

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 30
 - Q1 GDP (2nd estimate)
 - CB Conference Board (May)
 - Fed publishes Beige Book
- May 31
 - Personal income & spending (Apr)
 - Chicago PMI (May)
 - Pending home sales (Apr)
- June 1
 - Non-farm payrolls (May)
 - ISM index manuf. (May)

EUROZONE

- May 29: M3 (Apr)
- May 30
 - Economic Sentiment Indicator (May)
 - German CPI, first state results (May)
 - German unemployment (May)
- May 31
 - Consumer prices, prel. (May)
 - Unemployment (Apr)
 - German retail sales (Apr)
- June 1
 - PMI manuf. final (May)
 - Spain's PM faces motion of no confidence

UK

- June 1: PMI manuf. (May)

GREECE

- May 30: PPI (ap)
- May 31: Retail sales (Mar)
- Jun 1: PMI manufacturing (May)

SEE

BULGARIA

- May 31: Budget balance (Apr)
- Jun 1: Sovereign rating review by S&P and Fitch

ROMANIA

- May 31: U/E rate (Apr)

SERBIA

- May 31
 - Industrial production (Apr)
 - GDP (Q1, final)
 - Trade balance (Apr)
 - May 31: Retail sales (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Political uncertainty in Italy and Spain continued to dominate the scene with EMU periphery sovereign bonds remaining under selling pressure. The 2-yr Italian bond was the most severely hit part of the curve, marking a 155bps rise on the day at 2.44% earlier today, the highest since June 2013. While political uncertainty in Spain has also increased, sovereign paper was held relatively well on the view that, even if the motion of no confidence promoted by the Socialist party against Prime Minister Mariano Rajoy passes on Friday and early elections are called, opinion polls suggest that the risk of a market-negative outcome is rather low. In FX markets, the political situation across the EMU periphery pushed the EUR/USD to a fresh year-to-date low of 1.1530 while the 10-yr Bund yield dropped to 0.192%, the lowest since April 2017.

GREECE: According to the decisions of the 24 May Eurogroup, in the coming days the Greek authorities will have to pass in Parliament a multi-bill and carry out other secondary legislation in order to close all the prior actions and reach a comprehensive agreement with its European partners at the 21 June Eurogroup.

SOUTH EASTERN EUROPE

BULGARIA: The blue chip index SOFIX followed major European indices lower over the last few days, while external government bond yields dropped across the board within a range of 2-4 bps and local currency government bonds ended little changed.

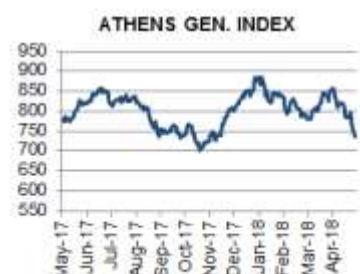
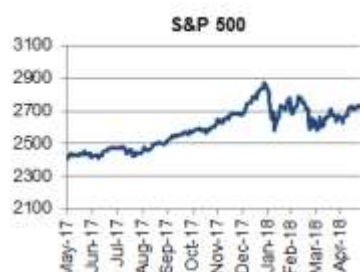
SERBIA: The EUR/RSD made an attempt to move higher towards the end of last week, touching a multi-session high of 118.15/35 thanks to increased EUR demand from local corporate clients, but the move was short lived with the pair returning towards 118.00/20 on Monday. In other news, the Serbian National Assembly is expected to confirm today the appointment of Sinisa Mali for the post of the new Minister of Finance.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Political uncertainty in Italy and Spain continued to dominate the scene with EMU periphery sovereign bonds remaining under selling pressure. In Italy, Carlo Cottarelli who accepted on Monday a mandate to form a government after the Five Star Movement and the League refused to propose an alternative candidate following President Mattarella's disagreement with the proposal of euro-sceptic Professor Paolo Savona to the post of Economy and Finance Minister, is expected to present a list of potential ministers today. However it will probably be difficult for his government to win a majority in Parliament in the necessary vote of confidence, as Five Star Movement and the League have already declared their refusal. Should this be the case, new snap elections will be called after August 2018. The 2-yr Italian bond was the most severely hit part of the curve, marking a 145bps rise on the day at 2.44% earlier today, the highest since June 2013 while the 10-yr yield moved above 3.00% for the first time since June 2014 reaching a fresh four-year high of 3.39%. While political uncertainty in Spain has also increased, sovereign paper was held relatively well on the view that, even if the motion of no confidence promoted by the Socialist party against Prime Minister Mariano Rajoy passes on Friday and early elections are called, opinion polls suggest that the risk of a market-negative outcome is rather low. Increased political uncertainty in the EMU sovereign periphery continued to favor the safe-haven appeal of core government bonds with the 10-yr Bund yield falling 15bps on the day at 0.192%, the lowest since April 2017 while, in FX markets, the EUR/USD dropped to a fresh year-to-date low of 1.1530. Looking at the remainder of the week, investors will continue to closely scrutinize political developments in Italy and Spain while on the data front, major releases include the euro area flash CPI for May (Thursday) and in the US, manufacturing ISM and non-farm payrolls both for May (Friday).

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GREECE

According to the decisions of the 24 May Eurogroup, in the coming days the Greek authorities will have to pass in Parliament a multi-bill and carry out other secondary legislation in order to close all the prior actions envisioned in the Supplemental Memorandum of Understanding of the 4th programme review. According to press reports, by 15 June all pending actions must be completed so that a comprehensive agreement is reached at the 21 June Eurogroup. Among the prior actions is reportedly the improvement of the out of court settlement mechanism through the following provisions: increase of the debt ceiling that may be settled to EUR250,000 from 100,000 currently, extension of eligibility for debts that had become overdue on 31 December 2017 (instead of 31 December 2016) and settlement of loans also towards leasing and factoring companies. At the same time, care is taken to simplify the procedure and to reduce the supporting documents in order to improve the mechanism's efficiency which has so far proven rather poor.

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Tuesday 29 May 2018

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

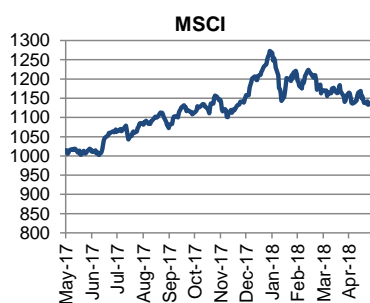
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	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+

Latest economic & market developments in the CESEE region

BULGARIA*

The blue chip index SOFIX followed major European indices lower over the last few days, closing at 639.30 points on Monday amid fears stemming from the current political situation in Italy. The weekly turnover volume remained weak, at €1.5mn. External government bond yields dropped across the board within a range of 2-4 bps. Meanwhile, local currency government bonds ended little changed with yield changes fluctuating between -3 bps to +1bps.

SERBIA*

The EUR/RSD made an attempt to move higher towards the end of last week, touching a multi-session high of 118.15/35 thanks to increased EUR demand from local corporate clients. The up-move was however short lived as selling interest reemerged on Monday and the pair returned towards 118.00/20. The National Bank of Serbia (NBS) intervened anew buying €10mn directly in the FX market. Including this intervention, total NBS purchases have reached the amount of € 925mn so far this year.

In other news, the Serbian National Assembly is expected to confirm today the appointment of Sinisa Mali for the post of the new Minister of Finance. Sinisa Mali, until recently the mayor of Belgrade, thanked Prime Minister Ana Brnabic and President Aleksandar Vucic for "having recognized his commitment to fighting for a better standard of living". One of the main reasons why IMF mission did not reach an agreement with the Serbian Government on a new the so-called "houseleek" arrangement earlier this month was the fact that Serbia did not have a finance minister at the time, following Dusan Vujovic's resignation to that position, so the IMF Board of Directors was not able to approve the Policy Coordination Instrument.

* We would like to thank Ruslan Raychev from Eurobank Bulgaria and Djorje Lucic from Eurobank AD Beograd for their invaluable contribution in today's issue.

Tuesday 29 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	2721.33	-0.2%	1.8%	EUR/USD	1.1518	-0.9%	-4.1%	UST - 10yr	2.86	-7	45	GOLD	1302	0.3%	-0.1%
Nikkei 225	22358.43	-0.5%	-1.8%	GBP/USD	1.323	-0.6%	-2.2%	Bund-10yr	0.27	-8	-16	BRENT CRUDE	75	0.2%	12.8%
STOXX 600	384.51	-1.4%	-1.2%	USD/JPY	108.74	0.6%	3.6%	JGB - 10yr	0.03	-1	-1	LMEX	3331	-0.4%	-2.6%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	0	-22
1-week	2.42	3	-19
1-month	2.59	2	-26
3-month	2.86	1	-26
6-month	3.06	2	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.53	-3	-74
5Y RSD	3.95	-3	-30
7Y RSD	4.42	0	-77

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.99	#N/A N/A	99
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

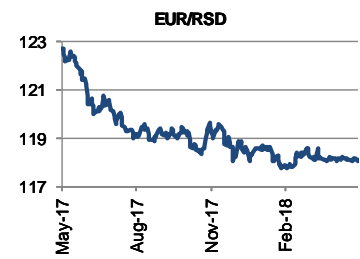
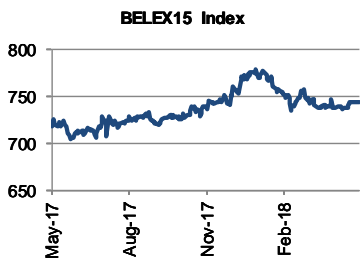
	Last	ΔDbps	ΔYTD bps
5-year	111	-1	-7
10-year	160	-1	-2

STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.6	-0.38%	-2.40%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.01	0.05%	0.76%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.86	#VALUE!	177
1-month	2.87	#VALUE!	100
3-month	2.82	#VALUE!	77
6-month	2.95	#VALUE!	68
12-month	3.05	#VALUE!	73

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.85	0	47
5Y RON	4.39	0	61
10Y RON	4.81	0	50

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.61	3	6
USD Jan-24	4.15	2	116

CDS

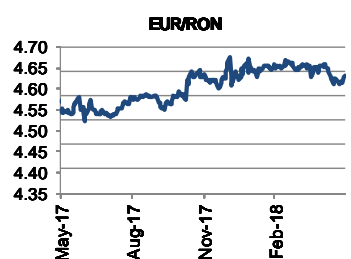
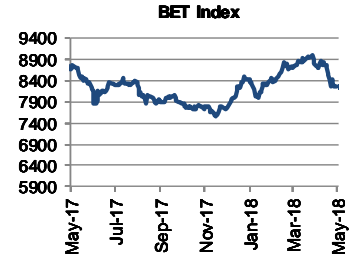
	Last	ΔDbps	ΔYTD bps
5-year	95	0	5
10-year	139	0	6

STOCKS

	Last	ΔD	ΔYTD
BET	8252.1	-0.13%	6.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6398	-0.04%	0.54%



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	-2	-6
12-month	0.22	-1	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.11	-2	-5
5Y BGN	0.16	1	2
10Y BGN	0.94	0	-3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.11	0	19
EUR Sep-24	0.77	-1	19

CDS

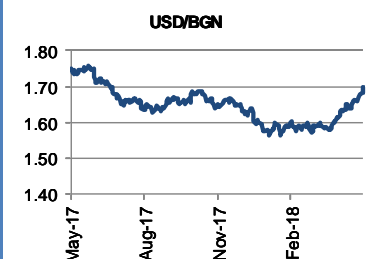
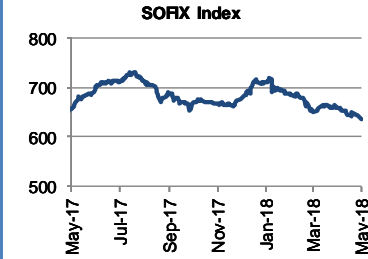
	Last	ΔDbps	ΔYTD bps
5-year	75	5	-22
10-year	120	6	-22

STOCKS

	Last	ΔD	ΔYTD
SOFIX	634.6	-0.73%	-6.32%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6976	-0.88%	-4.02%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:20 EEST

Tuesday 29 May 2018

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