

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: Global equity markets rebounded, core government bond prices rose and the EUR gained ground after Wednesday's political developments in Italy suggesting that the two anti-establishment parties, the Five Star and the League, will re-assess the possibility of forming a coalition government rather than forcing Italy into holding snap elections for the second time this year. Such a scenario could be realized provided that the League backs down from its demand for Eurosceptic economist Paolo Savona as Finance Minister.

GREECE: According to press reports, the German government is less keen than previously on bringing the IMF on board the Greek programme financially, on the grounds that existing ESM programme funds are more than adequate and the Fund insists on high debt relief, which is hard to accept. According to the latest Eurostat release, the Economic Sentiment Indicator (ESI) in May 2018 recorded a second increase in a row, coming in at 104.2, up by 0.6 units compared to April 2018.

SOUTH EASTERN EUROPE

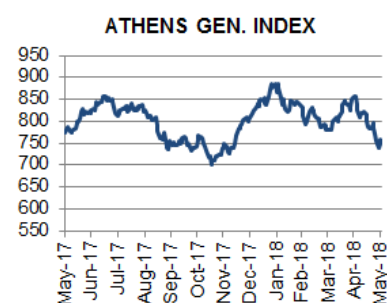
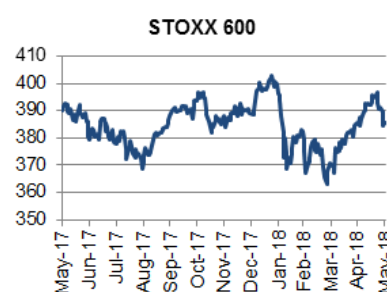
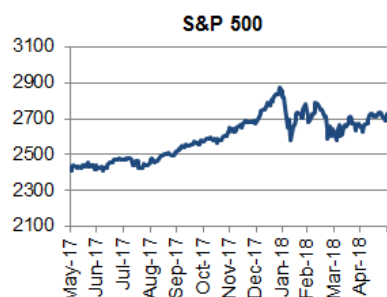
BULGARIA: The Economic Sentiment Indicator (ESI) remained unchanged on a monthly basis in May at 111.7

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets rebounded, core government bond prices rose and the EUR gained ground after Wednesday's political developments in Italy suggesting that the two anti-establishment parties, the Five Star and the League, will re-assess the possibility of forming a coalition government rather than forcing Italy into holding snap elections for the second time this year. Such a scenario could be realized provided that the League backs down from its demand for Eurosceptic economist Paolo Savona as Finance Minister. As things stand, League leader Matteo Salvini's position is not clear and the likelihood to refuse to join forces with the Five Star cannot be ruled out. According to recent opinion polls, the League party could benefit the most from new elections as its public support has increased by an average of 5-7% compared to the 4 March election outcome. Should this be the case, the alternative option for Italy is a technocrat government under former IMF executive director Carlo Cottarelli. However, on the view that it will probably lose the confidence vote in Parliament, the technocrat government will likely play a transitional role and Italy will head to new elections soon after August 2018. Even though political uncertainty remains in Italy, sovereign government bond prices rose favored by yesterday's auctions of 5- and 10-yr government debt that went relatively smoothly. The 10-yr Italian bond yield dropped anew below 3% hovering around 2.67% at the time of writing, some 73bps below a four-year peak hit two days ago when the sell-off of Italian government paper had accelerated into outright market panic. With the 10-yr Bund yield rising close to 0.400% earlier today from a more than one year low of 0.192% on Tuesday, the 10-yr Italian/German yield spread narrowed to 225bps today, 45bps narrower on the day and c. 58bps from this week's closing peak. With the Italian political situation still fluid but improving compared to market fears over an institutional crisis earlier this week, investors will likely start to pay some attention on upcoming macro data releases. After euro area data released earlier today showed a rise in May CPI to 1.9%YoY mainly on higher oil prices from 1.2%YoY in the prior month, focus is on US May core PCE later today ahead of Friday's US non-farm payrolls report.

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GREECE

According to press reports, the German government is less keen than previously on bringing the IMF on board the Greek programme financially. More specifically, Eckhardt Rehberg, budget spokesman for the CDU/CSU parliamentary group stated that there is basically no need for an additional IMF financial participation as the €86 billion provided by the current ESM programme would be far from exhausted by August 2018, when the programme expires. Furthermore, there is reportedly concern about the Fund's demand for generous debt relief with Mr. Rehberg stating: "if the IMF insists on high debt relief from Europeans, which is what it looks like at present, it's hard to accept" adding that there is no automatic debt relief and that the degree and extent of it for Greece should be decided on the basis of an updated debt sustainability analysis and the country's long term growth strategy. On the economic data front, according to the latest Eurostat release, the Economic Sentiment Indicator (ESI) in May 2018 recorded a second increase in a row, coming in at 104.2, up by 0.6 units compared to April 2018. This is attributed to a significant increase in expectations in construction (+15.7 units) and less so in services (+1.5 units). Expectations in all other sectors fell back: industry -0.3 units, consumer -2.2 units and retail -4 units.

Thursday 31 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**

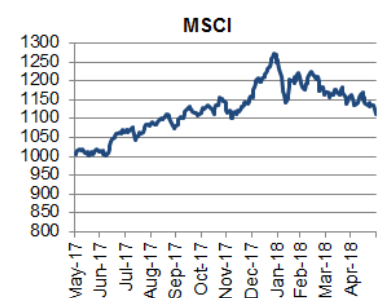
	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.0
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-5.7	-4.7
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.00	3.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Latest economic & market developments in the CESEE region

BULGARIA

According to the latest Eurostat release, the Economic Sentiment Indicator (ESI) remained at 111.7 in May unchanged vs. April and slightly higher compared to 110.5 in March. With the exception of services, all other components of the index (industry, consumer, retail trade and construction) improved in May. More specifically, services came in at 18.9, lower by 1.6 points which is the sharpest decline since June 2017. The economic sentiment data of the last two months point to acceleration of GDP growth in Q2-2018. Recall that, the flash estimate of the first quarter came out below market expectations. Real GDP expanded by 0.8% QoQ/+3.5% YoY in Q1-2018 compared to 0.7% QoQ/+3.5% YoY in Q4-2017 vs. 0.9% QoQ/+3.7% in Q1-2017. Having expanded by 3.6% YoY in 2017, Bulgaria is now expected to register another year of strong – above potential – growth in 2018. The economy is expected to benefit from further labor market improvement, accelerating credit activity dynamics, a more expansionary fiscal policy stance, a vibrant export oriented manufacturing sector and an expanding tourism sector.

igkionis@eurobank.gr**Credit Ratings**

L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB-
CYPRUS	Ba3	BB+

Thursday 31 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	2724.01	1.3%	1.9%	EUR/USD	1.1705	0.3%	-2.5%	UST - 10yr	2.87	2	47	GOLD	1304	0.2%	0.1%
Nikkei 225	22201.82	0.8%	-2.5%	GBP/USD	1.3321	0.3%	-1.5%	Bund-10yr	0.39	2	-4	BRENT CRUDE	77	-0.3%	15.5%
STOXX 600	385.71	0.1%	-0.9%	USD/JPY	108.88	0.0%	3.5%	JGB - 10yr	0.04	1	-1	LME X	3341	0.1%	-2.3%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	1	-22
1-week	2.42	1	-19
1-month	2.59	1	-26
3-month	2.87	1	-25
6-month	3.06	1	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.53	0	-75
5Y RSD	3.89	0	-35
7Y RSD	4.41	-1	-77

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.02	0	102
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

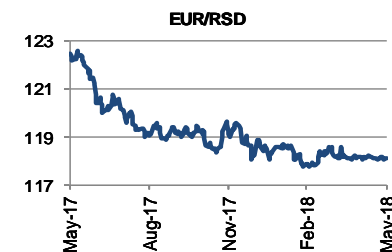
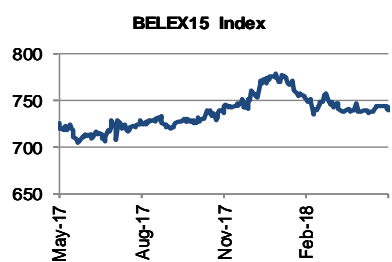
	Last	ΔDbps	ΔYTD bps
5-year	113	1	-5
10-year	162	1	0

STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.1	0.04%	-2.60%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.59	0.44%	0.27%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.89	0	180
1-month	2.86	1	99
3-month	2.83	1	78
6-month	2.94	1	67
12-month	3.05	1	73

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.90	0	51
5Y RON	4.45	0	67
10Y RON	4.85	0	54

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	-2
USD Jan-24	4.17	-3	117

CDS

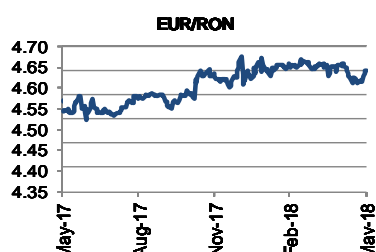
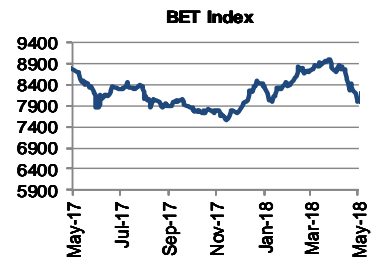
	Last	ΔDbps	ΔYTD bps
5-year	99	1	9
10-year	144	0	10

STOCKS

	Last	ΔD	ΔYTD
BET	8001.1	-0.22%	3.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6497	0.00%	0.32%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.29	0	-4
3-month	-0.22	0	-4
6-month	-0.10	1	-5
12-month	0.23	0	-9

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	1	1
5Y BGN	0.16	-2	1
10Y BGN	1.04	0	7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.10	0	18
EUR Sep-24	0.77	0	19

CDS

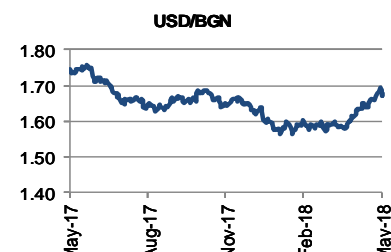
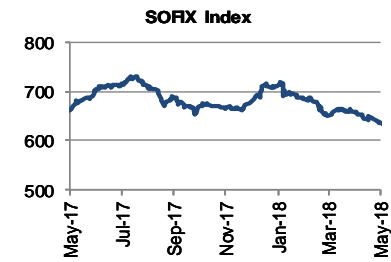
	Last	ΔDbps	ΔYTD bps
5-year	77	3	-19
10-year	123	4	-18

STOCKS

	Last	ΔD	ΔYTD
SOFIX	634.8	0.09%	-6.30%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6711	0.35%	-2.50%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:30 EEST

Thursday 31 May 2018

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