

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: Last week's better than expected US non-farm payrolls supported market optimism over the growth prospects of the world's biggest economy, shifting market focus away from recent trade tensions following the US administration's decision to impose tariffs as of 1st June on steel and aluminum imports from the EU, Canada and Mexico. Easing political tensions in Italy following the formation of a Five Star Movement/League coalition government, averting the likelihood of a snap election that - judging from recent opinion polls - could have strengthened the popularity rate of the two anti-establishment parties, have also had a significant impact. With risk aversion ebbing, core government bond yields moved higher. In FX markets, the USD was firmer against both the JPY and the EUR supported by higher UST yields.

GREECE: Discussions on the potential debt relief measures for Greece are expected to continue at the Euroworking Group on Thursday although the narrowing time horizon makes it all the more unlikely for the IMF to financially participate in Greece's programme. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) the available seasonally adjusted data indicate that Q1-2018 GDP in volume terms increased by 0.8% QoQ and 2.3% YoY.

SOUTH EASTERN EUROPE

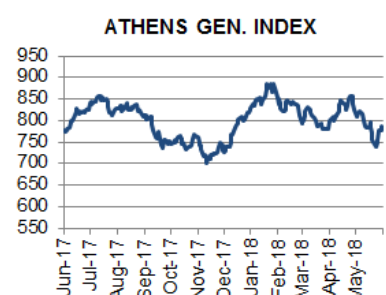
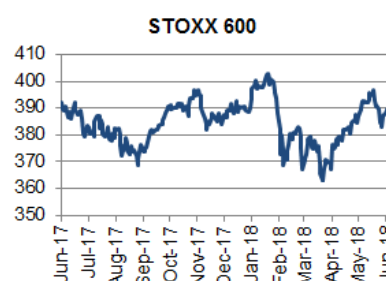
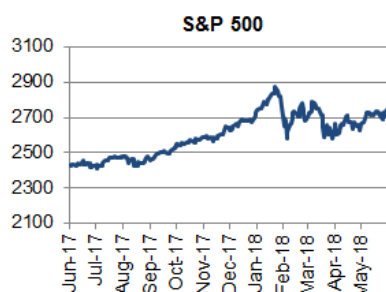
BULGARIA: S&P affirmed the long term sovereign rating of the country at BBB-, revising the outlook from stable to positive.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Last week's better than expected US non-farm payrolls supported market optimism over the growth prospects of the world's biggest economy, shifting market focus away from recent trade tensions following the US administration's decision to impose as of 1st June tariffs on steel and aluminum imports from the EU, Canada and Mexico. Easing political tensions in Italy following the formation of a Five Star Movement/League coalition government, averting the likelihood of a snap election that - judging from recent opinion polls - could have strengthened the popularity rate of the two anti-establishment parties, have also had a significant impact. The government will face a confidence vote in the Senate later today and the lower house tomorrow where it is expected to comfortably pass as the two parties enjoy a majority, albeit slim, in both houses. With risk aversion ebbing, core government bond yields moved higher this week with the 10-yr UST yielding levels close to 2.94% at the time of writing in early European trade, close to Monday's multi-session intraday high of 2.95% and up 8bps from a six-week low marked mid last week when political uncertainty in Italy had intensified. Higher UST yields pushed the USD to a two-week high of 110.00 against the JPY earlier today and the EUR/USD lost 0.3% compared to yesterday's multi-session high of 1.1744. On today's data front, major releases include the US non-manufacturing ISM for May which is expected to edge up to 57.0 from 56.8 in the prior month, pointing to an ongoing recovery in the sector. In the UK, the services PMI is expected to slightly improve from April's 52.9 to 53.0 in May following a drop to a two-year low of 51.7 in March mainly on the back of one-off adverse factors such as early timing of Easter and weather. Aiming to assess whether the softness in Q1 GDP was temporary or more fundamental factors are at play, the BoE is also expected to pay attention on next week's retail sales ahead of its upcoming monetary policy meeting on 21st June. However, as we approach the key 28/29 EU Summit, market focus is expected to turn to Brexit negotiations where any positive development could potentially offset any negative surprise from upcoming data releases.

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GREECE

Discussions on the potential debt relief measures for Greece are expected to continue at the Euroworking Group on Thursday although the narrowing time horizon makes it all the more unlikely for the IMF to financially participate in Greece's programme. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) the available seasonally adjusted data indicate that Q1-2018 GDP in volume terms increased by 0.8% QoQ and 2.3% YoY. As regards the GDP components: total final consumption expenditure increased by 0.1%QoQ and decreased by 0.3%YoY, gross fixed capital formation decreased by 28.1%QoQ and by 10.4%YoY, exports of goods and services increased by 1.4%QoQ and 7.6%YoY and imports of goods and services decreased by 2.7%QoQ and 2.8%YoY.

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Tuesday 05 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

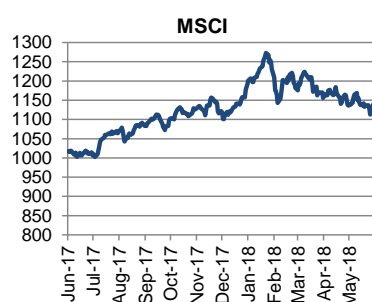
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

On Friday evening, both S&P and Fitch maintained the long term sovereign rating of the country unchanged at BBB- and BBB respectively in their semi-annual review. However, S&P revised the outlook from stable to positive citing the successful improvement of the domestic financial conditions and strengthening of the fiscal and external buffers in the country. Moreover, S&P noted that the affirmation of Bulgaria's rating at BBB- was a result of the country's sustained fiscal policy prudence and sound external performance. According to S&P, GDP growth will accelerate to 3.9% YoY in 2018 compared to 3.6% YoY in 2017, driven by growing domestic demand, exports and supportive lending conditions. The rating agency tied future upgrade in the sovereign rating upon further improvement in the non-performing loans (NPLs) of the domestic banking sector. Upward revisions of Bulgaria's sovereign rating would also be possible if the government succeeds in improving fiscal performance surpassing the current forecasts and if Bulgaria manages to enter the ERM-II. On the other hand, Fitch cited behind its decision the sound sovereign balance sheet, alongside with the government's credible policy aiming at ensuring Bulgaria's gradual integration in the Eurozone. Moreover, Fitch projected a slightly lower GDP growth of 3.4% in 2018-19. Finally, Fitch tied future rating upgrades upon stronger –above potential-growth performance in the mid-term, and a noticeable convergence towards income levels of higher rate peers.

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Tuesday 05 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	2746.87	0.4%	2.7%	EUR/USD	1.1683	-0.1%	-2.7%	UST - 10yr	2.92	-2	52	GOLD	1291	-0.1%	-0.9%
Nikkei 225	22539.54	0.3%	-1.0%	GBP/USD	1.3365	0.4%	-1.2%	Bund-10yr	0.40	-2	-3	BRENT CRUDE	74	-1.3%	11.1%
STOXX 600	389.41	0.3%	0.1%	USD/JPY	109.79	0.0%	2.6%	JGB - 10yr	0.05	0	1	LMEX	3402	0.9%	-0.5%

SERBIA

BELIBOR			
	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.41	0	-20
1-month	2.59	0	-26
3-month	2.87	0	-25
6-month	3.05	0	-19

RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.53	#N/A N/A	-74
5Y RSD	3.91	2	-33
7Y RSD	4.41	#N/A N/A	-77

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.97	0	98
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	116	-1	-2
10-year	163	0	1

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	746.1	0.14%	-1.81%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.05	0.40%	0.73%

ROMANIA

ROBOR			
	Last	ΔDbps	ΔYTD bps
O/N	2.94	1	185
1-month	2.89	0	102
3-month	2.85	0	80
6-month	2.96	0	69
12-month	3.06	-1	74

RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.98	0	60
5Y RON	4.55	0	77
10Y RON	4.94	0	63

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	#N/A N/A	-2
USD Jan-24	4.19	5	119

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	99	0	9
10-year	143	-1	10

STOCKS			
	Last	ΔD	ΔYTD
BET	8211.2	1.46%	5.90%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6514	0.13%	0.29%

BULGARIA

SOFIBOR			
	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.30	0	-5
3-month	-0.23	0	-5
6-month	-0.12	1	-7
12-month	0.22	-1	-10

BG Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.03	4	3
5Y BGN	0.18	2	3
10Y BGN	1.04	0	7

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.10	-2	18
EUR Sep-24	0.73	-7	15

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-19
10-year	123	0	-18

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	635.2	-0.49%	-6.24%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.674	-0.12%	-2.66%

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 14:00 EEST

Tuesday 05 June 2018

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