

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday 03 May 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- April 30
 - Personal income & spending (Mar)
 - Core PCE price index (Mar)
 - Pending home sales (Mar)
 - Chicago PMI (Apr)
- May 1
 - ISM manuf. (Apr)
 - Auto sales (Apr)
- May 2
 - ADP employment change (Apr)
 - Fed interest rates
- May 3
 - Jobless claims (weekly)
 - Trade balance (Mar)
 - ISM non-manuf. (Apr)
 - Factory orders (Mar)
- May 4: Non-farm payrolls (Apr)

EUROZONE

- Apr 30
 - M3 money supply (Feb)
 - DE: CPI (Mar)
- May 2
 - GDP (p, Q1)
 - U/E rate (Mar)
 - PMI manuf. (Apr, final)
- May 3: CPI (Mar, p)

UK

- May 1: PMI manuf. (Mar)
- May 3: PMI services (Mar)

GREECE

- Apr 30: Retail sales (Feb)
- May 2: PMI manufacturing (Apr)

SEE

BULGARIA

- April 30: Budget (Mar)

ROMANIA

- May 2
 - ILO U/E rate (Mar)
 - International reserves (Apr)
- May 4: Retail sales (Mar)

SERBIA

- Apr 30
 - Industrial production (Mar)
 - GDP (Q1, p)
 - Trade balance (Mar)
 - Retail sales (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In line with market expectations, the Fed left unchanged the target range for the federal funds rate at 1.50-1.75% at this week's two-day monetary policy meeting that concluded late yesterday. Tweaks to policy-relevant references in the accompanying policy statement were modest supporting the notion that the Fed is inclined to continue raising interest rates at a gradual pace. As expected, this week's FOMC meeting was mostly a non-event for the markets. According to the US Treasury's Q2 2018 refunding programme announced yesterday, the size of the auctions of nominal Treasury notes and bonds will be raised by \$1bn across the board while auction sizes for TIPS will remain unchanged.

GREECE: According to press reports, at the upcoming 4th review that will begin on 14 May with the return of the institutions to Greece, the IMF will examine its participation in the programme through a Memorandum of Economic and Financial Policies (MEFP). According to press, German Finance Ministry spokesperson Dennis Kolberg stated that there are no commitments regarding debt relief for Greece and any such decisions will be made once Greece successfully concludes the 4th programme review. The BoD of PPC convenes today to decide the initiation of the divestiture process with the international public tender scheduled to be launched by 31st May 2018.

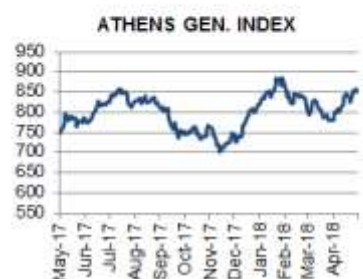
SOUTH EASTERN EUROPE

ROMANIA: Unemployment rate hit a record low of 4.5% in March.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

In line with market expectations, the Fed left unchanged the target range for the federal funds rate at 1.50-1.75% at this week's two-day monetary policy meeting that concluded late yesterday. Tweaks to policy-relevant references in the accompanying policy statement were modest supporting the notion that the Fed is inclined to continue raising interest rates at a gradual pace. In more detail, the Fed expressed its optimism over the US growth medium-term outlook and reiterated its assessment that risks appear roughly balanced. On the inflation front, the passage stating that "the Committee is monitoring inflation developments closely" was omitted while the Fed acknowledged that inflation rates "have moved close to 2 percent" and are "expected to run near the Committee's symmetric 2 percent objective over the medium term". The term "sympatric" has not been used in the policy statement so far, suggesting that the Central Bank is probably willing to tolerate a certain overshooting of the inflation target, particularly after such a long period of underperformance. As expected, this week's FOMC meeting was mostly a non-event for the markets. The USD retained a firm tone in early European trade on Thursday with the DXY index hovering around 95.577 at the time of writing, 0.1% firmer compared to yesterday's close but 0.3% weaker from a four-month intraday peak hit yesterday before the release of the FOMC statement. Turning to the US Treasury market, the yields of bonds with maturities up to five years fell slightly, whereas those with a maturity more than six years rose modestly with the 2/30yr yield spread steepening by 3.5bps over the last couple of sessions. According to the US Treasury's Q2 2018 refunding programme announced yesterday, the size for the auctions of nominal Treasury notes and bonds will be raised by \$1bn across the board while auction sizes for TIPS will remain unchanged. Furthermore, the Treasury intends to introduce a new 2-month bill later this year and is evaluating whether to add a second 5Y TIPS security per year. Looking at today's calendar, focus is on the preliminary estimate of euro area inflation in March which is expected to show a drop in core CPI to 0.9%YoY while the UK services PMI survey for April also lures market attention ahead of next week's BoE policy meeting.

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GREECE

According to press reports, at the upcoming 4th review that will begin on 14 May with the return of the institutions to Greece, the IMF will examine its participation in the programme through a Memorandum of Economic and Financial Policies (MEFP), which include the conditionality for Greece vis-à-vis the IMF. This will reportedly, among others, include provisions about the fiscal trajectory and the labour market. Meanwhile, according to press, German Finance Ministry spokesperson Dennis Kolberg stated that there are no commitments regarding debt relief for Greece and any such decisions will be made once Greece successfully concludes the 4th programme review. In other news, the BoD of PPC convenes today to decide the initiation of the divestiture process with the international public tender scheduled to be launched by 31st May 2018.

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Thursday 03 May 2018

Latest economic & market developments in the CESEE region

ROMANIA

According to the most recent announcement, the unemployment rate on a seasonally adjusted basis declined to 4.5% in March down from 4.6% in February and 5.2% a year ago compared to 7.1% in the EU-28. The number of unemployed persons declined to 415,000 in March down from 419,000 in February and 472,000 a year ago. This is the lowest unemployment rate on record and illustrative of the relative tight labor market conditions. The economy has been adding more than 100k jobs on an annual basis 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 8.5% YoY in January, touching single digit rates of expansion for the first time since October 2015.

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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	2.25	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



Credit Ratings

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

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2635.67	-0.7%	-1.4%
Nikkei 225	22472.78	-0.2%	-1.3%
STOXX 600	386.28	-0.3%	-0.7%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1997	0.4%	-0.1%
GBP/USD	1.3616	0.3%	0.7%
USD/JPY	109.66	0.2%	2.8%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.97	0	56
Bund-10yr	0.59	1	16
JGB - 10yr	0.05	0	0

Commodities

	Last	ΔD	ΔYTD
GOLD	1309	0.3%	0.5%
BRENT CRUDE	73	0.2%	9.9%
LMEX	3317	1.3%	-3.0%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.32	0	-20
1-week	2.42	0	-19
1-month	2.61	0	-24
3-month	2.86	0	-26
6-month	3.06	0	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.71	-1	-57
5Y RSD	4.08	#N/A N/A	-16
7Y RSD	4.53	#N/A N/A	-65

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.84	1	85
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

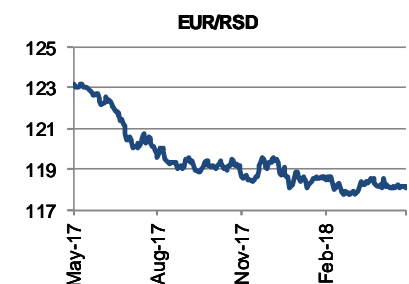
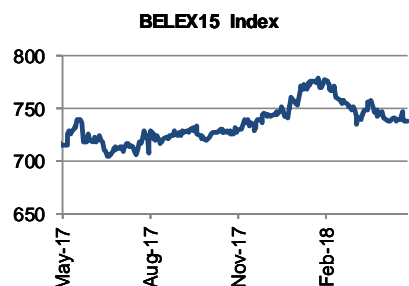
	Last	ΔDbps	ΔYTD bps
5-year	110	2	-8
10-year	157	1	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	738.7	0.03%	-2.77%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.35	-0.15%	0.48%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.48	0	139
1-month	2.48	4	61
3-month	2.49	2	44
6-month	2.58	1	31
12-month	2.68	1	36

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.53	0	15
5Y RON	4.21	0	43
10Y RON	4.58	0	27

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	#N/A N/A	-4
USD Jan-24	4.20	2	121

CDS

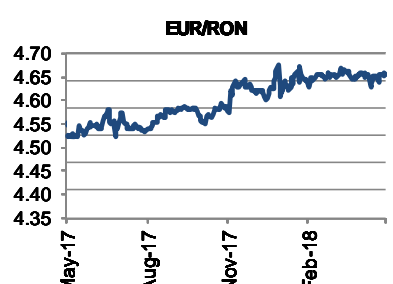
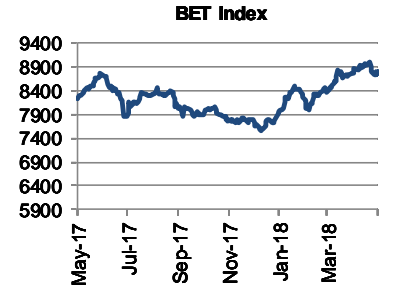
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	130	-1	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8787.0	0.64%	13.33%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6628	0.01%	0.04%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	0	-2
3-month	-0.20	0	-3
6-month	-0.08	0	-3
12-month	0.24	1	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.06	0	0
5Y BGN	0.20	0	6
10Y BGN	1.05	0	9

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.14	-1	22
EUR Sep-24	0.77	-1	20

CDS

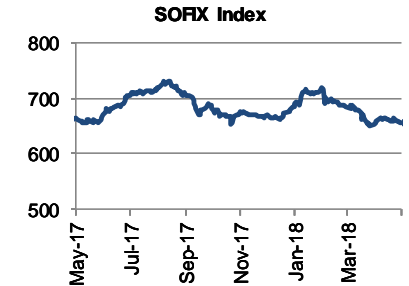
	Last	ΔDbps	ΔYTD bps
5-year	67	1	-29
10-year	108	0	-33

STOCKS

	Last	ΔD	ΔYTD
SOFIX	656.1	0.27%	-3.16%

FOREX

	0	ΔD	ΔYTD
USD/BGN	1.6301	0.40%	-0.04%



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