

Wednesday 16 May 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 14: Fed's Mester speaks
- May 15
 - Retail sales (Apr)
 - Empire State Manuf. (May)
 - NAHB housing index (May)
 - Business inventories (Mar)
 - Net Long-Term Capital inflows (Mar)
- May 16
 - Housing starts (Apr)
 - Building permits (Apr)
 - Industrial production (Apr)
- May 17: CB leading indicators (Apr)

EUROZONE

- May 15
 - Industrial production (Mar)
 - GDP (Q1)
 - DE: ZEW Index (May)
- May 16: CPI final (Apr)

UK

- May 15
 - Claimant count change (Apr)
 - Average earnings (Mar)
 - U/E rate (Mar)

GREECE

- May 15-22: Credit Expansion (Mar)

CYPRUS

- May 15: GDP (Q1, p)
- May 16: HICP (Apr)

SEE

BULGARIA

- May 15
 - GDP (Q1, p)
 - CPI (Apr)
 - U/E rate (Apr)
- May 18: Currenc account (Mar)

ROMANIA

- May 14
 - CPI (Apr)
 - Currenc account (Mar)
 - MPC meeting minutes
 - T-bonds auction
- May 15: GDP (Q1, A)
- May 17: T-bonds auction

SERBIA

- May 15: T-bonds auction
- May 17: Currenc account (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Mirroring the negative performance of Wall Street overnight, the majority of Asian equity indices traded in the red on Wednesday following renewed uncertainty about the US-North Korean summit next month as North Korea called off talks with South Korea scheduled for today regarding military drills. Nevertheless, major European stocks edged higher in early trade. Solid US retail sales and factory data yesterday pushed the US 10-yr Treasury yield to 3.09%, its highest level since June 2011. In FX markets, higher UST yields helped the USD gain some ground, with the DXY dollar index trading near a five-month high of 93.400 at the time of writing. On the data front, focus today centres on the final April CPI release for the Euro Area, while in the US, April industrial production along with capacity utilization, housing starts and building permits, are also due.

GREECE: Deliberations between the institutions and the Greek government in the context of the 4th programme review are ongoing in Athens and according to press reports, yesterday the focus was on the adjustment of the property tax rates while on the agenda today are the delayed privatisations and the reforms in the energy sector and the public administration. The Chair of the SSM Supervisory Board Daniele Nouy stated yesterday during her visit to Greece that Greek banks did well during the stress tests and that the key moment will be what happens at the end of the program.

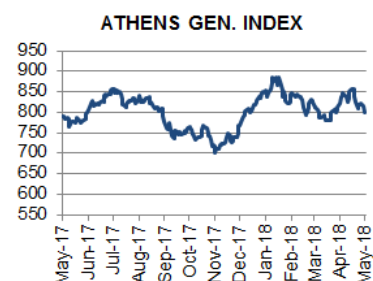
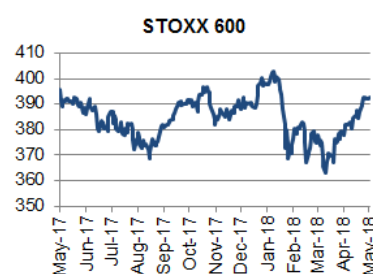
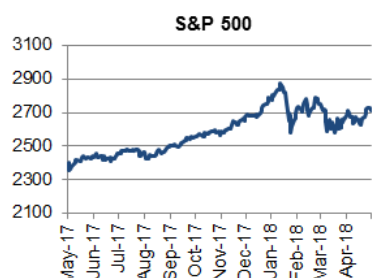
SOUTH EASTERN EUROPE

CYPRUS: Real GDP expanded by 0.8% on a quarterly basis bringing the annual rate of expansion down to 3.8% YoY in Q1-2018 from 4.0%YoY in Q4-2017.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Mirroring the negative performance of Wall Street overnight, the majority of Asian equity indices traded in the red on Wednesday following renewed uncertainty about the US-North Korean summit next month as North Korea called off talks with South Korea scheduled for today regarding military drills. Nevertheless, major European stocks edged higher in early trade as investors await further economic data releases to evaluate euro area's economic slowdown. Solid US retail sales and factory data yesterday pushed the US 10-yr Treasury yield to 3.09%, its highest level since June 2011, before retreating marginally around 3.06% in early European trade on Wednesday. In more detail, headline retail sales increased 0.3%MoM in April, boosted evenly by core (excl. food, gasoline and building material sales) and non-core categories, while there was an upward revision for February and March suggesting less weakness in Q1 personal spending compared to the advance estimate of Q1 GDP. Meanwhile the May Empire Manufacturing increased by a higher-than-expected 4.3pts to 20.1, with the prices paid components again confirmed other surveys this year and rose to the highest level in several years. In Europe, Italian 10-yr bond yields surged at a two-month high of 2.05% in early Wednesday trade following news of a 5-Star and League's proposal to ask the ECB to forgive €250bn of Italian debt, to renegotiate Italy's European Union budget contributions, to end sanctions against Russia and to abolish a 2011 pension reform that raised the retirement age. In FX markets, higher UST yields helped the USD gain some ground, with the DXY dollar index trading near a five-month high of 93.400 at the time of writing. Against this backdrop, the EUR/USD plunged to 1.1805 in European trade, its weakest level since mid-December 2017. On the data front, focus today centres on the final April CPI release for the Euro Area, expected to confirm the +0.7%YoY core reading, while in the US, April industrial production print (+0.6%MoM expected) along with capacity utilization, housing starts and building permits, are also due.

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GREECE

Deliberations between the institutions and the Greek government in the context of the 4th programme review are ongoing in Athens and according to press reports, yesterday the focus was on the adjustment of the property tax rates in a revenue neutral way while the Ministry of Finance will have to issue the decision setting the new real estate prices across the country by 14 June. Other items on the agenda today are the delayed privatisations and the reforms in the energy sector and the public administration. Meanwhile, the Chair of the SSM Supervisory Board Daniele Nouy stated yesterday during her visit to Greece that Greek banks did well during the stress tests which were tough and this should encourage depositors to bring their deposits back. She added that the key moment will be what happens at the end of the program and whether the government remains committed to seeing the reforms through.

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Wednesday 16 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

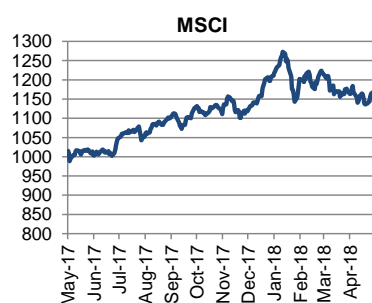
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* 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+

CYPRUS

The flash estimate of the first quarter signaled that, despite a modest slowdown, economic activity remains strong in Cyprus. Real GDP expanded by 0.8% on a quarterly basis bringing the annual rate of expansion down to 3.8% YoY in Q1-2018 on a seasonally adjusted basis compared to 4.0% YoY in Q4-2017 vs. 4.0% YoY in Q1-2017. Real GDP growth marked the 12th consecutive positive reading on a both quarterly and annual basis following a previous three year recession. The GDP growth rate in Q1 is among the highest in EA-19 and EU-28, both on a quarterly and an annual basis and above that of EA-19 for the twelfth consecutive quarter in a row. According to CYSTAT, the increase of the GDP growth rate is mainly attributed to the sectors of "Hotels and Restaurants", "Retail and Wholesale Trade", "Construction", "Manufacturing", "Professional, scientific and technical activities" and "Administrative and support service activities".

Recall that, output growth reached a new post-Lehman high in 2017. Real GDP growth expanded by 3.9% YoY in 2017 up from 3.4% YoY 2016, compared to 2.0% YoY in 2015, after three years of recession and a cumulative drop of 10.1% over 2012-2014. This is among the highest growth rates between Euro Area members (behind Ireland, Malta, Slovenia, Estonia and Latvia) and 1.7 times the average 2017 growth rate in the Euro Area. As a result, the level of GDP in 2017 in constant prices stood only 1.7% below that in 2008 and 1.6% above that of 2012. Therefore, the level of GDP in 2018 is expected to surpass that of 2008 under any conservative assumption of real GDP growth scenario. Most forecasters believe that the Cypriot economy is at its cyclical peak and, thus, slightly lower GDP growth is likely to follow in 2018. Yet, we think risks to the upside are also present thanks to an investment boom.

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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	2711.45	-0.7%	1.4%	EUR/USD	1.1845	0.1%	-1.3%	UST - 10yr	3.07	-1	66	GOLD	1296	0.4%	-0.6%
Nikkei 225	22717.23	-0.4%	-0.2%	GBP/USD	1.3508	0.0%	-0.1%	Bund-10yr	0.63	-2	20	BRENT CRUDE	78	-0.6%	16.6%
STOXX 600	392.88	0.1%	1.0%	USD/JPY	110.2	0.1%	2.3%	JGB - 10yr	0.06	0	1	LMEX	3330	-0.5%	-2.6%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	0	-24
1-week	2.41	1	-20
1-month	2.59	1	-26
3-month	2.86	0	-26
6-month	3.06	1	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.51	-1	-76
5Y RSD	4.12	3	-12
7Y RSD	4.54	0	-64

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

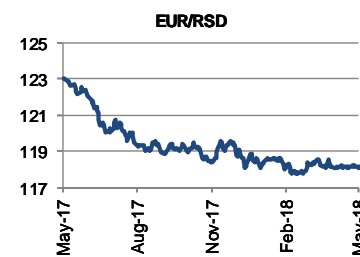
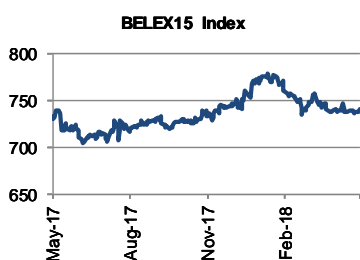
	Last	ΔDbps	ΔYTD bps
5-year	111	1	-7
10-year	159	2	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.0	0.10%	-2.48%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.25	-0.67%	0.55%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.42	-17	133
1-month	2.7	0	83
3-month	2.74	0	69
6-month	2.88	0	61
12-month	2.98	1	66

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.82	0	44
5Y RON	4.34	0	56
10Y RON	4.76	0	44

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	0	1
USD Jan-24	4.17	0	118

CDS

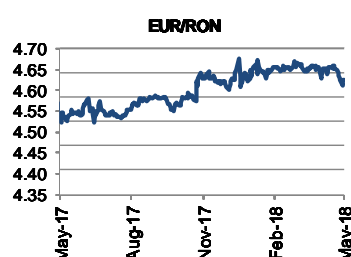
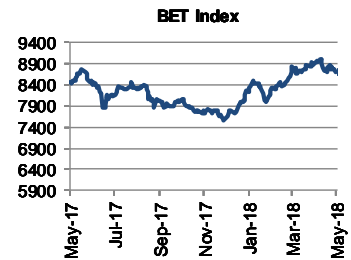
	Last	ΔDbps	ΔYTD bps
5-year	92	0	2
10-year	136	0	2

STOCKS

	Last	ΔD	ΔYTD
BET	8678.8	-0.02%	11.93%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6362	0.00%	0.62%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.29	0	-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	-0.05	-2	1
5Y BGN	0.20	-1	6
10Y BGN	1.08	0	11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.13	0	20
EUR Sep-24	0.78	0	20

CDS

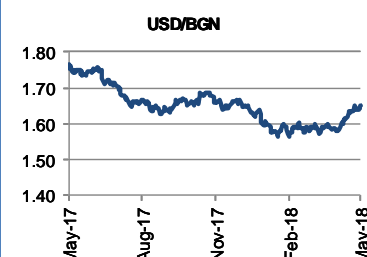
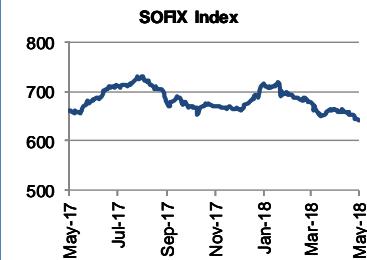
	Last	ΔDbps	ΔYTD bps
5-year	71	1	-25
10-year	112	2	-30

STOCKS

	Last	ΔD	ΔYTD
SOFIX	642.5	-0.10%	-5.16%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.651	0.07%	-1.31%



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

Data updated as of 11:00 EEST

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