Y BGN	0.15	-3	0
10Y BGN	1.02	0	5

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.10	0	18
EUR Sep-24	0.77	0	19

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	77	0	-20
10-year	121	-2	-20

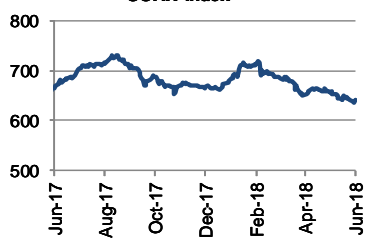
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	640.2	0.57%	-5.51%

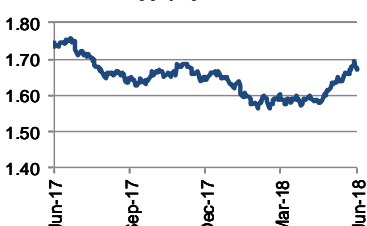
#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.672	0.04%	-2.55%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:40 EEST

Friday 01 June 2018

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