

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- May 20: Chicago Fed National Activity Index (Apr)
- May 21: Existing Home Sales (Apr)
- May 22: FOMC minutes of May 1 meeting
- May 23:
 - Markit Manufacturing, Services, Composite PMI (May, prel.)
 - Initial Jobless Claims (May 18)
 - New Home Sales (Apr)
- May 24: Durable Goods Order (Apr, prel.)

EUROZONE

- May 21: Consumer Confidence (May)
- May 23:
 - Markit Manufacturing, Services, Composite PMI (May, prel.)
 - GDP (Germany, Q1, flash)
 - IFO Business Climate (Germany, May)
- May 23-26: EU elections

GREECE

- May 21: Current Account Balance (Mar)

SEE

BULGARIA:

- May 20: Current Account Balance (Mar)

ROMANIA:

- May 24: M3 (Apr.)

SERBIA

- May 24: Real Gross Wages (Mar)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian bourses posted modest gains today after the US administration temporarily eased trade restrictions imposed last week on China's Huawei, the world's largest telecommunications equipment maker. On the flip side, European equity markets opened in positive territory earlier today, but gains were limited on the back of lingering worries over whether a US/China trade deal could finally be agreed upon. In addition, market anxiety ahead of the European elections that will be held from Thursday to Sunday continued to have an impact. In FX markets, the GBP remained under broad pressure amid mounting political uncertainty. UK PM Theresa May will reportedly convene a cabinet meeting today to consider how to respond to the collapse of the cross-party talks with the Labour Party ahead of Thursday's European elections where, according to recent opinion polls, the Conservative Party's performance will probably be the worst in recent history.

GREECE: The plenary of the Council of State definitively decided that the wage and allowance cuts in the public sector under Law 4093/2012 are not unconstitutional and hence the request for their retroactive payment was rejected. The said decision reportedly affects c. 610,000 public servants, and if their wages and allowances were to be retroactively restored, the fiscal impact would be significant. On the economic data front, according to the Hellenic Statistical Authority, the overall turnover index in industry in March 2019 decreased by 6.7% YoY while in March 2018, the respective rate of change was +3.4%.

SOUTH EASTERN EUROPE

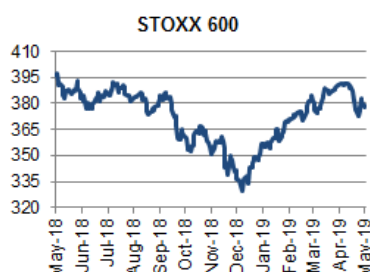
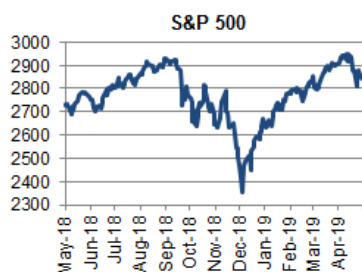
CYPRUS: Non-performing exposures (NPEs) edged up by €47mn in the first month of the year, leaving the NPEs ratio unchanged at 30.3%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian bourses posted modest gains today after the US administration temporarily eased trade restrictions imposed last week on China's Huawei, the world's largest telecommunications equipment maker. The US Commerce Department announced that it will allow Huawei Technologies Co Ltd to purchase US-made goods until August 19 in order to maintain existing networks and provide software updates to existing Huawei handsets. On the flip side, European equity markets opened in positive territory earlier today, but gains were limited on the back of lingering worries over whether a US/China trade deal could finally be agreed upon. In addition, market anxiety ahead of the European elections that will be held from Thursday to Sunday continued to have an impact. Opinion polls suggest that the European People's Party (EPP) and the Socialists and Democrats (S&D) are likely to see weaker support compared to 2014 and will probably fall short of an absolute majority for the first time since 1979 while populist parties will increase their support to around 30%. Such a development, if realised, could probably prevent further EU integration and could also have severe implications on the political climate at a local level in some countries.

Meanwhile, German Bunds were hardly changed on the day with the 10-yr yield hovering around -0.08 in early European trade at the time of writing, less than 1bp higher on the day and off the recent 2 ½ year low of -0.13%, but down by almost 10bps on the month. In FX markets, the EUR/USD was trading close to 1.1153/55 at the time of writing, a tad lower compared to yesterday's close and not far from a near two-week intraday low of 1.1145 recorded earlier today, albeit still within recent ranges. Elsewhere, the GBP remained under broad pressure amid mounting political uncertainty. UK PM Theresa May will reportedly hold a cabinet meeting today to consider how to respond to the collapse of the cross-party talks with the Labour Party ahead of Thursday's European elections where, according to recent opinion polls, the Conservative Party's performance will probably be the worst in recent history. On the data front, focus today is on euro area consumer confidence data for May, while speeches by central bankers, including ECB Vice President De Guindos and the Fed's Evans and Rosengren, will also lure market attention. Furthermore, at 11:00 CET the OECD will publish its updated Economic Outlook report.

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GREECE

The plenary of the Council of State definitively decided that the wage and allowance cuts in the public sector under Law 4093/2012 are not unconstitutional and hence the request for their retroactive payment was rejected. The said decision reportedly affects c. 610,000 public servants, and if their wages and allowances were to be retroactively restored, the fiscal impact would be significant. Meanwhile, on the privatisations front, according to press reports, the dichotomy of DEPA – a pre-condition for the privatisation of DEPA commercial – is stumbling on difficulties regarding the future employment status of around 200 employees who work for the company as external contractors. On the economic data front, according to the Hellenic Statistical Authority, the overall turnover index in industry in March 2019 decreased by 6.7% YoY while in March 2018, the respective rate of change was +3.4%. The average overall turnover index in industry for the 12-month period from April 2018 to March 2019 rose by 8.7% while in March 2018, the respective change for the period April 2017 – March 2018 was +7.8%.

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Tuesday 21 May 2019

Latest economic & market developments in the CESEE region

CYPRUS

BULGARIA: Indicators 2017 2018 2019F

Real GDP growth %	3.8	3.1	3.5
CPI (pa, yoy %)	1.2	2.6	2.8
Fiscal Balance/GDP*	0.8	0.1	-0.5
Current Account/GDP	3.1	4.6	1.0

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

CYPRUS: Indicators 2017 2018 2019F

Real GDP growth %	4.5	3.9	3.3
HICP (pa, yoy %)	0.7	0.8	1.0
Fiscal Balance/GDP*	1.8	2.9	3.0
Current Account/GDP	-8.4	-7.0	-7.5

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

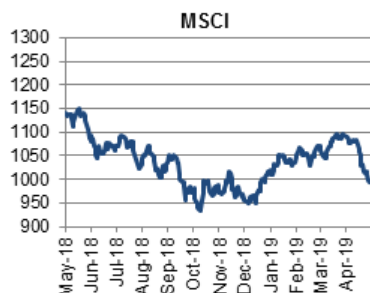
SERBIA: Indicators 2017 2018 2019F

Real GDP growth %	2.0	4.3	3.5
CPI (pa, yoy %)	3.2	2.0	2.6
Fiscal Balance/GDP	1.1	0.6	-0.5
Current Account/GDP	-5.2	-5.2	-5.3

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

On the data front, non-performing exposures (NPEs) edged up by €47mn in the first month of the year, after declining by €834mn in December and posting a minor increase by €10mn in November. Recall that, NPEs decreased by €5.6bn in last September – reflecting the carve out of the Cyprus Cooperative Bank (CCB) bad loans – after registering minor decreases in August and July compared to €3.3bn in June, bringing the stock of NPEs down by 62.4% over the period from December 2014 to December 2018. Having decreased by €6.6bn from €41.3bn in June 2018 to €34.6bn in September 2018, loan exposures (performing plus non-performing) declined by €1,037mn in December. However loan exposures expanded by €145mn, which is a higher increase than that in their non-performing component alone. As a result, the ratio of NPEs (non-performing to total exposures) remained flat at 30.3% in January vs. in December, down from 31.8% in November vs. 40.3% in June 2018, compared to 43.7% in December 2017, 47.2% in December 2016, 45.8% in December 2015 and 47.8% in December 2014. Recall that according to the EBA conservative definition, a restructured NPE is still classified as an NPE for a probation period of at least 12 months, even if it is properly serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified as NPEs (€4.6bn out of €6.6bn in January 2019).

Further progress on the NPEs issue hinges upon two more game-changing factors: 1) the implementation of the reformed insolvency and foreclosures frameworks, and 2) the government - subsidized ESTIA plan. As far as the first factor is concerned, the results so far are not encouraging. According to recent media reports, the number of foreclosures and successfully completed auctions has showed little improvement and is still running below expectations. In late January of this year, the parliamentary committee on budgetary and financial affairs approved the release of the funds designated for the ESTIA government plan in 2019. Furthermore, the implementation of the scheme has encountered further delays as the MoU draft between the banks and the state was under the scrutiny of the Legal Service and an online platform to collect the applications was still under construction.

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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 21 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	2840.23	-0.7%	13.3%	EUR/USD	1.1151	-0.1%	-2.8%	UST - 10yr	2.41	-1	-28	GOLD	1276	-0.1%	-0.5%
Nikkei 225	21272.45	-0.1%	6.3%	GBP/USD	1.269	-0.3%	-0.5%	Bund-10yr	-0.09	0	-33	BRENT CRUDE	72	0.2%	34.0%
STOXX 600	378.49	0.3%	12.1%	USD/JPY	110.09	0.0%	-0.4%	JGB - 10yr	-0.05	-1	-5	LMEX	2821	-0.9%	0.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.26	-1	-18
1-week	2.36	0	-20
1-month	2.60	-1	-13
3-month	2.97	1	-6
6-month	3.10	1	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.06	-1	0
5Y RSD	3.79	0	28
7Y RSD	4.05	0	-11

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.21	-1	-79

CDS

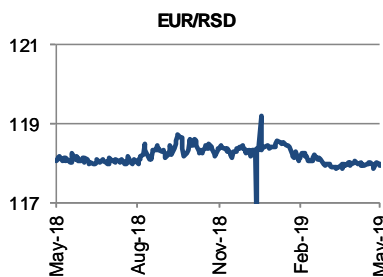
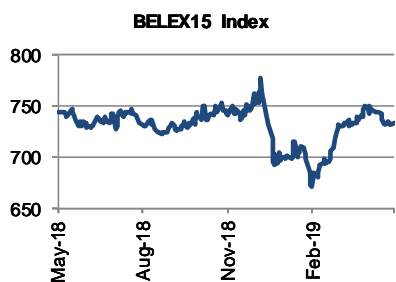
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-14
10-year	149	0	-13

STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.4	0.17%	-3.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.89	0.12%	0.29%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.97	0	88
1-month	3.15	0	128
3-month	3.28	0	123
6-month	3.38	0	111
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.83	0	-20
5Y RON	4.46	0	12
10Y RON	4.94	0	13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.38	-	-15
USD Jan-24	3.41	-2	-83

CDS

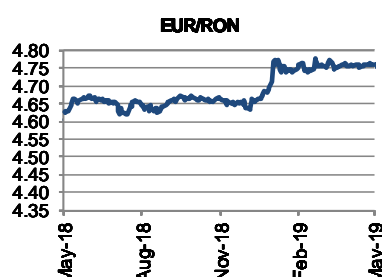
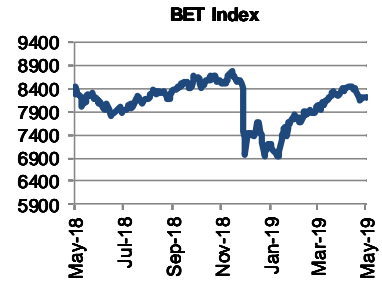
	Last	ΔDbps	ΔYTD bps
5-year	91	2	1
10-year	134	2	1

STOCKS

	Last	ΔD	ΔYTD
BET	8213.3	0.10%	11.24%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7611	-0.03%	-2.25%



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	1	-16
5Y BGN	-0.01	10	-12
10Y BGN	0.47	0	-28

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.10	0	-6
EUR Sep-24	0.16	0	-32

CDS

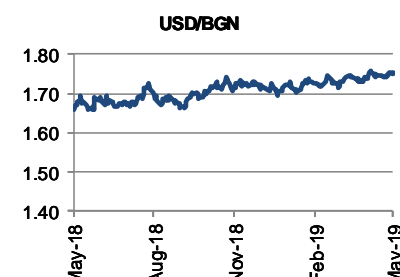
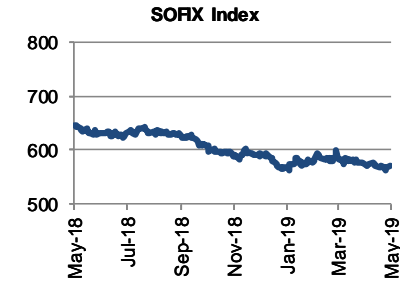
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	128	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	569.4	0.00%	-4.22%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7541	-0.14%	-2.77%



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

Data updated as of 10:15 EEST

Tuesday 21 May 2019

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