

### 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:** Market sentiment towards risk assets improved on Wednesday as reflected in Asian bourses' rebound from yesterday's 3½-month lows, supported by increased optimism that a US/China trade deal could be finally reached. Despite equity markets' improved performance, core government bonds remained well supported in early European trade. Turning to the EMU periphery sovereign bonds, Italy underperformed on the back of market worries over renewed tensions between the EU Commission and the Italian government. Pressures were more pronounced against Italy's shorter-dated paper, with the 2-yr yield hitting a year-to-day peak close to 0.82%. In FX markets, the EUR/USD continued to consolidate around the 1.1200 handle, while the GBP was under pressure across the board on the back of increased political uncertainty ahead of the European Parliament elections on 23 May, as recent opinion polls suggest the ruling Conservative party will probably face a heavy defeat.

**GREECE:** In an interview yesterday, the Greek Finance Minister Euclid Tsakalotos stated that the draft 2020 Budget will be submitted to the European Commission on 15 September and will incorporate two scenarios: one without and one with policy changes, namely the annulment of the reduction of the tax-free threshold – effective on 1 January 2020 - and other tax measures.

### SOUTH EASTERN EUROPE

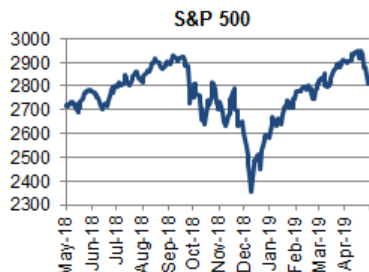
**CESEE MACRO & MARKET DEVELOPMENTS:** The majority of emerging market assets on Thursday are holding back from further losses throughout the previous week and yesterday, despite the disappointing soft data released yesterday from China. Presumably, emerging markets losses are contained, despite the unfavorable data from China, amid expectations over a positive outcome in the US – China dispute by June 20, when US President Trump and China's Xi Jing Ping will meet on the sidelines on the G20 meeting in Osaka. Elsewhere in the region, Q1 2019 GDP flash estimates for Bulgaria, the Czech Republic, Hungary, Romania and Poland are due later today. Although most of the prints are expected to show some slowdown, GDP growth rates in the CESEE region still remain well above those of the Eurozone economies.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market sentiment towards risk assets improved on Wednesday as reflected in Asian bourses' rebound from yesterday's 3½-month lows, supported by increased optimism that a US/China trade deal could be finally agreed upon. US President Donald Trump called the trade war with China "a little squabble" and insisted that negotiations have not collapsed, adding that the two sides could reach a deal when the "time is right", which could happen "much earlier" than thought.

Despite equity markets' improved performance, core government bonds remained well supported in early European trade, with the 10-yr Bund yield falling to a fresh 2½-year low of -0.099% earlier today. Turning to the EMU periphery, the majority of government bonds were firmer on the day. Italy underperformed on the back of market worries over renewed tensions between the EU Commission and the Italian government following comments by Deputy Prime Minister Matteo Salvini that the government could be ready to break the EU budget rules if necessary, to support employment growth. The 10-yr BTP yield rose to a fresh 2-month high of 2.79% earlier today, some 5bps higher on the day and up around 10bps so far this week, with the spread against its German counterpart widening to 287bps, the highest since early February. Pressures were more pronounced against Italy's shorter-dated paper with the 2-yr yield hitting a year-to-day peak close to 0.82% earlier today, 9bps higher compared to yesterday's close.

In FX markets, the EUR/USD continued to consolidate around the 1.1200 handle failing to capitalize on Q1 GDP data from Germany showing a rebound to a quarterly growth rate of 0.4% after stagnation in the prior quarter. Elsewhere, the GBP was under pressure across the board, testing levels below 1.2900 against the USD for the first time in around three weeks, while the EUR/GBP marked a peak close to 0.8700, the highest since mid-March, on the back of increased political uncertainty ahead of the European Parliament elections on 23 May as recent opinion polls suggest the ruling Conservative party will probably face a heavy defeat. Yesterday's UK employment related data showing a bigger than expected drop in Q1 total earnings including bonuses, had also had a negative impact. Looking at today's calendar, the highlights include US retail sales and industrial production, both for April while, in the Euro area, the second reading of Q1 GDP will also lure market attention.

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### GREECE

In an interview yesterday, the Greek Finance Minister Euclid Tsakalotos stated that the draft 2020 Budget will be submitted to the European Commission on 15 September and will incorporate two scenarios: one without and one with policy changes, namely the annulment of the reduction of the tax-free threshold – effective on 1 January 2020 - and other tax measures. He also spoke of the intention of the government to consider re-instating the pensioners' social solidarity grant (EKAS), which as things stand is to be abolished altogether by 2020. This statement was made in spite of the concerns recently raised by the EC and the IMF regarding the pre-election measures announced last week by the PM Alexis Tsipras. According to press reports, the EC will examine the impact of the announced measures and should this be deemed contradictory to Greece's EPPS commitments, may adopt punitive measures such as withholding the next installment of SMP/ANFA profits or blocking the early repayment of part of IMF loans.

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Wednesday 15 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

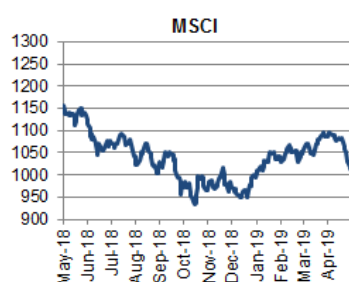
## Latest economic & market developments in the CESEE region

### CESEE MACRO & MARKET DEVELOPMENTS

The majority of emerging market assets on Thursday are holding back from further losses throughout the previous week and yesterday, despite the disappointing soft data released yesterday from China. Even though fixed assets investments (expected to increase by 6.4% YoY vs actual 6.1% YoY in April down from 6.3% YoY in March), industrial production (expected to increase by 6.5% YoY vs actual 5.4% YoY in April down from 8.5% YoY in March) and retail sales (expected to increase by 8.6% YoY vs actual 7.2% YoY in April down from 8.7% in March) came below market expectations in April, the MSCI emerging Markets Equity Index concluded yesterday's session at 1.015, only a tad lower compared to Monday's session while the respective currency index has been stabilized at 1.620, marginally higher than the previous session's

closing price. Presumably, emerging markets losses are contained, despite the unfavorable data from China, amid expectations over a positive outcome in the US – China dispute by June 20, when US President Trump and China's Xi Jing Ping will meet on the sidelines on the G20 meeting in Osaka.

Elsewhere in the region, regional currencies remained yesterday under pressure with most equity markets remaining flat amid expectations over Q1 2019 GDP flash estimates for Bulgaria, the Czech Republic, Hungary, Romania and Poland which are due later within today. Although most of the prints are expected to show some slowdown, still GDP growth rates in the CESEE region remain well above those of the Eurozone economies.

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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+

Wednesday 15 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	2834.41	0.8%	13.1%	EUR/USD	1.1208	0.0%	-2.3%	UST - 10yr	2.41	0	-27	GOLD	1294	-0.3%	0.9%
Nikkei 225	21188.56	0.6%	5.9%	GBP/USD	1.2908	0.0%	1.2%	Bund-10yr	-0.08	-1	-32	BRENT CRUDE	71	-0.3%	32.1%
STOXX 600	376.34	1.0%	11.5%	USD/JPY	109.68	-0.1%	0.0%	JGB - 10yr	-0.05	0	-6	LMEX	2838	0.9%	1.3%

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.25	-3	-19
1-week	2.34	-3	-22
1-month	2.60	-1	-13
3-month	2.97	1	-6
6-month	3.10	0	-8

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.01	-1	-5
5Y RSD	3.79	0	28
7Y RSD	4.03	0	-13

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.23	-1	-77

#### CDS

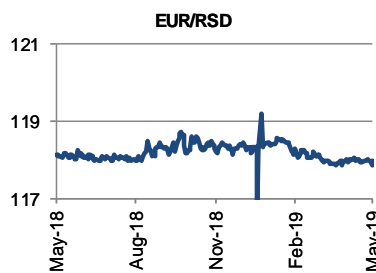
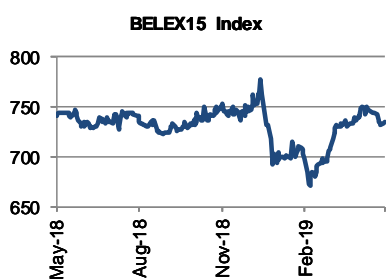
	Last	ΔDbps	ΔYTD bps
5-year	105	1	-13
10-year	150	1	-12

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	735.1	0.35%	-3.49%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.96	-0.26%	0.23%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.09	0	100
1-month	3.13	0	126
3-month	3.29	0	124
6-month	3.39	0	112
12-month	3.54	0	122

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.82	0	-22
5Y RON	4.44	0	10
10Y RON	4.94	0	12

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.39	-	-15
USD Jan-24	3.38	0	-85

#### CDS

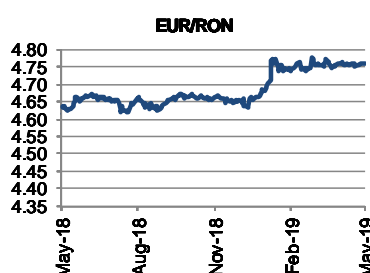
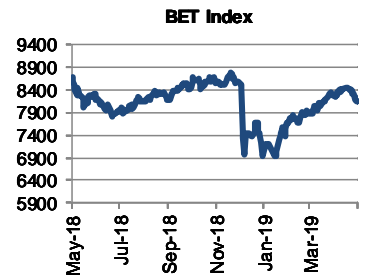
	Last	ΔDbps	ΔYTD bps
5-year	88	1	-2
10-year	132	2	-1

#### STOCKS

	Last	ΔD	ΔYTD
BET	8135.8	-0.35%	10.19%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7615	-0.04%	-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	-0.22	-1	-17
5Y BGN	-0.02	0	-13
10Y BGN	0.47	0	-28

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.11	0	-9
EUR Sep-24	0.15	0	-33

#### CDS

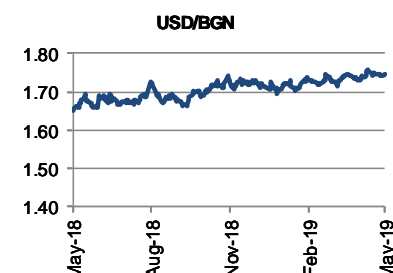
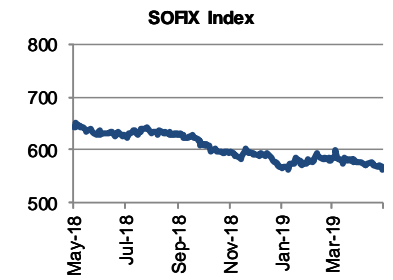
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	128	0	-13

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	563.4	-0.68%	-5.22%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7451	0.03%	-2.27%



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

Data updated as of 9:25 EEST

Wednesday 15 May 2019

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