

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: Risk off mode prevailed in early trade on Tuesday on the back of intensified US/China trade concerns. In response to the US administration's decision last week to raise tariffs on \$200bn worth of imports from China to 25% from 10%, China's Ministry of Finance announced on Monday that \$60bn US goods will be subject to increased tariffs of 5%, 10% and 25% effective on June 1. On its part, retaliating against China's increased duties, the US Trade Representative's office said that it plans to hold a public hearing next month on the possibility of imposing duties of up to 25% on a further \$300bn worth of imports from China. Favored by global equity markets' lackluster performance, core government bonds retained a positive tone, while in FX markets, the CHF and to a larger extent the JPY remained well supported.

GREECE: According to press reports, the European institutions are considering blocking the approval of the early repayment of part of IMF loans, in reaction to the pre-election stimulus measures that were tabled to Parliament yesterday.

SOUTH EASTERN EUROPE

CESEE MACRO & MARKET DEVELOPMENTS: The sharp escalation in the U.S. and China trade tensions over the last few sessions paused this year's rally in emerging markets as China's decision to retaliate against increased U.S. tariffs by imposing duties up to 25% to 2.5ths American products starting June 1 boosted investors' risk off sentiment. In Serbia, the CPI print for April came in at 3.1% YoY from 2.8% YoY in March while in Bulgaria, according to the official statistical data released yesterday, the external merchandise trade deficit narrowed by 75.7% YoY to EUR 31.4mn in March.

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Tuesday 14 May 2019

Latest world economic & market developments

GLOBAL MARKETS

Risk off mode prevailed in early trade on Tuesday on the back of intensified US/China trade concerns. In response to the US administration's decision last week to raise tariffs on \$200bn worth of imports from China to 25% from 10%, China's Ministry of Finance announced on Monday that \$60bn US goods will be subject to increased tariffs of 5%, 10% and 25% effective on June 1. On its part, retaliating against China's increased duties, the US Trade Representative's office said that it plans to hold a public hearing next month on the possibility of imposing duties of up to 25% on a further \$300bn worth of imports from China.

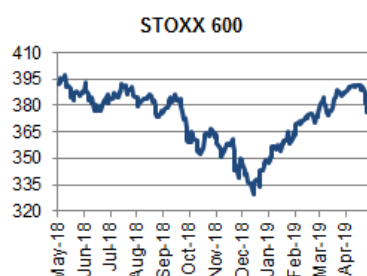
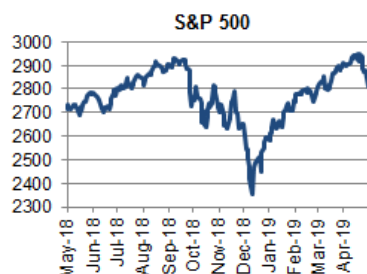
Against this background, US equity markets dropped by around 2.5% overnight and Asian bourses followed suit, with the MSCI's broadest index of Asia-Pacific shares outside Japan ending at its lowest level since late January. However, supporting optimism that a US/China trade deal could be finally agreed upon, US President Donald Trump said late on Monday that trade talks with China are "going to be very successful" and he will meet Chinese President Xi Jinping at the G20 meeting next month. Favored by global equity markets' lackluster performance, core government bonds retained a positive tone. Indicatively, the 10-yr US bond yield was standing close to 2.41% in early European trade at the time of writing, close to a near six-week low of 2.39% recorded yesterday. In FX markets, the CHF and to a larger extent the JPY remained well supported. The USD/JPY was hovering around 109.70/75 at the time of writing, within distance from yesterday's fresh 3½ month intraday low of 109.00 while the EUR/CHF stood close to 1.1315/20, after temporarily testing levels below 1.1300 for the first time in around a month. Looking at today's calendar, the highlights include the Eurozone's industrial production for March and the ZEW survey in Germany for the month of May.

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GREECE

According to press reports, the European institutions are considering blocking the approval of the early repayment of part of IMF loans, in reaction to the pre-election stimulus measures that were tabled to Parliament yesterday. The measures have been met with caution by the EC, particularly the Greek government's intention to circumvent the primary surplus targets between 2020-2022 in order to secure the necessary fiscal space for their implementation. The matter is not expected to be discussed at this week's Eurogroup but rather at the 13 June Eurogroup, while as things stand, the partial repayment of IMF loans requires the approval of the ESM Managing Board. Meanwhile, on 5 June the EC will release the 3rd EPPS review on Greece, which along with the assessment of the progress in reforms and other commitments may also reportedly include a detailed valuation of the announced measures in order to allow the institutions to determine their course of action.

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Source: Reuters, Bloomberg, Eurobank Research

Tuesday 14 May 2019

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

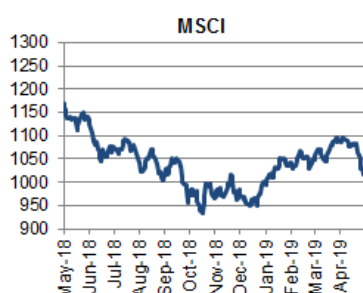
Latest economic & market developments in the CESEE region

CESEE MACRO & MARKET DEVELOPMENTS

The sharp escalation in the U.S. and China trade tensions over the last few sessions paused this year's rally in emerging markets as China's decision to retaliate against increased U.S. tariffs by imposing duties up to 25% to 2.5ths American products starting June 1 boosted investors' risk off sentiment. In detail, yesterday, the MSCI Emerging Markets Equity Index continued its 5 day losing streak and returned to mid-January lows after reaching 9 month highs in mid-April. Similarly, the respective currency index slid to the early January low of 1.619, after hitting a 5 month high of 1.657 in early February.

Elsewhere in the region, in Serbia, the CPI print for April came in to 3.1% YoY from 2.8% YoY in March. The inflated figure was broadly attributed to increases in vegetables prices by 37.5% YoY, tobacco products by 7.9% YoY and to a lesser extent transportation fuel prices (+4.2%) while deflationary pressures stemmed from fruit prices that retreated by 6.4% YoY. However, core inflation in April came in at 1.4% YoY, up only by 0.1ppt compared to March, implying that inflationary pressures remain subdued. More details are expected in the next Inflation Report, which will be published tomorrow.

In Bulgaria, according to official statistical data released yesterday, the external merchandise trade deficit narrowed by 75.7% YoY to EUR 31.4mn in March. The trade balance in March improved as exports growth (5.0% YoY) outpaced that of imports (0.8% YoY), although both decelerated compared to the previous month due to continued lower export volumes with Turkey and presumably moderate domestic demand dynamics affecting imports.

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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+

Tuesday 14 May 2019

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	2811.87	-2.4%	12.2%	EUR/USD	1.1238	0.1%	-2.0%	UST - 10yr	2.41	1	-28	GOLD	1298	-0.1%	1.2%
Nikkei 225	21067.23	-0.6%	5.3%	GBP/USD	1.2951	0.0%	1.5%	Bund-10yr	-0.06	1	-30	BRENT CRUDE	71	0.4%	31.0%
STOXX 600	372.57	-1.2%	10.3%	USD/JPY	109.6	-0.3%	0.1%	JGB - 10yr	-0.05	0	-5	LME X	2813	-1.5%	0.4%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	0	-16
1-week	2.37	0	-19
1-month	2.61	1	-12
3-month	2.96	-1	-7
6-month	3.10	0	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.02	-1	-5
5Y RSD	3.79	0	28
7Y RSD	4.03	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.24	-1	-76

CDS

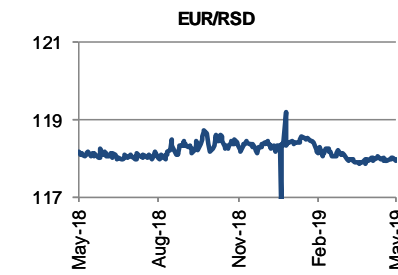
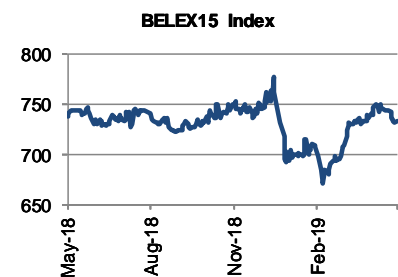
	Last	ΔDbps	ΔYTD bps
5-year	105	1	-13
10-year	150	1	-12

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.6	0.11%	-3.83%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.95	-0.03%	0.24%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.56	0	147
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	3.83	0	-21
5Y RON	4.45	0	11
10Y RON	4.94	0	13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.39	-	-15
USD Jan-24	3.37	0	-86

CDS

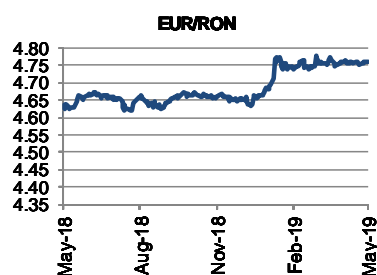
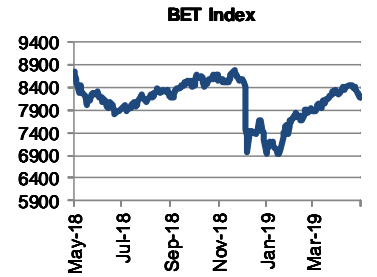
	Last	ΔDbps	ΔYTD bps
5-year	87	-3	-3
10-year	130	-4	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8164.6	-1.69%	10.58%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7619	-0.02%	-2.26%



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	-0.19	-1	-13
5Y BGN	-0.01	0	-12
10Y BGN	0.47	0	-28

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.12	0	-9
EUR Sep-24	0.14	0	-34

CDS

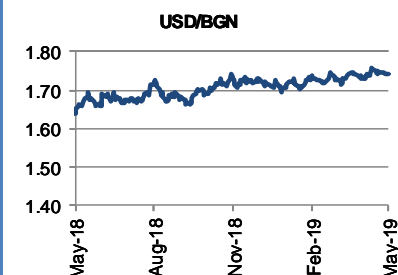
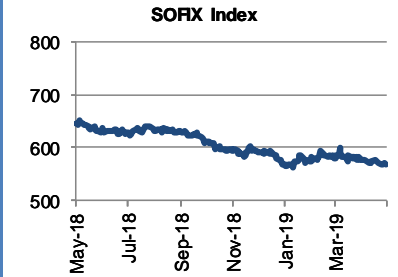
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	128	-1	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	567.3	-0.75%	-4.58%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7404	0.15%	-2.01%



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

Data updated as of 9:25 EEST

Tuesday 14 May 2019

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