

Monday 04 June 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 5: ISM Non-manuf. (May)
- June 6: Trade balance (Apr.)
- June 7
 - Initial jobless claims (Jun. 2)
 - Consumer credit (Apr.)

EUROZONE

- June 4:
 - PPI (Apr.)
- June 5: Retail sales (Apr.)
- June 7: German industrial orders (Apr.)
- June 8
 - German trade balance (Apr.)
 - German & French industrial production (Apr.)

GREECE

- June 4: Q1 GDP (provisional estimate)
- June 7: Unemployment (Mar.)
- June 8
 - Industrial output (Apr.)
 - CPI (May)

SEE

BULGARIA

- June 7: GDP SA (Q1-2018, preliminary data)
- June 8:
 - Industrial Production (Apr)
 - Retail Sales (Apr)

ROMANIA

- June 4:
 - International Reserves (May)
 - PPI (Apr)
- June 5: Retail Sales (Apr)
- June 7: GDP SA (Q1-2018, provisional data)

SERBIA

- June 7
 - PPI (Apr)
 - NBS Meeting

CYPRUS

- June 5:
 - Registered Unemployment (May)
 - Tourism revenues (March)
- June 7: CPI (May)
- June 8: GDP SA (Q1-2018, provisional data)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity markets were firmer in early European trade on Monday and core government bond yields moved higher following the government formation in Italy and Friday's positive US non-farm payrolls report. However, even though the likelihood of repeat elections in Italy has been avoided, political uncertainty remains high. In FX markets, the EUR gained some ground but gains were limited on the back of the remaining political uncertainty in the EMU periphery and ongoing EU/US trade dispute following the US administration's decision not to renew the two-month exemption and impose as of June 1 duties on steel and aluminum EU imports.

GREECE: Washington Group talks this weekend failed to bridge differences between the IMF and Germany regarding the debt relief measures for Greece, with Germany rejecting the adoption of an automatic mechanism. As a result, it is highly unlikely that the Fund will participate financially in the programme. As regards the post-programme regime, in an interview, the Greek Finance Minister Euclid Tsakalotos insisted on his view that Greece is shielded against external crises, like the recent one in Italy, and will need no credit line once the programme expires.

SOUTH EASTERN EUROPE

BULGARIA: The blue chip index SOFIX inched lower by -0.65% for the week, while external and local currency government bond yields fluctuated within a tight range.

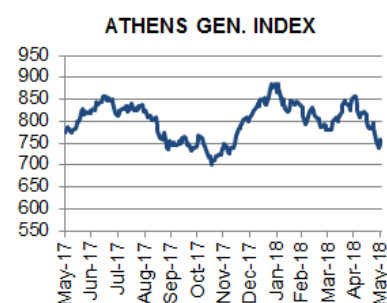
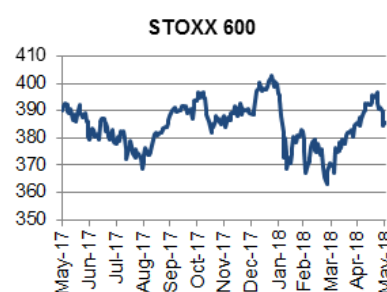
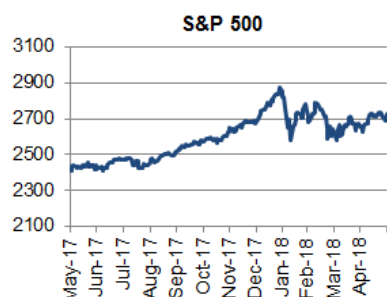
SERBIA: FDI inflows came at €600mn in the first quarter of the year.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets were firmer in early European trade on Monday and core government bond yields moved higher following the government formation in Italy supported by the Five Star Movement and League and Friday's positive US non-farm payrolls report. US non-farm payrolls increased by a higher than expected 223k in May while the respective figures of the prior two months were revised higher by 15k cumulatively. The unemployment rate unexpectedly dropped from 3.9% to 3.8%, the lowest since April 2000 and average hourly earnings rose to 2.7%YoY from 2.6%YoY in April, supporting the prevailing view for further gradual Fed rate tightening this year. The 10-yr Bund yield was around 1.5bps higher on the day at 0.39% and well above a multi-year low of 0.19% marked on May 29 when political uncertainty in Italy had intensified. In spite of today's upward move, the yield remained well below the recent intraday peak of 0.46% (May 25) on the view that, even though the likelihood of repeat elections has been avoided, political uncertainty in Italy remains high. The Five Star/League government programme that was presented in late May and envisions costly fiscal measures that could jeopardize Italy's fiscal sustainability and structural reforms that could put the new government on a collision course with European authorities, remains unchanged. The 10-yr Italian/German Bund yield spread was hovering around 218bps in European trade at the time of writing, down from an intraday peak of 322bps marked early last week albeit still above levels around 130/140bps recorded soon after the 4 March ballot. In FX markets, the EUR gained some ground favored by the formation of the new government in Italy but gains were limited on the back of the remaining political uncertainty in the EMU periphery and ongoing EU/US trade dispute following the US administration's decision not to renew the two-month exemption and impose as of June 1 duties on steel and aluminum EU imports.

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GREECE

Washington Group talks this weekend failed to bridge differences between the IMF and Germany regarding the debt relief measures for Greece, with Germany rejecting the adoption of an automatic mechanism. As a result, it is highly unlikely that the Fund will participate financially in the programme, but according to its representative in Greece, Michalis Psalidopoulos, it will remain involved and in the coming months it will release its Article IV Consultation on Greece, which will include a debt sustainability analysis (DSA). Mr. Psalidopoulos opined that that DSA will likely be positive including all new data up to the point of its release as well as potentially updated macroeconomic assumptions. Meanwhile, as regards the post-programme regime, in an interview, the Greek Finance Minister Euclid Tsakalotos insisted on his view that Greece is shielded against external crises, like the recent one in Italy, and will need no credit line once the programme expires. However, according to press reports, the apparent non-activation of the IMF's programme for Greece and the nature of the debt relief mechanism, which will most probably not be automatic, in conjunction with financial markets volatility will most likely lead to the postponement of another exit to the financial markets at least until September.

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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

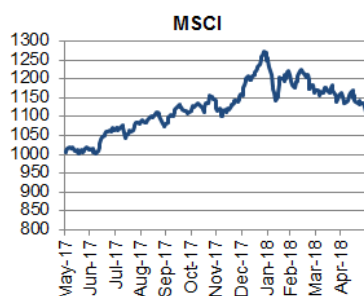
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	2.50	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

Credit Ratings

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

Latest economic & market developments in the CESEE region

BULGARIA*

The blue chip index SOFIX continued its downtrend by closing -0.65% lower for the week at 637.89 points, with trading turnover ending at €2.3mn. External government bonds continued to exhibit little to no changes with yields fluctuating within a range of 1-2 bps. Local bonds had a little more to show for, with the shorter end of the curve rising by 2-3 bps, while the longer maturity yields saw drops between 2-4 bps.

SERBIA*

According to the data, Serbia received €600mn foreign direct investment inflows in Q1-2018, 5% more compared to the same period in 2017. Along with strong greenfield investments, there are also signs of strong credit expansion. This is evidenced in the move of the NBS to keep draining out large amounts of Euros from banks' positions to accommodate their need to sell Euros in the domestic market in order to facilitate their lending activity, thus soothing pressure on dinar and preventing further appreciation. Only this week, NBS bought €110mn from banks closing every window of opportunity for the pair to dive below 118.00. On top of this, the allotment of 5Y and 10Y T-bonds is going way ahead of a plan leaving the second half of the year very shallow in both volume and number of new auctions. Moreover, Serbia has already fulfilled the 85% of re-financing needs for this year. Finally, on June 25th, Serbia will likely open two new chapters of EU membership process. So far, Serbia has opened 12 of the 35 chapters and managed to close only two.

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* We would like to thank Ruslan Raychev from Eurobank Bulgaria and Zoran Korac from Eurobank AD Beograd for their invaluable contribution in today's issue.

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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	2734.62	1.1%	2.3%	EUR/USD	1.1711	0.4%	-2.4%	UST - 10yr	2.91	1	51	GOLD	1294	0.0%	-0.7%
Nikkei 225	22475.94	1.4%	-1.3%	GBP/USD	1.3366	0.1%	-1.1%	Bund-10yr	0.40	1	-3	BRENT CRUDE	77	0.0%	14.9%
STOXX 600	388.68	0.5%	-0.1%	USD/JPY	109.49	0.1%	2.9%	JGB - 10yr	0.05	0	0	LMEX	3371	0.6%	-1.4%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.41	0	-20
1-month	2.58	0	-27
3-month	2.86	0	-26
6-month	3.05	0	-19

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.56	0	-71
5Y RSD	3.89	-8	-35
7Y RSD	4.41	0	-77

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.00	0	101
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

	Last	ΔDbps	ΔYTD bps
5-year	116	2	-1
10-year	163	2	1

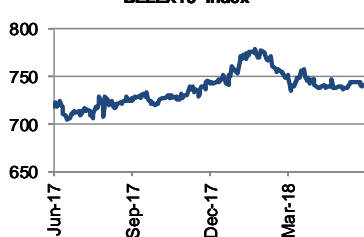
STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.5	-0.07%	-2.54%

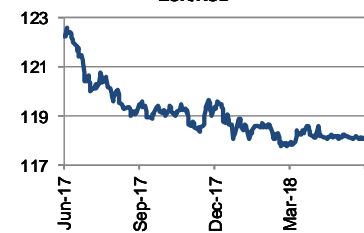
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.63	-0.52%	0.23%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.93	#VALUE!	184
1-month	2.89	#VALUE!	102
3-month	2.85	#VALUE!	80
6-month	2.96	#VALUE!	69
12-month	3.07	#VALUE!	75

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	#N/A N/A	-2
USD Jan-24	4.16	0	116

CDS

	Last	ΔDbps	ΔYTD bps
5-year	99	-1	9
10-year	144	-1	10

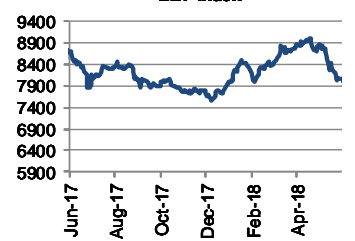
STOCKS

	Last	ΔD	ΔYTD
BET	8056.0	-0.30%	3.90%

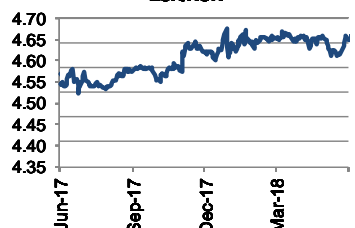
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.658	0.14%	0.15%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.01	0	1
1-month	-0.30	-1	-5
3-month	-0.23	-1	-5
6-month	-0.13	-3	-8
12-month	0.23	-1	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.06	2	0
5Y BGN	0.17	1	2
10Y BGN	1.05	0	9

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.10	0	18
EUR Sep-24	0.73	22	15

CDS

	Last	ΔDbps	ΔYTD bps
5-year	78	1	-19
10-year	123	2	-18

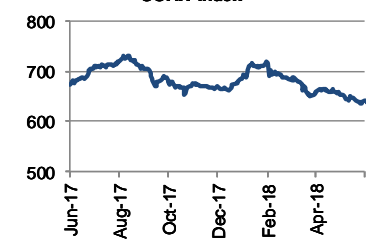
STOCKS

	Last	ΔD	ΔYTD
SOFIX	640.1	0.34%	-5.52%

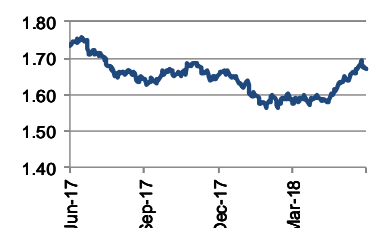
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6701	0.44%	-2.44%

SOFIX Index



USD/BGN



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

Data updated as of 12:00 EEST

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