

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 President Donald Trump announced in a televised speech late yesterday his decision to withdraw the US from the Joint Comprehensive Plan of Action (aka Iran nuclear deal) that was agreed in July 2015, calling it a "decaying and rotten structure". Amid heightened supply jitters, Brent crude oil rose 2% on the day hitting a fresh 3½ year high of \$77.20/br earlier today and marking cumulative gains of 15% so far this year. In reaction to the above, Bund and US Treasury yields came under upward pressure with long-dated paper underperforming on increased inflation woes. Turning to EMU periphery sovereign bonds, focus remains on Italy amid increased uncertainty on the domestic political outlook.

GREECE: According to press sources, out of the 88 prior actions attached to the 4th programme review, only 10 have so far been fulfilled while some of the remaining ones are considered quite difficult politically (pensions, VAT, property tax, state arrears, arbitration in the labour market, representation in collective agreements, performance assessment in the public sector, privatisations, etc.). The institutions' representatives are expected to return to Athens on 14 May with a view to reaching a staff level agreement at the 24 May Eurogroup.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded mixed earlier on Wednesday as a stronger USD and rising UST yields continued to weigh on risky assets. News that the US is pulling out of the Iran nuclear deal also had a negative impact on risk appetite. In other news, Serbian Finance Minister Dusan Vujovic announced yesterday his decision to resign from his post citing personal reasons. Meanwhile, Argentina is reportedly seeking a precautionary assistance programme from the IMF.

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Latest world economic & market developments

GLOBAL MARKETS

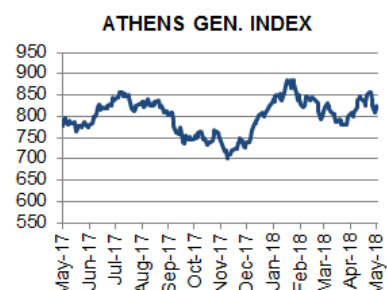
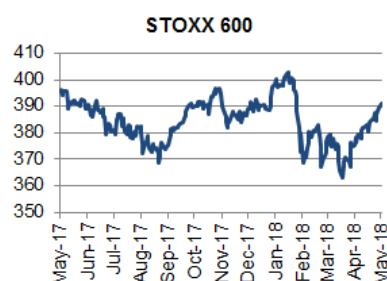
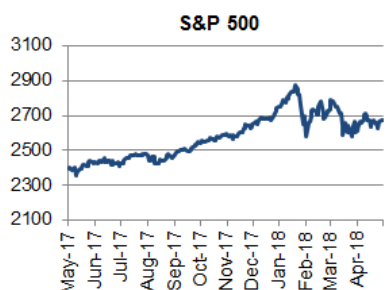
US President Donald Trump announced in a televised speech late yesterday his decision to withdraw the US from the Joint Comprehensive Plan of Action (aka Iran nuclear deal) that was agreed in July 2015, calling it a "decaying and rotten structure". He also announced the re-imposition of a wide range of sanctions that were waived under the accord in January 2016, most notably on the petroleum sector, after the expiry of 90- and 180-day wind-down periods (ending on August 6 and November 4, respectively). Amid heightened supply jitters, Brent crude oil rose 2% on the day hitting a fresh 3 ½ year high of \$77.20/br earlier today and marking cumulative gains of 15% so far this year. In reaction to the above, Bund and US Treasury yields came under upward pressure with long-dated paper underperforming on increased inflation woes. The 10-yr US yield rose by more than 4bps on the day and moved back above 3.0% in early European trade, approaching the late April peak of 3.035%, while its German counterpart was hovering around a multi-session high of 0.586% at the time of writing. Turning to EMU periphery sovereign bonds, focus remains on Italy with the 10-yr bond yield standing close to 1.850%, 5.6bps higher so far this week and not far from a 1½ month intraday high of 1.871% hit earlier today amid increased uncertainty on the domestic political outlook. President Sergio Mattarella is expected to nominate the new prime minister later today before the government of national unity faces a confidence vote in both chambers early next week. However, after the leaders of the two largest parties, the 5-Star Movement and the League, made clear that they prefer snap elections, the technocrat government is likely to lose the vote. Should this be the case, Mr. Mattarella will dissolve parliament and call for a new election under the existing voting system, a development that would entail a high risk the inconclusive outcome from the 4 March poll be repeated.

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GREECE

According to press sources, out of the 88 prior actions attached to the 4th programme review, only 10 have so far been fulfilled. Meanwhile, some of the remaining ones are considered quite difficult politically, namely: a) recalculation of pensions and recalibration of benefits, b) legislation to adjust property tax rates and make adjustments to the tax base in a revenue neutral way regarding property tax ENFIA, c) elimination of VAT discounts on the remaining islands by end-June 2018, d) clearance of all state arrears to the private sector, e) issuance of Ministerial Decision setting all the details for the awarding of the pensioners' social solidarity grant (EKAS) in 2019, f) review of the current procedures for mediation and arbitration in the labour market, g) development of a reliable administrative mechanism to assess the representativeness of sectoral collective agreements, h) appointment of Directors General and Secretaries in the public sector and assessment of public sector employees through the electronic platform, i) adoption of legislation to bring forward, if needed, the implementation of the personal income tax measures to 2019, and j) acceleration of the privatisations programme (PPC, DEPA, HELPE, Egnatia motorway, etc.). In any case, the institutions' representatives are expected to return to Athens on 14 May with a view to reaching a staff level agreement at the 24 May Eurogroup.

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Source: Reuters, Bloomberg, Eurobank Research

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets traded mixed earlier on Wednesday as a stronger USD and rising UST yields continued to weigh on risky assets. News that the US is pulling out of the Iran nuclear deal also had a negative impact on risk appetite.

In FX markets, the Turkish lira reached a new record low near 4.3735 against the US dollar in Asian trade today, before recovering by ca 1% on the day following news that President Tayyip Erdogan will hold a meeting with his economic advisors to discuss the domestic currency and economy. Having registered hefty losses since late April, which brought the currency's decline to more than 20% year-to-date, the Argentinian peso also hit record lows at 23.10/\$ yesterday, despite repeated rate tightening by the Central Bank. News that the country is reportedly seeking a precautionary assistance programme from the IMF provided some support.

In other news, Serbian Finance Minister Dusan Vujovic announced yesterday his decision to resign from his post citing personal reasons. The news came a day after the country began discussions with the International Monetary Fund on a new arrangement, which is expected to be of a non-financial form. No formal announcement has been made on his successor. However, local media speculate Belgrade Mayor Sinisa Mali, who in the past had served as an economic advisor to President Aleksandar Vucic. The news does create some uncertainty as to whether the new finance minister will continue along his predecessor's fiscal consolidation path or follow a more populist approach. The impact of Vujovic's resignation on domestic financial markets was limited with the dinar trading flat over the last two sessions to stand around levels of 118.15/€ today in European markets.

In the local rates markets, Serbia's finance ministry sold on Tuesday RSD 9.8bn (~€83mn) in a re-tap of 5-Year T-Notes. According to the finance ministry the amount sold matched 21.81% of the target. The average accepted yield came in at 4.15% yesterday, in line with that achieved at the last two auctions of the same paper held on April 10 and 24.

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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

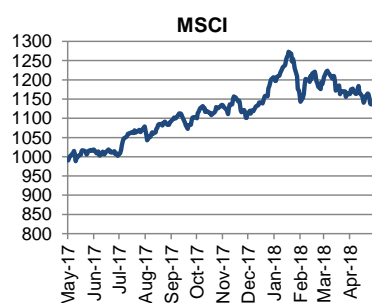
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* 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+

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2671.92	0.0%	-0.1%
Nikkei 225	22408.88	-0.4%	-1.6%
STOXX 600	391.15	0.3%	0.5%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1861	0.0%	-1.2%
GBP/USD	1.3543	0.0%	0.2%
USD/JPY	109.68	-0.5%	2.7%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	3.01	3	60
Bund-10yr	0.58	2	15
JGB - 10yr	0.05	0	1

Commodities

	Last	ΔD	ΔYTD
GOLD	1307	-0.6%	0.3%
BRENT CRUDE	77	2.6%	14.8%
LMEX	3316	-0.7%	-3.0%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	-2	-22
1-week	2.41	-1	-20
1-month	2.60	0	-25
3-month	2.86	0	-26
6-month	3.06	0	-18

RS Local Bonds

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

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.01	2	101
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

	Last	ΔDbps	ΔYTD bps
5-year	113	1	-4
10-year	161	2	-1

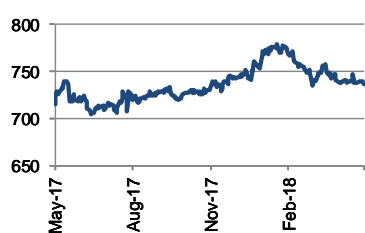
STOCKS

	Last	ΔD	ΔYTD
BELEX15	737.7	0.13%	-2.91%

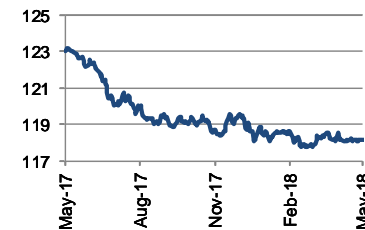
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.21	-0.08%	0.59%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.72	7	163
1-month	2.7	5	83
3-month	2.73	5	68
6-month	2.87	7	60
12-month	2.96	10	64

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.74	0	35
5Y RON	4.38	0	60
10Y RON	4.76	0	45

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	4
USD Jan-24	4.29	3	129

CDS

	Last	ΔDbps	ΔYTD bps
5-year	92	2	2
10-year	136	3	3

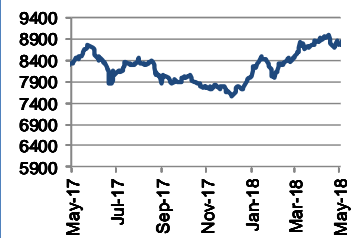
STOCKS

	Last	ΔD	ΔYTD
BET	8774.3	0.13%	13.16%

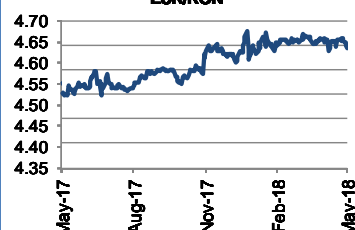
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6448	0.13%	0.43%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.01	0	1
1-month	-0.29	-1	-3
3-month	-0.21	0	-3
6-month	-0.08	0	-3
12-month	0.24	-1	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	1	2
5Y BGN	0.19	0	5
10Y BGN	1.07	0	10

BG Eurobonds

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

CDS

	Last	ΔDbps	ΔYTD bps
5-year	71	2	-25
10-year	113	2	-29

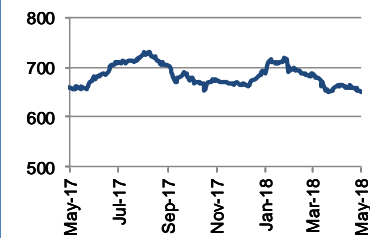
STOCKS

	Last	ΔD	ΔYTD
SOFIX	649.0	-0.61%	-4.20%

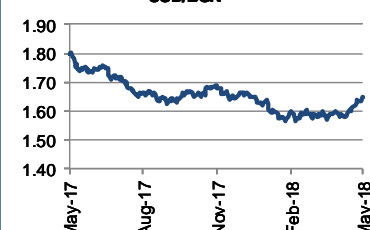
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6491	-0.04%	-1.19%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 13:20 EEST

Wednesday 09 May 2018

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