

Monday 13 May 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- May 14:
 - NFIB Small Business Optimism (Apr)
 - Import Price Index (Apr)
- May 15:
 - Retail Sales less Autos (Apr)
 - Empire Manufacturing (Apr)
 - Capacity Utilisation (Apr)
 - NAHB Housing Market Index (May)
- May 16:
 - Initial Jobless Claims (May 11)
 - Philadelphia Fed Manufacturing (May)
 - Housing Starts (Apr)
 - Building Permits (Apr)
- May 17:
 - U. of Michigan Sentiment (May, P)
 - Leading Indicators (Apr)

EUROZONE

- May 14:
 - Industrial Production (Mar)
 - ZEW Survey Expectations (May)
- May 15:
 - GDP (Q1, P)
 - GDP (Q1, P, Germany)
- May 17:
 - EU 27 New Car Registrations (Apr)
 - CPI (Apr)

GREECE

- May 14: Industrial Imports Price Index (Mar)

SEE

BULGARIA:

- May 13: Trade Balance (Mar)
- May 15:
 - GDP (Q1, P)
 - CPI (Apr)
 - Unemployment Rate (Apr)

CYPRUS:

- May 15:
 - CPI Harmonised (Apr)
 - GDP (Q1, P)

SERBIA

- May 13: CPI (Apr)
- May 16: Current Account Balance (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The latest round of US/China trade talks finished on Friday with signs of a deadlock, as key differences between the two sides remain. The two trade teams have reportedly agreed to meet again but without determining when, while White House economic advisor Larry Kudlow said that there is a "strong possibility" for US President Donald Trump and Chinese President Xi Jinping to meet at the G20 meeting in late June. Amid growing uncertainty over whether the US and China would be able to seal a trade deal, the majority of Asian bourses ended lower today and major European equity markets were under some pressure at the open whereas US and German government bonds remained well supported. In FX markets, the JPY continued to outperform its major currency peers favored by its safe-haven appeal.

GREECE: The matter of the pre-election measures announced last week by the Greek PM Alexis Tsipras had a rather cautious reception from the European institutions that have expressed the intention to examine those measures in-depth in the period ahead. If they are found to contradict Greece's commitments in the context of the EPPS, the institutions may decide to withhold the next installment of SMP/ANFA profits. On the economic data front, according to the Hellenic Statistical Authority, the total value of imports – arrivals for the 3-month period from January to March 2019 increased by 5.8%YoY while the total value of exports – dispatches recorded an increase of 1.6%YoY. The CPI in April 2019 compared with April 2018 increased by 1.0% whereas in April 2018 the annual rate of change of the CPI had remained unchanged.

SOUTH EASTERN EUROPE

BULGARIA: The Bulgarian blue chip index SOFIX remained virtually unchanged last week ending at 571.54 points.

SERBIA: According to the press release from the National Bank of Serbia (NBS) Governor's office, official talks between representatives of the Republic of Serbia and the IMF mission commenced on Friday. The IMF Mission will stay in Serbia until May 21 in order to carry out the second semi-annual review of the Policy Coordination Instrument (PCI) and to conduct consultations under Article IV of the IMF's Articles of Agreement. In the FX market, the EUR/RSD remained bound within a 117.85 - 118.05 range in the past week.

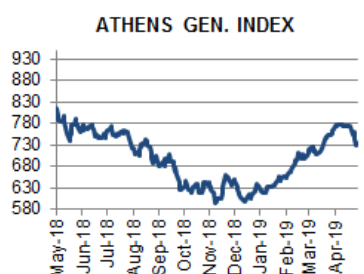
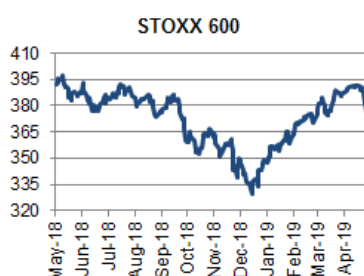
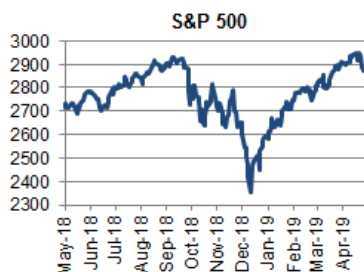
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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank
Research

The latest round of US/China trade talks finished on Friday with signs of a deadlock, as key differences between the two sides remain. Apparently, the most important one is the US's demand that certain parts of the trade deal be written into Chinese Law, while China's top negotiator insists that the US should trust that China will fulfil its pledges through administrative and regulatory changes. The US has reportedly given China a month to make concessions threatening, otherwise, to impose a 25% tariff on the remaining \$325bn imports from China, which means that, should this be the case, all Chinese imports would bear a 25% levy. The two trade teams have reportedly agreed to meet again but without determining when, while White House economic advisor Larry Kudlow said that there is a "strong possibility" for US President Donald Trump and Chinese President Xi Jinping to meet at the G20 meeting in late June. Amid growing uncertainty over whether the US and China will be able to seal a trade deal, the majority of Asian bourses ended lower today and major European equity markets were under some pressure at the open whereas US and German government bonds remained well supported. The 10-yr US bond yield dropped to a fresh five-week low of 2.416% earlier today, while Friday's data suggesting a general lack of inflationary pressures in the US, also had an impact. In FX markets, the JPY continued to outperform its major currency peers favored by its safe-haven appeal, with the USD/JPY standing close to 109.65/68 in early European trade at the time of writing, within distance from last Friday's 3½ month intraday trough of 109.46. Looking at this week's calendar, the data highlights include Chinese activity indicators (Wednesday) and US April retail sales (Wednesday), the first indication of US private consumption growth in early Q2. Turning to the Euro area, focus is on the March industrial production (Tuesday) and the second Q1 GDP growth estimate (Wednesday) followed by the final inflation April HICP report (Friday). In Germany, we expect the first Q1 GDP growth estimate (Tuesday) and market consensus is for an acceleration to 0.4%QoQ after the economy stagnated in the prior quarter.

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GREECE

The matter of the pre-election measures announced last week by the Greek PM Alexis Tsipras had a rather cautious reception from the European institutions that have expressed the intention to examine those measures in-depth in the period ahead. If they are found to contradict Greece's commitments in the context of the EPPS, the institutions may decide to withhold the next installment of SMP/ANFA profits. However, such a decision is unlikely to be made before autumn. For the time being, the matter is not on the agenda of the 16 May Eurogroup but may be discussed at the June Eurogroup, which will be held after the 3rd EPPS review has been released. On the economic data front, according to the Hellenic Statistical Authority, the total value of imports – arrivals for the 3-month period from January to March 2019 increased by 5.8%YoY while the total value of exports – dispatches recorded an increase of 1.6%YoY. As a result, the deficit of the trade balance for the said period expanded by 12.0%YoY. Meanwhile, the CPI in April 2019 compared with April 2018 increased by 1.0% whereas in April 2018 the annual rate of change of the CPI had remained unchanged. On a monthly basis, in April 2019 the CPI increased by 1.0%. For the twelve month period from May 2018 to April 2019, the average CPI increased by 0.9% compared with the corresponding index for the period May 2017 to April 2018.

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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

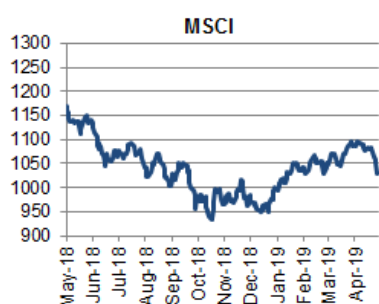
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* 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**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+

Latest economic & market developments in the CESEE region

BULGARIA

The Bulgarian blue chip index SOFIX remained virtually unchanged last week, ending at 571.54 points. Weekly volume stood at EUR 3.4mn, higher compared to that recorded in recent weeks. External government yields were also little changed on a weekly basis no, while local currency denominated government bonds moved slightly downwards by 3-4 bps.

SERBIA

According to the press release from the National Bank of Serbia (NBS) Governor's office, official talks between representatives of the Republic of Serbia and the IMF mission commenced on Friday. The Serbian delegation is headed by NBS Governor Jorgovanka Tabaković while the IMF Mission is headed by the new mission Chief, Mr. Jan Kees Martijn, who will be in Belgrade from 9 to 21 May in order to carry out the second semi-annual review of the Policy Coordination Instrument (PCI) and conduct consultations under Article IV of the IMF's Articles of Agreement. Other topics for discussion will be current fiscal, monetary and overall macroeconomic developments, as well as the fulfilment of the established quantitative and reform goals within the economic programme, supported by the PCI, which the IMF Executive Board approved in July 2018. In addition, the meetings will take a comprehensive look at the overall economic and financial situation in Serbia within consultations under Article IV, as well as at the growth prospects. The analysis will also include the adequacy of the economic policy and measures, external stability and sustainability of the country's external debt.

In other news, the EUR/RSD is still hovering around recent levels in a trendless pattern with extremely low volumes. In detail, the currency pair fluctuated between 117.85/95 and 117.95/05 during the whole week, having closed Friday's session at the level of 117.90/00. Considering Central bank's consistency in defending the 118.0 level, as well as the fact that there are no crucial macroeconomic events scheduled for this week, the EUR/RSD will most probably continue hovering around 118.0 in the coming days.

*We would like to thank Djordje Lucic from Eurobank Serbia and Ruslan Raychev from Eurobank Postbank for their valuable contribution in today's issue

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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	2881.40	0.4%	14.9%	EUR/USD	1.1236	0.0%	-2.0%	UST - 10yr	2.44	-3	-24	GOLD	1283	-0.2%	0.1%
Nikkei 225	21191.28	-0.7%	5.9%	GBP/USD	1.3013	0.1%	2.0%	Bund-10yr	-0.04	1	-28	BRENT CRUDE	71	0.5%	32.0%
STOXX 600	377.14	0.3%	11.7%	USD/JPY	109.77	0.2%	-0.1%	JGB - 10yr	-0.05	0	-5	LME X	2855	0.5%	1.9%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-1	-16
1-week	2.37	-2	-19
1-month	2.60	0	-13
3-month	2.97	1	-6
6-month	3.10	1	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.01	-1	-5
5Y RSD	3.79	0	28
7Y RSD	4.02	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.24	-1	-75

CDS

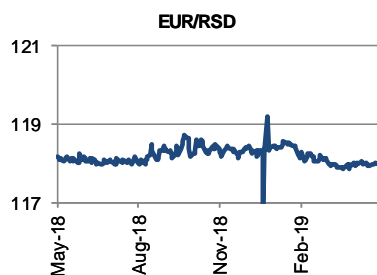
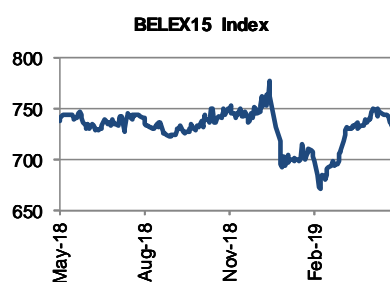
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-14
10-year	149	0	-14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	731.7	-0.26%	-3.94%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.98	-0.05%	0.22%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.54	0	145
1-month	3.14	0	127
3-month	3.3	0	125
6-month	3.4	0	113
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.75	0	-28
5Y RON	4.41	0	7
10Y RON	4.90	0	9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.39	-	-15
USD Jan-24	3.36	0	-87

CDS

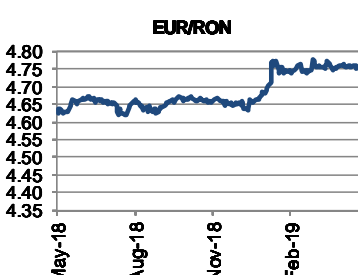
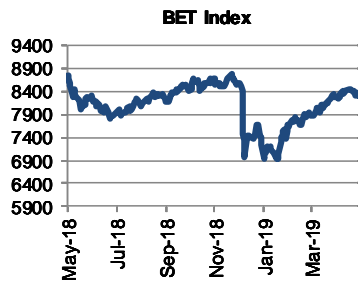
	Last	ΔDbps	ΔYTD bps
5-year	90	0	0
10-year	134	0	1

STOCKS

	Last	ΔD	ΔYTD
BET	8304.6	0.08%	12.47%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7603	-0.02%	-2.23%



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	-0.22	-1	-16
5Y BGN	-0.01	0	-12
10Y BGN	0.48	0	-27

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.11	0	-9
EUR Sep-24	0.16	0	-32

CDS

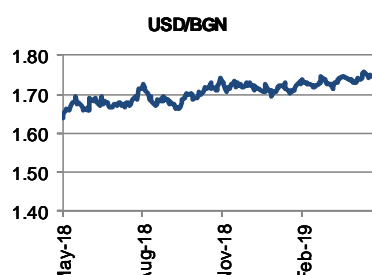
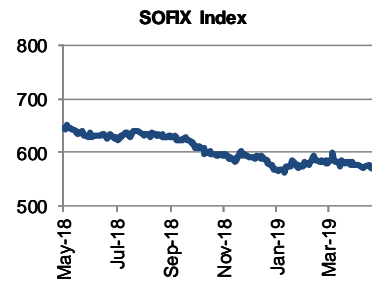
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	571.5	0.47%	-3.86%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7409	0.01%	-2.03%



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

Data updated as of 9:25 EEST

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