

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- May 9:
 - PPI Final Demand (Apr)
 - Trade Balance (Mar)
 - Initial Jobless Claims (May 4)
 - Wholesale Inventories (Mar, F)
- May 10:
 - CPI (Apr)
 - Monthly Budget Statement

EUROZONE

- May 06:
 - Markit Services and Composite PMI (Apr, F)
 - Sentix Investor Confidence (May)
 - Retail Sales (Mar)
- May 07:
 - Commission Economic Forecasts
 - Industrial Orders (Germany, Mar)
- May 08: Industrial Production (Germany, Mar)

GREECE

- May 09: Unemployment Rate (Feb)
- May 10:
 - CPI (Apr)
 - Industrial Output (Mar)

SEE

BULGARIA:

- May 10:
 - Industrial Production (Mar)
 - Retail Sales (Mar)

ROMANIA:

- May 06: Retail Sales (Mar)
- May 10: Trade Balance (Mar)

SERBIA

- May 09: MPC Meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US President Donald Trump increased pressure on China on Sunday to reach a trade deal, threatening to raise tariffs on \$200bn worth of Chinese imports to 25% from 10% as of Friday, unless progress is made on trade negotiations this week. In reaction to renewed escalation in US/China trade tensions, US equity futures point to a lower opening today and stocks across Asia fell. In FX markets, increased risk aversion favored the JPY's safe haven appeal, while the EUR/USD remained trapped within the range that has been prevailing since early April, in spite of solid US labor data.

GREECE: Institutions return to Greece today for the 3rd EPPS review, which is due to be released in June. The areas of focus are reportedly privatisations and potential pre-election benefits such as the scheme for the settlement of debts to the tax authorities and the social security funds. DBRS upgraded the Hellenic Republic's Long-Term Foreign and Local Currency – Issuer Ratings to BB (low) from B (high) and changed the trend from Positive to Stable.

SOUTH EASTERN EUROPE

CESEE MARKET DEVELOPMENTS: Following US President's Trump threat this weekend over additional tariffs on Chinese imports worth USD200bn, a Chinese cabinet, led by Vice Premier Liu He and consisted of c. 100 officials, is considering delaying (or cancelling) its trip to Washington which is scheduled for this Wednesday. As a result, at the time of writing emerging markets assets are falling, with the Chinese yuan and equities leading the losses, in fears of a possible trade dialogue collapse. Currently, the MSCI Emerging Markets Currency Index is dropping by 0.4% while the respective Equity index is falling by 1.5%, which is the biggest daily drop since last December. This week's regional calendar is broadly filled with retail sales and industrial production data for March for a number of CESEE countries, among which Bulgaria and Romania. Our attention will be focused on the Spring Forecasts for the EU countries by the European Commission, released tomorrow at 12:00 CET.

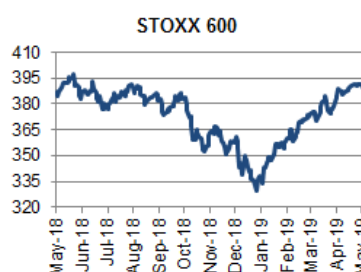
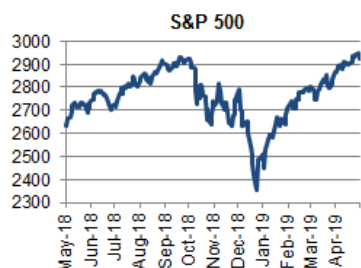
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Monday 06 May 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US President Donald Trump increased pressure on China on Sunday to reach a trade deal, threatening to raise tariffs on \$200bn worth of Chinese imports to 25% from 10% as of Friday, unless progress is made on trade negotiations this week. He also said that he could impose 25% tariffs "shortly" on a further \$325bn of Chinese imports. According to press reports, the US President's threat took Chinese officials by surprise and they are considering cancelling this week's trade talks in Washington. In reaction to renewed escalation in US/China trade tensions, US equity futures point to a lower opening today and stocks across Asia fell. In FX markets, increased risk aversion favored the JPY's safe haven appeal with the USD/JPY recording a five-week low of 110.29 earlier today before recovering to levels around 110.65/70 in European trade at the time of writing, remaining though 0.4% and 0.8% respectively lower on a daily and weekly basis. Elsewhere, the EUR/USD recovered from Friday's 1.1133 intraday trough, standing close to 1.1190/95 at the time of writing, albeit still within the 1.1100-1.1300 range that has been prevailing since early April, shrugging off solid US labor data. According to Friday's release, US non-farm payrolls rose by a higher than expected 263k in April and the unemployment rate fell from 3.8% to 3.6%, the lowest in nearly half a century. In spite of diminishing slack in the labor market, wage growth remained muted with average hourly earnings rising by 3.2%YoY for the second month in a row, supporting expectations for unchanged Fed interest rates in the period ahead. Weaker than expected US wage growth and renewed escalation in US/China trade tensions favored US Treasuries with the 10-yr yield hovering around 2.52% in early European trade after hitting a 1½ week intraday high of 2.58% on Friday. Key releases this week include Germany's industrial production for March (Wednesday) and US April's CPI (Friday) while the EU Commission will publish its Spring European Economic Forecast (Tuesday).

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GREECE

Institutions return to Greece today for the 3rd EPPS review, which is due to be released in June. The areas of focus are reportedly privatisations and potential pre-election benefits such as the scheme for the settlement of debts to the tax authorities and the social security funds. The latter may be submitted to Parliament as early as today. Other pre-election measures reportedly considered by the Greek government are: the reduction of certain VAT rates, the transfer of some goods to lower VAT rates, the reduction of the basic income tax rate from 22% to 20%, the reduction of the property tax (ENFIA) for certain categories of households, the one-off grant of a 13th pension and the cancellation of the reduction of the tax-free threshold which is to take effect in January 2020. Meanwhile, DBRS upgraded the Hellenic Republic's Long-Term Foreign and Local Currency – Issuer Ratings to BB (low) from B (high) and changed the trend from Positive to Stable. On the positive side, DBRS cited the progress in the EPPS, which opened the way for the implementation of policy-contingent debt measures (total benefit c. €970 million), the attainment of fiscal targets, the projected 2.3% growth for 2019 (MinFin forecast), the return to the financial markets and increased political stability. On the negative side, DBRS cited the still high debt ratio, the high NPLs, the potential negative impact from the recent increase in the minimum wage and the obligation of maintaining high primary surpluses over many years. On the privatisations front, according to press reports, the deadline for the submission of binding offers for lignite units has been extended to May 28th from May 6th, while the deadline for the submission of binding offers for Egnatia motorway has been moved to October 4th 2019 with general elections potentially causing further delays. Finally, the PDMA is reportedly considering the issue of a 7-year GGB to raise €2.0-2.5 billion before the EP elections.

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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	3.5
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

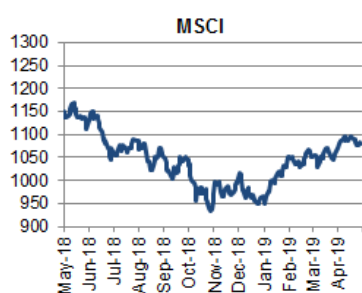
Latest economic & market developments in the CESEE region

CESEE MARKET DEVELOPMENTS

After a rather quiet week in the emerging markets (both MSCI Equities and FX indices remained broadly stable on a weekly basis), US President Trump decided this weekend to increase the pressure towards China in an attempt to wrap up a trade deal. In detail, he stated his intention to raise tariffs on USD200bn worth of Chinese imports. Following President's Trump threat, the Chinese cabinet, led by Vice Premier Liu He and consisted of c. 100 officials, is reportedly considering delaying its trip to Washington which is scheduled for this Wednesday. Consequently, at the time of writing emerging markets assets are falling, with the Chinese yuan and equities leading the losses, in fears of a possible trade dialogue collapse. Currently, the MSCI Emerging Markets Currency Index is dropping by 0.4% while the respective Equity index is falling by 1.5%, which is the biggest drop since last December.

Elsewhere in the CESEE region, the EUR/RSD traded in low volumes within a pretty narrow range of 117.85 - 118.05 throughout the previous week, due to an Easter Holiday lull in FX markets. Downside potential seems limited as the pair approached the support zone around 118.0 where the National Bank of Serbia (NBS) has already shown readiness to intervene, by having stepped within 2019 into purchases amounting to EUR230 million in order to halt dinar appreciation.

This week's regional calendar is broadly filled with retail sales and industrial production data for March for plethora of CESEE countries, among which Bulgaria and Romania. We consider Thursday's Monetary Policy Committee (MPC) by the NBS a rather neutral event with no interest rate changes anticipated (KPR at 3.0%). Our attention will be focused, instead, on the Spring Forecasts for the EU countries by the European Commission, released tomorrow at 12:00 CET.

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**Credit Ratings**

L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba2	BBB-	BB+

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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	2945.64	1.0%	17.5%	EUR/USD	1.1189	-0.1%	-2.4%	UST - 10yr	2.53	-2	-16	GOLD	1283	0.3%	0.0%
Nikkei 225	22258.73	-0.2%	11.2%	GBP/USD	1.3119	-0.4%	2.8%	Bund-10yr	-0.01	-3	-25	BRENT CRUDE	69	-2.1%	28.9%
STOXX 600	390.37	0.4%	15.6%	USD/JPY	110.71	0.4%	-0.9%	JGB - 10yr	-0.04	0	-4	LME X	2901	0.6%	3.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	0	-16
1-week	2.39	0	-17
1-month	2.60	0	-13
3-month	2.97	0	-6
6-month	3.09	0	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.14	-1	8
5Y RSD	3.76	0	26
7Y RSD	4.02	0	-14

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.30	-1	-70

CDS

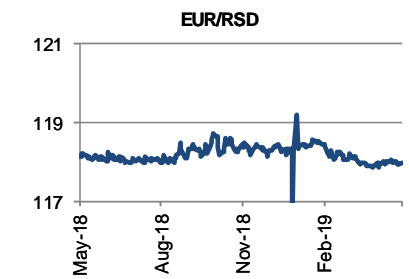
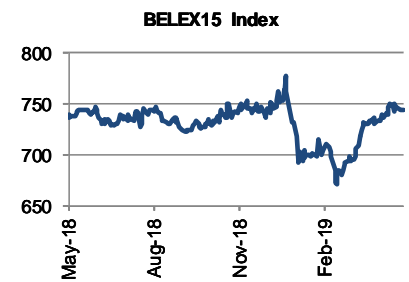
	Last	ΔDbps	ΔYTD bps
5-year	103	-1	-15
10-year	148	-1	-14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	743.2	-0.12%	-2.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.87	0.16%	0.31%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.78	0	169
1-month	3.17	0	130
3-month	3.31	0	126
6-month	3.39	0	112
12-month	3.52	0	120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.74	0	-29
5Y RON	4.41	0	7
10Y RON	4.94	0	13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.38	-	-16
USD Jan-24	3.32	0	-91

CDS

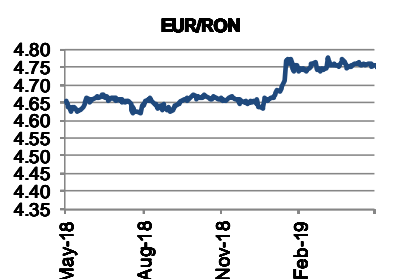
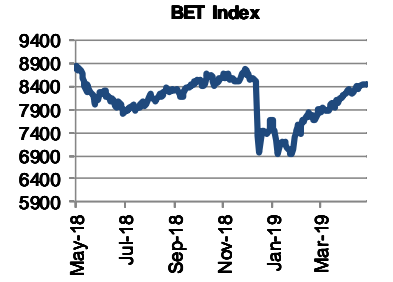
	Last	ΔDbps	ΔYTD bps
5-year	90	0	0
10-year	133	0	0

STOCKS

	Last	ΔD	ΔYTD
BET	8443.4	-0.08%	14.35%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7551	-0.05%	-2.12%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	8	3
3-month	-0.14	9	4
6-month	-0.02	10	3
12-month	0.36	14	4

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.21	0	-16
5Y BGN	0.01	0	-10
10Y BGN	0.45	0	-30

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.11	0	-6
EUR Sep-24	0.18	0	-30

CDS

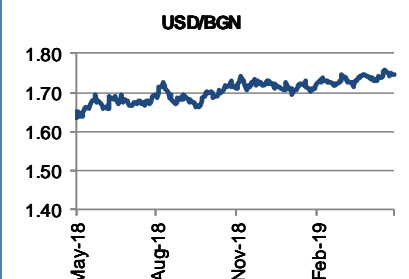
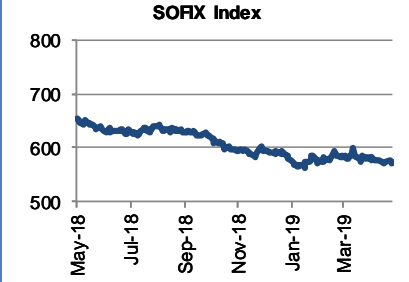
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-16
10-year	128	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	571.3	-0.14%	-3.90%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7473	-0.06%	-2.39%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 09:45 EEST

Monday 06 May 2019

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