

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- May 23
 - New home sales (Apr)
 - FOMC meeting minutes
- May 24
 - Initial jobless claims (May 19)
 - Existing home sales (Apr)
- May 25
 - Durable goods orders (Apr)
 - UM consumer sentiment (May)

EUROZONE

- May 23
 - PMI manufacturing (May, prel.)
 - PMI services (May, prel.)
- May 24
 - German Gfk consumer confidence (Jun)
 - French business climate INSEE (May)
- May 25: German IFO business climate (May)

UK

- May 23: CPI (Apr)
- May 24: Retail sales (Apr)
- May 25: Q1 GDP (2nd estimate)

GREECE

- May 21: Current account (Mar)

SEE

ROMANIA

- May 21: T-bonds auction
- May 24: T-bonds auction

SERBIA

- May 22: T-bonds auction
- May 25: Real Gross Wages (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Mirroring the positive sentiment in Wall Street overnight, major European equity markets opened higher on Tuesday, benefitting from easing trade tensions between the US and China that agreed to have further talks to boost US agricultural and energy commodity exports to China. The prospect of an apparent resolution to the US-China trade frictions has further added to the US dollar's strength, with the DXY dollar index surging to a five-month high of 94.058 on Monday before retreating to levels around 93.400 in European trade on Tuesday. Amid increased political uncertainty in Italy, Italian 10-yr government bond yield hit a 14-month high of 2.42% in early European trade on Tuesday, with the respective spread over the 10-yr Bund surging to roughly 190 bps, the widest since June 2017. In commodity markets, Brent crude oil prices gained some ground heading towards a 3 1/2 year high near 80\$/barrel hit last week, amid market concerns about falling Venezuelan crude output, following US President Trump's ordered sanctions on debt owed to Venezuela.

GREECE: According to press reports, the staff level agreement reached on Saturday between the Greek authorities and the institutions foresees that 78 prior actions of the 4th programme review – out of the 88 in total – must be completed now while the remaining 10 will reportedly be transferred to the post-programme framework. The Greek government reportedly intends to submit to Parliament a multi-bill on 5 June and have it voted on 9 June and at the same time adopt any required secondary legislation by 15 June in order to reach a comprehensive agreement on all open topics – conditionality, debt relief and post-programme framework – at the 21 June Eurogroup.

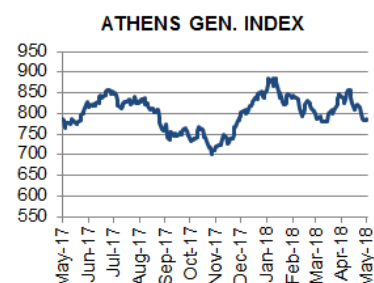
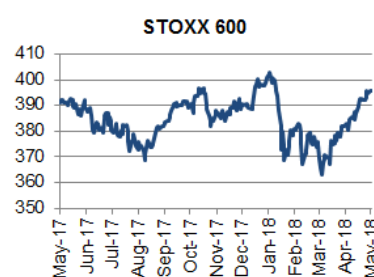
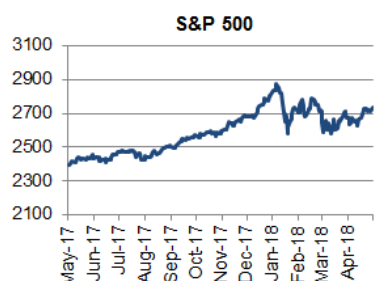
SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded on a firmer footing in European trade on Tuesday as the US dollar pulled back from yesterday's 5-month highs, while US Treasuries remained below last week's peak.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Mirroring the positive sentiment in Wall Street overnight, major European equity markets opened higher on Tuesday, benefitting from easing trade tensions between the US and China that agreed to have further talks to boost US agricultural and energy commodity exports to China. The prospect of an apparent resolution to the US-China trade frictions has further added to the US dollar's strength, with the DXY dollar index surging to a five-month high of 94.058 on Monday before retreating to levels around 93.400 in European trade on Tuesday. Against this background, the EUR/USD hovered around levels of 1.1820 in European trade today, having recovered ground from a six-month low of 1.1717 reached intraday on Monday amid market concerns over euro area's Q1 GDP softness and political uncertainty in Italy. The anti-establishment Five Star Movement and the far-right League proposed on Monday Giuseppe Conte, a law professor from Florence University, to lead a coalition government, with President Sergio Mattarella taking some time to consider whether to formalize his nomination for prime minister. Following these developments, Italy's 10-yr government bond yield hit a 14-month high of 2.42% in early European trade on Tuesday, with the respective spread over the 10-yr Bund surging to roughly 190 bps, the widest since June 2017. In commodity markets, Brent crude oil prices gained some ground heading towards a 3-1/2 year high near 80\$/barrel hit last week, amid market concerns about falling Venezuelan crude output, following US President Trump's ordered sanctions on debt owed to Venezuela. The data calendar today is pretty empty, with the US Richmond Fed Manufacturing Index for May due later in the day.

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GREECE

According to press reports, the staff level agreement reached on Saturday between the Greek authorities and the institutions foresees that 78 prior actions of the 4th programme review – out of the 88 in total – must be completed now while the remaining 10 will reportedly be transferred to the post-programme framework. The Greek government reportedly intends to submit to Parliament a multi-bill on 5 June and have it voted on 9 June and at the same time adopt any required secondary legislation by 15 June in order to reach a comprehensive agreement on all open topics – conditionality, debt relief and post-programme framework – at the 21 June Eurogroup. In case there are still pending items then, according to press there will be another opportunity to resolve them at the 12 July Eurogroup before the 3rd ESM programme ends on 20 August 2018. The aforementioned multi-bill will, among others, incorporate: 1) the Medium Term Fiscal Strategy for the period 2019-2022, 2) the adjustment of the property tax (ENFIA) rates, 3) the new mediation and arbitration procedures in the labour market, 4) the agreed changes in the household insolvency framework, 5) the introduction of the target model forward market and the privatisation of the Public Gas Corporation (DEPA), and 6) a housing allowance to cover the cost of rent or mortgage. Meanwhile, the IMF reportedly sees a fiscal gap of 0.5% of GDP in 2019 while the 24 May Eurogroup will likely be key to the Fund's decision to financially participate in Greece's programme or not.

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Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets traded on a firmer footing in European trade on Tuesday as the US dollar pulled back from yesterday's 5-month highs, while US Treasuries remained below last week's peak. Along these lines, the MSCI Emerging Markets stock index rose by 0.6% on the day, snapping a 3-session losing streak. The majority of CESEE bourse also firmed with Romania's BET index leading the way higher amid gains in excess of 2.0%.

A similar picture was witnessed in FX markets, with regional currencies firming against a weaker US dollar. The Polish zloty and Hungarian forint outperformed their peers rising by 0.3% each on the day, hovering around respective levels of 4.2780 and 316.85 against the euro earlier today, after hitting multi-session highs in late Asian trade. The Turkish lira trailed behind with daily gains to the tune of 0.2%, remaining just 0.7% off yesterday's new record intraday low of 4.5990/\$.

The Turkish currency has come under significant pressure over recent months, having lost more than 17% since the beginning of the year, amid increased concerns about heightened, double-digit and well above the 5% official target inflation (headline CPI at 10.85% in April) in tandem with the lack of more aggressive Central Bank monetary policy response. Recent comments by President Tayyip Erdogan signaling plans for a tighter grip on monetary policy if he wins the June 24 polls, exacerbated worries over the Central Bank's independence. The US dollar's recent strengthening to 5-month highs yesterday has also weighed on the TRY, as have heightened geopolitical risks and the country's elevated external vulnerabilities.

Looking in today's calendar, Hungary's Central Bank (MNB) meeting takes centre stage. The market's median forecast is for the key policy base rate and overnight deposit rate to both remain unchanged at 0.90% and -0.15%, respectively. The MNB is expected to reaffirm its ultra-loose monetary policy stance as, despite recent evidence suggesting robust economic activity, inflation pressures remain relatively subdued with headline CPI at 2.3% in April just above the lower bound of the 3% +/- 1% MNB target.

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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

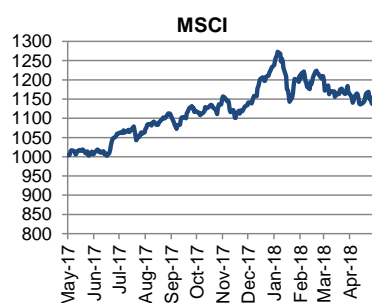
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* 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+

Tuesday 22 May 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	2733.01	0.7%	2.2%	EUR/USD	1.1812	0.2%	-1.6%	UST - 10yr	3.07	1	67	GOLD	1294	0.1%	-0.7%
Nikkei 225	22960.34	-0.2%	0.9%	GBP/USD	1.3479	0.4%	-0.3%	Bund-10yr	0.57	5	14	BRENT CRUDE	80	0.8%	19.4%
STOXX 600	395.96	0.0%	1.7%	USD/JPY	110.99	0.1%	1.5%	JGB - 10yr	0.06	0	1	LMEX	3343	0.4%	-2.2%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.31	1	-21
1-week	2.42	1	-19
1-month	2.60	1	-25
3-month	2.87	0	-25
6-month	3.07	2	-17

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.53	-1	-74
5Y RSD	4.03	-1	-21
7Y RSD	4.47	0	-71

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.99	0	100
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

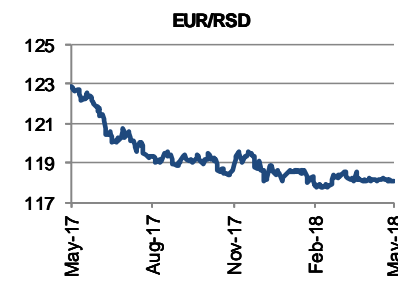
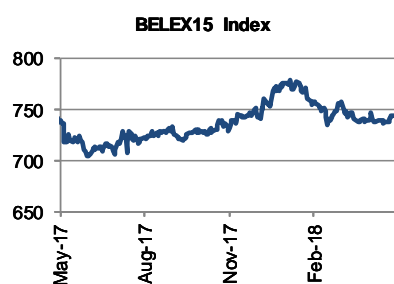
	Last	ΔDbps	ΔYTD bps
5-year	115	1	-3
10-year	163	1	1

STOCKS

	Last	ΔD	ΔYTD
BELEX15	744.4	0.02%	-2.03%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.32	0.19%	0.49%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.83	-59	74
1-month	2.73	4	86
3-month	2.75	1	70
6-month	2.89	0	62
12-month	2.99	0	67

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.88	0	50
5Y RON	4.42	0	64
10Y RON	4.86	0	55

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	#N/A N/A	-6
USD Jan-24	4.21	0	121

CDS

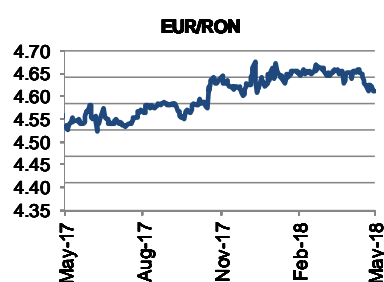
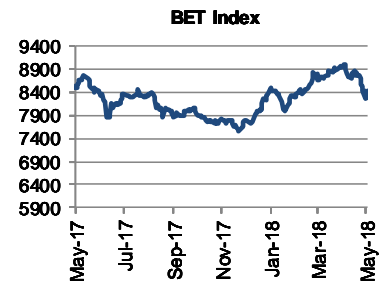
	Last	ΔDbps	ΔYTD bps
5-year	94	2	4
10-year	138	2	5

STOCKS

	Last	ΔD	ΔYTD
BET	8409.5	1.80%	8.46%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.624	-0.02%	0.88%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.30	0	-4
3-month	-0.22	0	-5
6-month	-0.11	-1	-6
12-month	0.23	1	-9

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	-1	2
5Y BGN	0.19	0	5
10Y BGN	1.04	0	7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.12	0	20
EUR Sep-24	0.78	-1	20

CDS

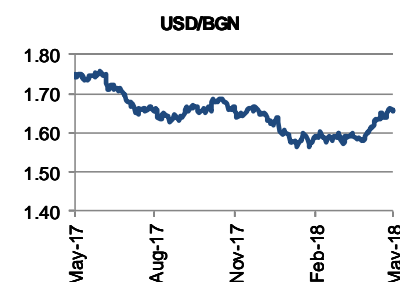
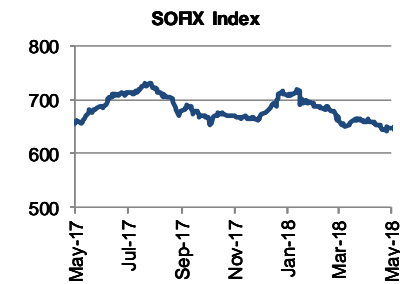
	Last	ΔDbps	ΔYTD bps
5-year	70	-5	-27
10-year	113	-3	-28

STOCKS

	Last	ΔD	ΔYTD
SOFIX	648.4	0.33%	-4.29%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6556	0.19%	-1.58%



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

Data updated as of 11:25 EEST

Tuesday 22 May 2018

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