

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- May 7: Consumer credit (Mar)
- May 8: Fed's Powell speaks at IMF/SNB Conference
- May 10
  - CPI (Apr)
  - Initial jobless claims (May 5)
- May 11: UM consumer confidence (May)

#### EUROZONE

- May 5: DE: Industrial orders (Mar)
- May 6
  - DE: Industrial production (Mar)
  - DE: Trade balance (Mar)
- May 10: ECB publishes Economic Bulletin

#### UK

- May 10
  - Industrial production (Mar)
  - Trade balance (Mar)
  - BoE MPC meeting
  - BoE Inflation Report

#### SEE

##### BULGARIA

- May 9
  - Industrial production (Mar)
  - Retail sales (Mar)
- May 11: Trade balance (Mar)

##### ROMANIA

- May 7
  - T-bonds auction
  - MPC announcement
- May 9: Net wages (Mar)
- May 10: Trade balance (Mar)
- May 11: Industrial production/sales (Mar)

##### SERBIA

- May 7: PPI index (Apr)
- May 8: T-bonds auction
- May 10: MPC announcement
- May 11: HICP (Apr)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US total non-farm payrolls rose by a lower than expected 164k in April and the unemployment rate fell to 3.9%, the lowest since December 2000. However, average hourly earnings rose by just 0.1% mom leaving the annual rate unchanged at 2.6% against consensus for acceleration at 2.7%. Nevertheless, as was reflected in the FOMC's May statement, inflation risks seem to be skewed to the upside. As a result, market expectations for a further gradual rise in Fed interest rates remained intact. Against this background, the USD retained a firm tone and USTs gains in response to US employment data were short-lived. Looking at this week's calendar, the BoE's "Super Thursday" with the MPC meeting and the release of the new inflation Report will probably be the main event.

**GREECE:** According to the European Central Bank, the results of the 2018 EBA Stress test for the 4 Greek systemic Banks show that the average capital depletion under the adverse scenario, which covered a three-year period (up to 2020) and assumed static (end of 2017) balance sheets, was 9.00 percentage points (EUR15.5 bn).

### SOUTH EASTERN EUROPE

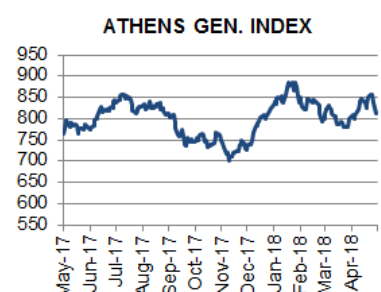
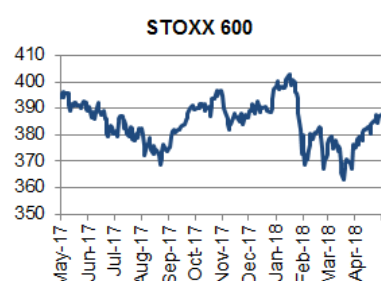
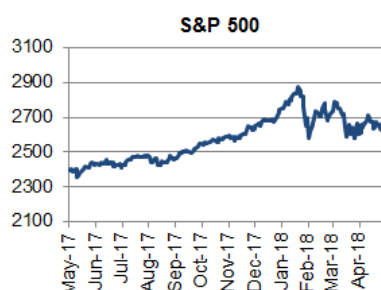
**SERBIA:** The EUR/RSD remained bound within a tight range of 118.00/20-118.10/30 last week, against a backdrop of very low trading volumes. In other news, the European Commission (EC) is forecasting Serbia's 2018 economic growth to accelerate to 3.3% this year, according to the Spring 2018 Economic Forecast.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US total non-farm payrolls surprised to the downside rising by a lower than expected 164k in April. However, this was partially offset by a 30k upward revision of the gains in the prior two months. The unemployment rate fell more than anticipated at 3.9%, the lowest since December 2000 following six months at 4.1%. However, average hourly earnings rose by just 0.1%mom from 0.2%mom in March leaving the annual rate unchanged at 2.6% against consensus for acceleration at 2.7%. Nevertheless, as was reflected in the FOMC's May statement, inflation risks seem to be skewed to the upside as the labor market continues to improve and other indicators —such as the unit labor cost index which rose to a ten-year high of 2.7%YoY in Q1 2018— suggest a somewhat stronger increase in wage pressure mainly on the back of supply worker shortages. As a result, market expectations for a further gradual rise in Fed interest rates remained intact. Against this background, the USD retained a firm tone with the DXY index hovering around Friday's post-non-farm payrolls four-month high of 92.900, standing around 3.5% higher since mid-April. Turning to bond markets, USTs gains in response to US employment data were short-lived with the 10-yr yield standing close to 2.96% at the time of writing, c. 4.5bps higher from Friday's two-week lows. In other news, Brent price rose to a fresh 3 ½ year high close to \$76/br earlier today on the back of an unexpected sharp drop in Venezuelan oil output and fears over US sanctions against Iran (the US President will decide by May 12 whether to extend US sanctions relief granted to Iran under its 2015 nuclear deal or withdraw from the deal and re-impose US sanctions lifted in early 2016). Looking at this week's calendar, the BoE's "Super Thursday" with the MPC meeting and the release of the new inflation Report will probably be the main event. Following a recent string of disappointing UK data, an unchanged bank rate at 0.50% seems the most likely scenario. In terms of data, key releases include the US April CPI report (Thursday) and US May UM consumer sentiment (Friday).

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### GREECE

According to the European Central Bank (ECB), the results of the 2018 EBA Stress test for the 4 Greek systemic Banks show that the average capital depletion in terms of the CET1 ratio and under the adverse scenario, which covered a three-year period (up to 2020) and assumed static (end of 2017) IFRS9 restated balance sheets, was 9.00 percentage points (EUR15.5 bn). The capital depletion stood at 8.56 percentage points for Alpha Bank (CET1 ratio from 20.37% in the baseline to 9.69% in the adverse scenario), 8.68 percentage points for Eurobank-Ergasias (CET1 ratio from 16.56% in the baseline to 6.75% in the adverse scenario), 9.56 percentage points for the National Bank of Greece (CET1 ratio from 15.99% in the baseline to 6.92% in the adverse scenario) and 8.95 percentage points for Piraeus Bank (CET1 ratio from 14.52% in the baseline to 5.90% in the adverse scenario). The stress tests for the Greek systemic banks were conducted in the framework of the respective EBA2018 stress test exercise but the respective results were published on May 5 2018 well ahead of the end of the 3rd Economic Adjustment Programme for Greece in order to provide the necessary time for any necessary action in the banking system if needed. The results of the 2018 EBA Stress tests for the remaining euroarea significant banking institutions will be published in October 2018. According to the ECB, a) the stress test were not a pass or fail exercise as no predetermined capital thresholds that would trigger a need for recapitalization were specified and b) due to the static balance sheet assumption, divestments not completed before end-2017 were not taken into account in the stress test, even if already agreed upon which might have resulted in lower capital ratios than if divestments with a positive capital impact had been considered.

Monday 07 May 2018

## Latest economic & market developments in the CESEE region

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

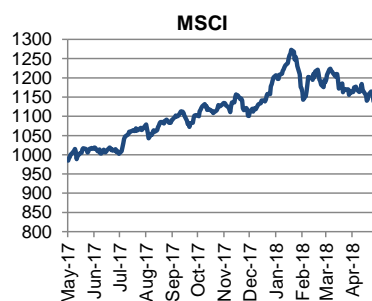
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

\* 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



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

### SERBIA

The EUR/RSD remained bound within a tight range of 118.00/20-118.10/30 last week, against a backdrop of very low trading volumes. The National bank of Serbia (NBS) continued with its routine of buying euros directly in the FX market, intervening for the fifth consecutive session on Friday in order to alleviate persisting downside pressures on the pair. This time, NBS bought €15mn, mostly between 118.15 and 118.25, bringing the total amount of EUR purchases to €795mn so far this year.

In other news, the European Commission (EC) is forecasting Serbia's 2018 economic growth to accelerate to 3.3% this year, according to the Spring 2018 Economic Forecast. Serbia's GDP is projected to pick up further pace to 3.5% in 2019. EC expects domestic demand to strengthen further on the back of buoyant consumption and investment activity, supported by continuous foreign direct investment inflows. Exports are penciled to increase by 9.7% in 2018 and 8.8% in 2019, whilst imports are seen rising by 9.4% in 2018 and 7.6% in 2019. According to the same report, inflation will slowly return to the center of target tolerance band of 3±1.5% and the budget balance is set to remain in surplus this year and the next, amid still non-negligible fiscal risks. Moreover, the unemployment rate is expected to fall to 12.1% in 2018 from last year's 13.6%, and ease further, to 10%, in 2019.

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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	2663.42	1.3%	-0.4%	EUR/USD	1.193	-0.3%	-0.6%	UST - 10yr	2.96	1	55	GOLD	1314	-0.1%	0.8%
Nikkei 225	22467.16	0.0%	-1.3%	GBP/USD	1.3536	0.0%	0.1%	Bund-10yr	0.53	-1	11	BRENT CRUDE	76	0.9%	13.0%
STOXX 600	387.58	0.1%	-0.4%	USD/JPY	109.31	-0.2%	3.1%	JGB - 10yr	0.05	0	0	LMEX	3339	1.4%	-2.3%

### SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	0	-18
1-week	2.44	0	-17
1-month	2.63	0	-22
3-month	2.89	0	-23
6-month	3.08	0	-16

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.55	0	-73
5Y RSD	4.09	1	-15
7Y RSD	4.54	0	-64

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.95	0	95
USD Nov-24	#N/A N/A	#N/A N/A	-13164

#### CDS

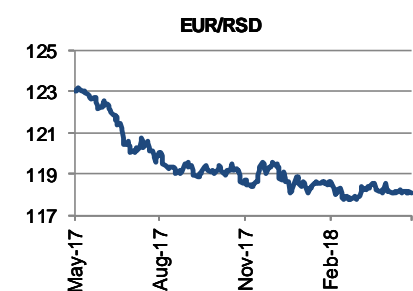
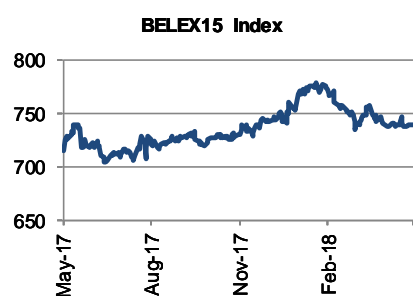
	Last	ΔDbps	ΔYTD bps
5-year	112	1	-6
10-year	160	2	-2

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.3	-0.06%	-2.70%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.05	0.13%	0.73%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.52	2	143
1-month	2.51	0	64
3-month	2.54	0	49
6-month	2.63	-2	36
12-month	2.73	-1	41

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.61	0	23
5Y RON	4.27	0	49
10Y RON	4.65	0	34

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	#N/A N/A	-4
USD Jan-24	4.21	0	122

#### CDS

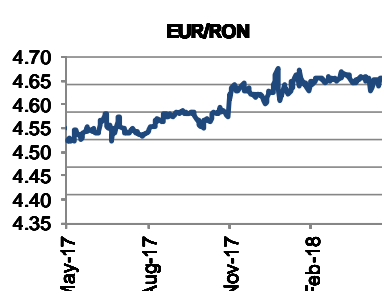
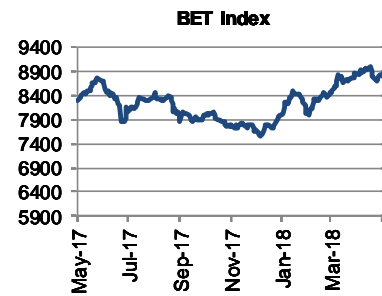
	Last	ΔDbps	ΔYTD bps
5-year	90	2	0
10-year	133	2	-1

#### STOCKS

	Last	ΔD	ΔYTD
BET	8832.2	0.50%	13.91%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6552	0.09%	0.21%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.30	0	-4
3-month	-0.21	0	-3
6-month	-0.08	0	-3
12-month	0.24	0	-8

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	2	1
5Y BGN	0.19	0	5
10Y BGN	1.07	0	11

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.14	0	22
EUR Sep-24	0.79	-12	21

#### CDS

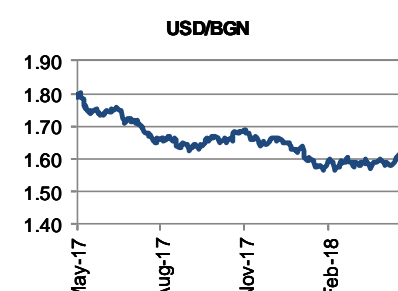
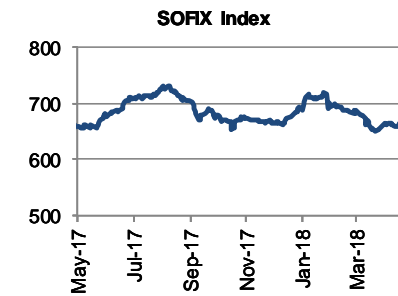
	Last	ΔDbps	ΔYTD bps
5-year	69	1	-27
10-year	110	0	-31

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	652.9	-0.90%	-3.63%

#### FOREX

	0	ΔD	ΔYTD
USD/BGN	1.6357	-0.02%	-0.39%



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

Data updated as of 12:10 EEST

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