

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- May 28:
 - Conference Board Consumer Confidence (May)
 - Dallas Fed Manufacturing (May)
- May 29:
 - Richmond Fed Manufacturing Index (May)
- May 30:
 - Wholesale Inventories (Apr, prel)
 - GDP (Q1)
 - Personal Consumption (Q1)
 - Initial Jobless Claims (May 25)
- May 31:
 - Personal Income & Spending (Apr)
 - MNI Chicago PMI (May)
 - U. of Michigan Sentiment (May, final)

EUROZONE

- May 28:
 - M3 Money Supply (Apr)
 - Consumer Confidence (May, final)

GREECE

- May 30: PPI (Mar)
- May 31: Retail Sales (Mar)

SEE

BULGARIA:

- May 29:
 - Gross External Debt (Mar)
- May 31:
 - Budget Balance (Apr)
 - MPC

SERBIA

- May 31:
 - Real Gross Wages (Mar)
 - GDP (Q1, final)
 - Retail Sales (Apr)
 - Trade Balance (Apr)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European bourses opened higher today on market relief that anti-European parties on the whole failed to outperform as some feared in the European Parliament election. However, their increased support in major economies is expected to have political implications at the individual country level. Against this background, German Bunds extended recent gains with the 10-yr yield falling to a fresh cyclical low of -0.15% earlier today, approaching -0.20% record lows recorded in mid-2016. Turning to the EMU periphery, Spanish and Portuguese sovereign bonds rallied with respective yields falling to record lows after European parliamentary elections showed that pro-EU parties retained a strong majority. Italy was an underperformer amid worries over a renewed confrontation with the European Commission. The 10-yr BTP/Bund yield spread widened close to 288bps, the highest so far this year, while comments by Italy's Deputy Prime Minister Matteo Salvini that EU fiscal rules must be re-discussed, also weighed on market sentiment towards Italy's sovereign paper. European Union heads will meet in Brussels today to discuss candidates who will succeed the EU Commission President and the ECB President.

GREECE: Markets reacted positively to the announcement on Sunday night of snap general elections. The 10-yr and 5-yr benchmark yields closed yesterday at all-time lows of 3.119% and 1.953% respectively while the Athens General Index climbed to 776.6 units, a 7% increase from its closing last Friday. Meanwhile, according to press sources, the institutions are considering postponing the publication of the 3rd EPPS review, scheduled for June 5th, on the grounds of not interfering during the pre-election period. In other news, the deadlines for the submission of binding offers for the lignite-fired units of PPC and the casino license of Hellinikon have been moved to 15 July and 28 June respectively.

SOUTH EASTERN EUROPE

CYPRUS: The ruling right-wing party DHSY won the European Parliament elections with a small margin.

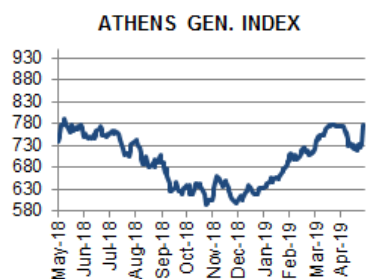
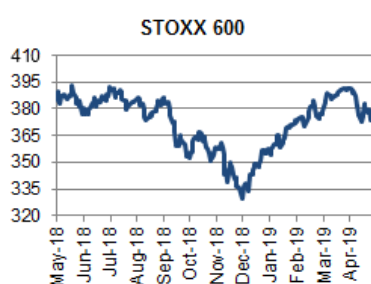
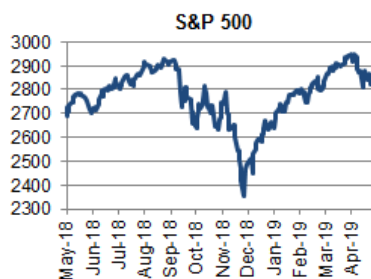
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Tuesday 28 May 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank
Research

Asian bourses rose on Tuesday, lifted by M&A activity and news after yesterday's market close that MSCI will increase the weight of China A shares in the emerging markets index. Along these lines, major European bourses opened higher today on market relief that anti-European parties on the whole failed to outperform as some feared in the European Parliament election. However, their increased support in major economies is expected to have political implications at the individual country level. Against this background, German Bunds extended recent gains with the 10-yr yield falling to a fresh cyclical low of -0.15% earlier today, approaching -0.20% record lows recorded in mid-2016. Turning to the EMU periphery, Spanish and Portuguese sovereign bonds rallied with respective yields falling to record lows after European parliamentary elections showed that, though nationalist and far-right parties posted significant gains, pro-EU parties retained a strong majority. Italy was an underperformer amid worries over a renewed confrontation with the European Commission. Bloomberg reports conveyed that the European Commission is considering proposing a disciplinary procedure for Italy next week over its failure to rein in debt, which could pave the way for a penalty of up to 0.2% of gross GDP. The 10-yr BTP/Bund yield spread widened close to 288bps, the highest so far this year, while comments by Italy's Deputy Prime Minister Matteo Salvini — the leader of the Lega party, which came first at the European election and doubled its popularity rate compared to last year's general election — that EU fiscal rules must be re-discussed also weighed on market sentiment towards Italy's sovereign paper. In FX markets, the EUR/USD was hovering around 1.1180 at the time of writing in early European trade, 0.1% weaker on the day but still trapped within recent ranges. Elsewhere, the GBP remained under pressure with the EUR/GBP hovering close to last week's 0.8850 peak, the highest since mid-January, on mounting UK political uncertainty following PM Theresa May's resignation last week and the strong performance of the Brexit Party at the European election. European Union heads will meet in Brussels today to discuss candidates who will succeed the EU Commission President and the ECB President.

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GREECE

Markets reacted positively to the announcement on Sunday night of snap general elections. The 10-yr and 5-yr benchmark yields closed yesterday at all-time lows of 3.119% and 1.953% respectively while the Athens General Index climbed to 776.6 units, a 7% increase from its closing last Friday. Meanwhile, according to press sources, the institutions are considering postponing the publication of the 3rd EPPS review, scheduled for June 5th, on the grounds of not interfering during the pre-election period. The said review could potentially be harsher than the previous one considering that there have been delays in both reforms and privatisations. Additionally, the recent pre-election fiscal measures such as the decrease of the VAT and the "13th pension" have broadly been negatively received by the institutions with the ESM Chief Economist Rolf Strauch stating yesterday that the primary surplus target of 3.5%-of-GDP may not be attained this year while for 2020, the problem may be graver if the announced measures for that period are implemented. In other news, the deadline for the submission of binding offers for the divestment of the lignite-fired PPC units has been moved to 15 July, from 28 May previously, on the grounds of the latest political developments. As regards the casino license in Hellinikon, last week the Gaming Commission extended the deadline for the submission of binding offers from 31 May to 28 June but a further extension may not be excluded due to the snap elections.

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Tuesday 28 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

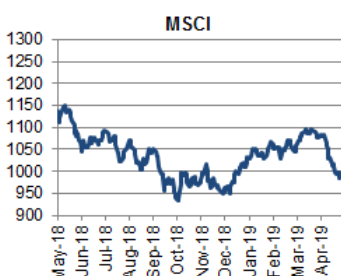
* ESA 2010

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



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+

The ruling right-wing party DHSY won the European Parliament (EP) elections with a small margin against the main opposition left-wing party AKEL. The ruling right-wing party DHSY gained 29.0% of the vote (2 seats), losing almost nine percentage points down from 37.8% in the previous EP elections in 2014. The main opposition left-wing party AKEL climbed to 27.5% compared to 27.0% in the previous EP elections. AKEL has again elected two MEPs, one of whom is the academician Mr. Nayzi Kiziliyorek, whose candidacy has been hotly debated throughout the pre-election period and became the first Turkish Cypriot ever elected in the EP. The center-right DHKO came in third gaining 13.8% of the vote (1 seat) compared to 10.8% in 2014. The socialist party EDEK, reaching double digit approval rate after many years, gained the last seat winning 10.6% of the vote. Four smaller parties were not allocated a seat: the far right ELAM (8.2%), the party of the former DHKO leader Mr. Marios Garoyan, DIPA (3.8%), the Greens-Citizens Alliance (3.3%) and the Yasemi party of the Turkish Cypriot Afrika publisher Mr. Sener Levent (1.7%). Finally, the abstention rate stood at 55% compared to an average of 50.5% in the EU-28 and marginally lower than in 2014.

The EP election results are not a game changer as the system of the Republic is presidential. In addition, the ruling party DHSY was already dependent on smaller parties to pass legislation in the parliament given that it doesn't enjoy a majority in the MPs. That said, and given the non-negligible electoral casualties of the ruling party, it is highly likely that smaller parties are going to be progressively less friendly to the ruling party. This is not very reassuring given that there is a number of important pending structural reforms of the Economic Adjustment Program that need to be finished in order to avoid backtracking on the economy. In any case, the reform momentum and prudent macroeconomic policies must continue in such turbulent times, for the economy not to backtrack.

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Tuesday 28 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	2826.06	0.1%	12.7%	EUR/USD	1.1179	-0.1%	-2.5%	UST - 10yr	2.29	-3	-39	GOLD	1283	-0.4%	0.1%
Nikkei 225	21260.14	0.4%	6.2%	GBP/USD	1.2667	-0.1%	-0.7%	Bund-10yr	-0.15	-1	-39	BRENT CRUDE	70	-0.5%	29.6%
STOXX 600	376.41	-0.1%	11.5%	USD/JPY	109.44	0.1%	0.2%	JGB - 10yr	-0.07	0	-8	LME X	2811	0.8%	0.3%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.24	0	-20
1-week	2.35	0	-21
1-month	2.58	0	-15
3-month	2.96	-1	-7
6-month	3.10	-1	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.99	-1	-7
5Y RSD	3.76	0	25
7Y RSD	4.03	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.22	#N/A N/A	-77

CDS

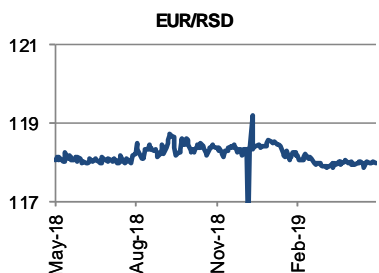
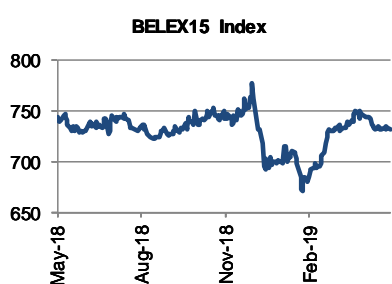
	Last	ΔDbps	ΔYTD bps
5-year	104	1	-14
10-year	149	1	-13

STOCKS

	Last	ΔD	ΔYTD
BELEX15	731.4	-0.18%	-3.98%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.96	-0.03%	0.24%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.96	0	187
1-month	3.13	0	126
3-month	3.27	0	122
6-month	3.39	0	112
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.83	0	-20
5Y RON	4.43	0	9
10Y RON	4.91	0	10

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.38	-	-16
USD Jan-24	3.47	#N/A N/A	-77

CDS

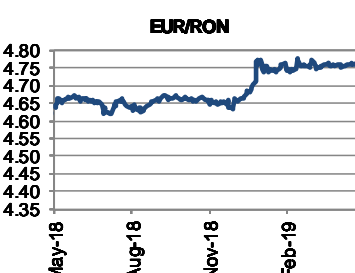
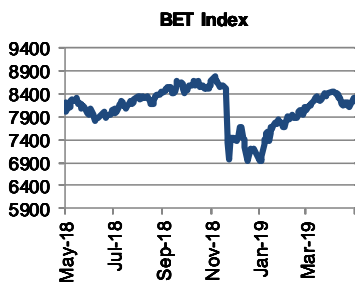
	Last	ΔDbps	ΔYTD bps
5-year	90	-2	0
10-year	135	-1	1

STOCKS

	Last	ΔD	ΔYTD
BET	8292.4	0.61%	12.31%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7607	-0.01%	-2.24%



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	-0.24	3	-19
5Y BGN	-0.02	-2	-14
10Y BGN	0.50	0	-25

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.14	8	-12
EUR Sep-24	0.12	13	-36

CDS

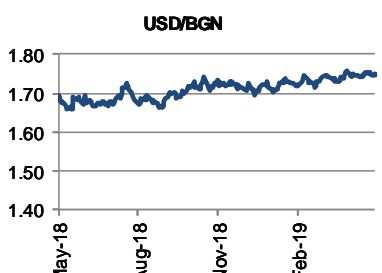
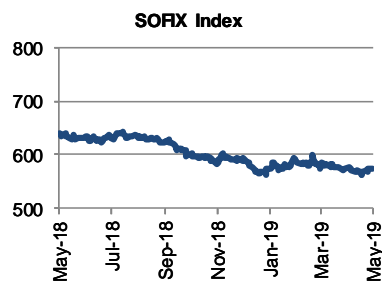
	Last	ΔDbps	ΔYTD bps
5-year	79	1	-17
10-year	129	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	572.5	0.03%	-3.69%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7496	-0.12%	-2.52%



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

Data updated as of 10:05 EEST

Tuesday 28 May 2019

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