

### 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 Treasuries retained a positive tone in European trade favored by weaker-than-expected core US inflation data, which supported the view that inflation is increasing but not so rapidly that the Fed would have to pursue a more aggressive rate tightening path. Meanwhile, the Dollar Index (DXY) was little changed on the day and 0.8% below Wednesday's multi-month intraday high, albeit still up on a weekly basis.

**GREECE:** According to the monthly labour force survey (ELSTAT data), the unemployment rate in Greece stood at 20.8% in Feb-18 (seasonally adjusted data).

### SOUTH EASTERN EUROPE

**ROMANIA:** The updated NBR inflation report upgraded the year end forecast from 3.5% to 3.6% in 2018 and trimmed that of 2019 by 0.1ppts to 3%. The latest industrial production data point to softer GDP data in the first quarter of the year.

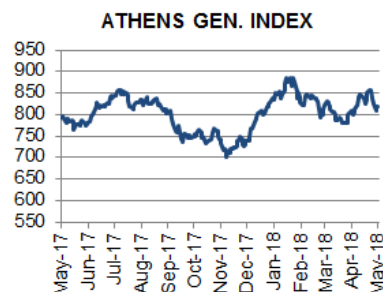
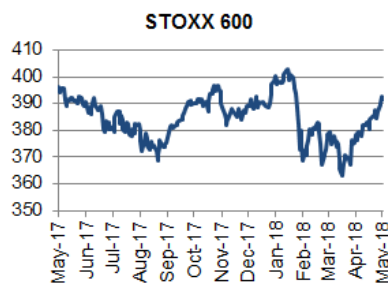
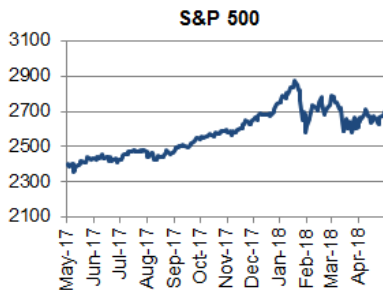
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Friday 11 May 2018

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasuries retained a positive tone in European trade favored by weaker-than-expected core US inflation data, which supported the view that inflation is increasing but not so rapidly that the Fed would have to pursue a more aggressive rate tightening path. US core CPI edged up 0.1% mom in April following two successive monthly increases of 0.2% mom, with the annual rate rising 2.1%, matching the March increase, against expectations for an acceleration to 2.2%, as both core goods and services disappointed. The 10-yr yield dipped further back below 3.0% at 2.95% in early European trade at the time of writing, c. 1.5bps lower on the day and near 6bps below Wednesday's multi-session closing high. On the view that US April CPI data is not too weak to derail the expected June rate hike, the 2/10-yr yield curve undertook some further flattening to a multi-year low close to 41.5bps. In FX markets, the DXY was little changed on the day and 0.8% below Wednesday's 4 ½ month intraday high of 93.416, on the back of softer-than-expected US inflation data, albeit still up 0.1% on a weekly basis, the fourth straight week of gains -if sustained- by the end of the day. The EUR/USD rebounded back above 1.1900, while the GBP/USD was just 0.5% higher from yesterday's four-month low of 1.3457 after the BoE decided at the 10 May MPC meeting to keep interest rates steady on the back of weaker-than-expected UK growth and inflation data. The 2018 GDP growth forecast was revised lower at 1.4% from 1.8% previously, with the accompanying Inflation Report making clear that household consumption remains a key risk to UK growth prospects. Meanwhile, EMU periphery sovereign bond yields were lower 2-8bps on the day with Italy's 10-yr yield standing at 1.9%, 3.6bps below Thursday's six-week high. In spite of today's move, it is still poised for a weekly rise of more than 10bps amid worries over rising fiscal risks and unwinding of past reforms as the Five Star Movement (M5S) and the League have edged closer towards forming a government.

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### GREECE

According to the monthly labour force survey (ELSTAT data), the unemployment rate in Greece stood at 20.8% in Feb-18 (seasonally adjusted data). On a monthly basis it increased marginally by 0.1 ppts and on annual basis it decreased by -1.8 ppts. The annual % change (YoY%) of employment decelerated to 0.9% from 2.5% in Jan-18. Relative to the peak of Jul-13, i.e. 27.9%, the drop in the unemployment rate stands at 7.2 ppts. Nevertheless, the current rate still remains the highest among EU-28 countries (EU-28 average 7.1%).

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## 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

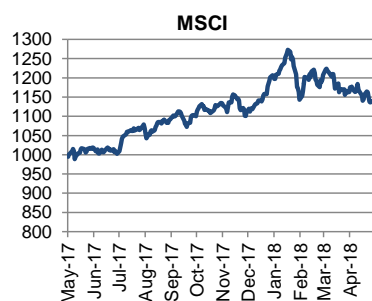
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

\* 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+

### ROMANIA

The NBR Governor, Mr. Mugur Isarescu, presented yesterday the updated May inflation report which contains the new consumer prices forecasts. NBR revised upwards the year end inflation forecast from 3.5% to 3.6% and trimmed that of 2019 by 0.1ppts to 3%. The Governor highlighted the role of excess demand that puts pressure on the current account deficit and the impact of frequent fiscal policy changes on the inflation outlook and the achievement of inflation targets. In early May, the NBR decided to increase the key policy rate (KPR) by another 25 bps to 2.50%, maintained MRRs for both FX and RON denominated liabilities at 8% in an unanimously endorsed by board members decision. The NBR decision came in the aftermath of headline inflation reaching a new five year high (5.0% YoY in March up from +4.7% YoY in February), in a move further above the upper bound of the NBR's target interval (2.5+1%). The adjusted Core CPI index (excluding administered and volatile prices, alcohol and tobacco) also increased over the same month, to 3.0% YoY from 2.9% YoY in February, marking the highest level since June 2013, in an illustration of underlying demand side pressures. The NBR has delivered three 25bps rate hikes so far this year and stayed put on its monetary policy in the previous meeting in early April. Nevertheless, the NBR announced and held in mid-April a one week tenor deposit tender for banks for the first time since Jan2011. The liquidity absorbing operation, a de-facto tightening tool, had mopped out RON18.7bn from the money market at a rate of 2.55%.

Meanwhile, softer high-frequency data are coming out pointing to a sharp deceleration in the first quarter of 2018. After two consecutive monthly decreases, industrial production expanded by +0.4% MoM/+4.0% YoY in March compared to -0.7% MoM/+6.7% YoY in February. Overall, industrial production has slowed down to 6.3% YoY in the first three months of the year from 8.6% YoY on average in FY2017. The rapidly decelerating industry dynamics are also evident in the latest DG ECFIN sentiment survey, in which industrial confidence retreated to 0.0 in April down from 0.6 in the prior month, 1.6 in February and 2.0 in January.

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Friday 11 May 2018

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2723.07	0.9%	1.8%
Nikkei 225	22758.48	1.2%	0.0%
STOXX 600	392.15	0.0%	0.8%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1911	0.0%	-0.8%
GBP/USD	1.3528	0.1%	0.1%
USD/JPY	109.35	0.0%	3.1%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.96	-1	55
Bund-10yr	0.55	-1	12
JGB - 10yr	0.05	-1	0

Commodities

	Last	ΔD	ΔYTD
GOLD	1321	0.0%	1.4%
BRENT CRUDE	77	-0.3%	15.6%
LMEX	3348	0.4%	-2.1%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	-1	-23
1-week	2.41	0	-20
1-month	2.59	-1	-26
3-month	2.86	0	-26
6-month	3.06	0	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.60	0	-68
5Y RSD	4.09	0	-15
7Y RSD	4.54	0	-64

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.96	0	97
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

	Last	ΔDbps	ΔYTD bps
5-year	112	-3	-6
10-year	160	-3	-2

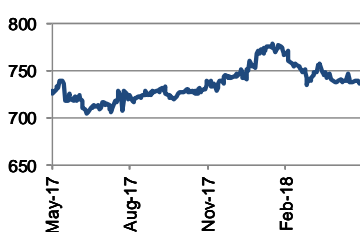
STOCKS

	Last	ΔD	ΔYTD
BELEX15	738.2	0.10%	-2.84%

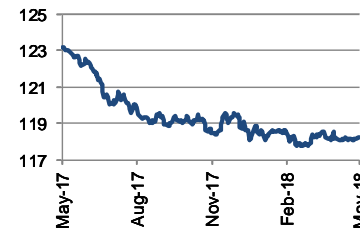
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.27	0.52%	0.54%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.73	0	164
1-month	2.73	0	86
3-month	2.75	0	70
6-month	2.88	0	61
12-month	2.97	0	65

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.78	0	40
5Y RON	4.37	0	59
10Y RON	4.76	0	45

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	0	0
USD Jan-24	4.21	0	121

CDS

	Last	ΔDbps	ΔYTD bps
5-year	92	-1	2
10-year	135	-1	2

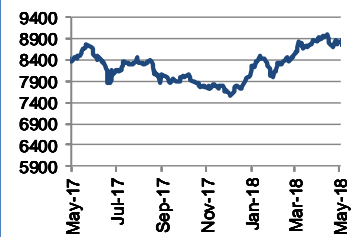
STOCKS

	Last	ΔD	ΔYTD
BET	8828.1	0.19%	13.86%

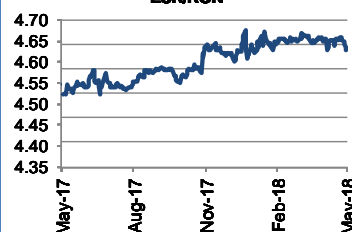
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.642	-0.09%	0.49%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	1	-2
3-month	-0.20	0	-3
6-month	-0.08	0	-3
12-month	0.25	1	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	-2	-1
5Y BGN	0.19	-1	5
10Y BGN	1.07	0	10

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.13	0	21
EUR Sep-24	0.78	0	21

CDS

	Last	ΔDbps	ΔYTD bps
5-year	71	-1	-25
10-year	113	-1	-29

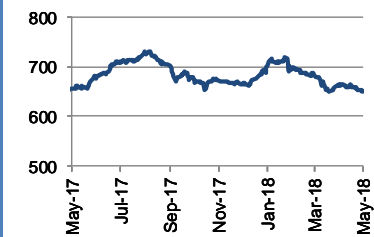
STOCKS

	Last	ΔD	ΔYTD
SOFIX	649.3	0.00%	-4.16%

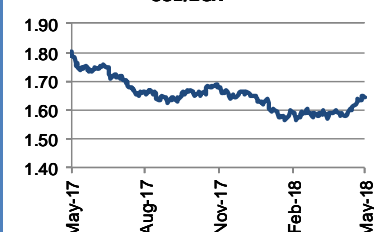
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6422	-0.05%	-0.78%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:30 EEST

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