

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: Market participants retained a cautious stance against risk assets in early European trade on Thursday, amid worries that the renewed escalation in the US/China trade war could last longer. Favored by their safe-haven appeal, UST and German Bunds remained well supported. Turning to the EMU periphery, the majority of sovereign bonds outperformed core paper on a daily basis. Meanwhile, both Spain and Portugal continued to outperform Italy, favored by the market friendly outcome in European parliament elections in both countries, where pro-EU centre left posted a strong win. In FX markets, the USD retained a firm tone against its major currency peers, favored by increased US/China trade tensions. Looking at today's calendar, focus is on the second estimate of US Q1 GDP which is expected to show to a somewhat lower pace of growth compared to an annualized rate of 3.2%QoQ initially reported.

GREECE: According to the latest report by the Hellenic Parliamentary Budget Office, the recent expansionary measures of 2019 will have an overall impact of 0.55% of GDP (according to the General Accounting Office) and will be covered by the projected fiscal space, which according to the government's Stability Programme would be around 0.6% of GDP in 2019, i.e. without the adoption of the aforementioned expansionary measures. According to press reports, the institutions will publish the 3rd Enhanced Post Programme Surveillance (EPPS) reports for Greece on June 5th as scheduled, in spite of the upcoming general elections. Along with the review of the progress in reforms and privatisations, the report will also incorporate the assessment of the fiscal impact of the recent expansionary measures.

SOUTH EASTERN EUROPE

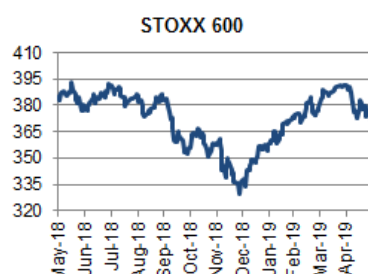
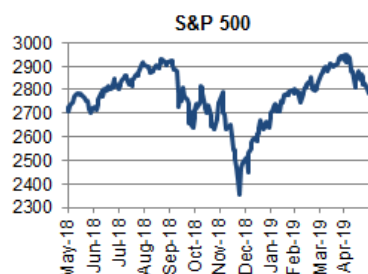
CYPRUS: Total deposits increased by €236.9mn in April bringing the annual rate of expansion down to 0.6% on negative base effects from last year's government liquidity injection to the banking system.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank
Research

Market participants retained a cautious stance against risk assets in early European trade on Thursday, amid worries that the renewed escalation in the US/China trade war could last longer. US President Donald Trump warned earlier this week that the US is not yet ready for a trade deal with the China, suggesting that his administration is unlikely to make further concessions unless China offers compromises. Meanwhile, China's President Xi Jinping visited recently a rare earths plant, sparking speculation that China is considering, beyond raising tariffs on \$60bn worth of US imports, to use some new countermeasures as leverage in the trade war, including, reduced exports to the US of rare earths. That group of chemical elements is vital for many US industries and, according to US official data, around 80% of US imported rare earths comes from China. Favored by their safe-haven appeal, UST and German Bunds remained well supported. After falling to a 20-month low of 2.21% yesterday, the 10-yr UST yield moved higher, hovering around 2.28% at the time of writing, albeit still some 5bps lower on a weekly basis and around 23bps lower so far this month. The spread between the 3-month T-bill and 10-yr bond yield has inverted anew, standing close to -6.5bps at the time of writing, not far from c.-10bps marked overnight, the lowest level since August 2017, signaling rising recessionary risks. Along these lines, the 10-yr Bund yield was standing close to -0.15% in early European trade, after falling to a three-year trough close to -0.18% overnight, within distance from -0.20% record lows marked in mid-2016. Turning to the EMU periphery, the majority of sovereign bonds outperformed core paper on a daily basis. Meanwhile, both Spain and Portugal continued to outperform Italy, favored by the market friendly outcome in European parliament elections in both countries, where pro-EU centre left posted a strong win. In FX markets, the USD retained a firm tone against its major currency peers with the DXY index marking a near one-week intraday high of 98.236 earlier today. Looking at today's calendar, focus is on the second estimate of US Q1 GDP which is expected to show to a somewhat lower pace of growth compared to an annualized rate of 3.2%QoQ initially reported.

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GREECE

According to the latest report by the Hellenic Parliamentary Budget Office, the recent expansionary measures of 2019 (the VAT reduction in processed food, catering, electricity and natural gas, the reform of survivors' pensions, the special allowance for pensioners and the scheme for the settlement of debts to tax authorities and social security funds) will have an overall impact of 0.55% of GDP (according to the General Accounting Office) and will be covered by the projected fiscal space, which according to the government's Stability Programme would be around 0.6% of GDP in 2019, i.e. without the adoption of the aforementioned expansionary measures. According to the Hellenic Parliamentary Budget Office, the expansionary measures are expected to have a positive impact on private consumption, and the part of it that is not directed towards imports will support growth expansion. Although this is expected to partly offset their fiscal cost, it is noted that the measures are not self-financed and in view of their permanent nature they should be taken into account for the medium-term fiscal strategy and the annual budgets. Meanwhile, according to press reports, the institutions will publish the 3rd Enhanced Post Programme Surveillance (EPPS) reports for Greece on June 5th as scheduled, in spite of the upcoming general elections. Along with the review of the progress in reforms and privatisations, the report will also incorporate the assessment of the fiscal impact of the recent expansionary measures.

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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

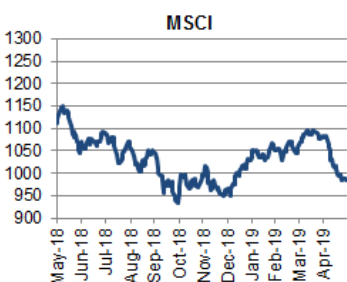
Real GDP growth %	2.0	4.3	3.5
CPI (pa, yoy %)	3.2	2.0	2.6
Fiscal Balance/GDP	1.1	0.6	-0.5
Current Account/GDP	-5.2	-5.2	-5.3

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

From a flow point of view, total deposits recorded a net increase of €236.9mn in April, up from a net decrease of €327.7mn in March compared with a net increase of €131.0mn in February. The annual rate of expansion in deposits – which has been in positive territory since October 2015 with the exception of only one month in March 2018 – slowed down to 0.6% YoY in April down from 5.1% YoY in March and 4.5% YoY in February on negative base effects from last year's government liquidity injection of €2bn in the banking system. Total deposits reached €47.7bn in April up from €47.5bn in March compared to €47.9bn in December 2018 against €49.4bn in December 2017 vs. €49.0bn in December 2016.

Total loans in April demonstrated a net decrease of €206.4mn in April up from a net increase of €63.2mn in March and on top of a net increase of €5.2mn in February. The annual growth rate of contraction came at -2.3% YoY in April compared to -2.0% YoY in March and -2.4% YoY in February, -2.6% YoY in December 2018, compared to -1.7% YoY in December 2017 and -10.7% YoY in December 2016. The outstanding amount of loans reached €38.0bn in April compared to €38.3bn in March and February, compared to €46.2bn in December vs. €51.4bn in December 2017 and €55.3bn in December 2016.

Overall, the resolution of the Cyprus Co-operative Bank (CCB), one of the key developments in the past year, has changed the banking sector map. The government liquidity injection of €2bn to the banking system and the stabilization of depositors' sentiment after the absorption of the CCB's performing assets by Hellenic Bank coupled with the ongoing deleveraging process have allowed for an improvement in the domestic liquidity conditions. According to the latest available SSM data, the Cypriot banking system enjoys the second highest liquidity coverage ratio – behind Slovenia – among Euro area members. The relevant ratio climbed further to 333.5% in Q4-2018 up from 305.67% in Q3-2018, above the EU average of 152.0% and more than two times higher than the Basel III required threshold.



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+

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Thursday 30 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	2783.02	-0.7%	11.0%	EUR/USD	1.1133	0.0%	-2.9%	UST - 10yr	2.27	1	-41	GOLD	1276	-0.3%	-0.5%
Nikkei 225	20926.92	-0.4%	4.6%	GBP/USD	1.2637	0.1%	-1.0%	Bund-10yr	-0.16	2	-40	BRENT CRUDE	70	0.4%	29.7%
STOXX 600	370.51	-1.4%	9.7%	USD/JPY	109.75	-0.1%	0.0%	JGB - 10yr	-0.08	1	-9	LME X	2780	-1.1%	-0.8%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.26	1	-18
1-week	2.35	1	-21
1-month	2.58	0	-15
3-month	2.96	-1	-7
6-month	3.09	-2	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.05	-3	1
5Y RSD	3.73	0	22
7Y RSD	3.95	-1	-19

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.28	-2	-70

CDS

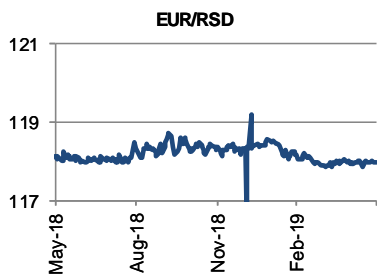
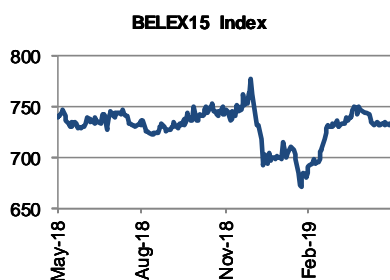
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-14
10-year	149	0	-14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.1	-0.07%	-3.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.99	-0.17%	0.21%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.85	0	176
1-month	3.11	0	124
3-month	3.26	0	121
6-month	3.38	0	111
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.80	0	-23
5Y RON	4.39	0	5
10Y RON	4.86	0	5

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.32	-	-22
USD Jan-24	3.42	0	-82

CDS

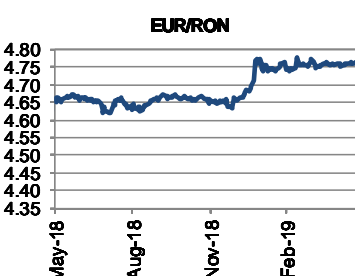
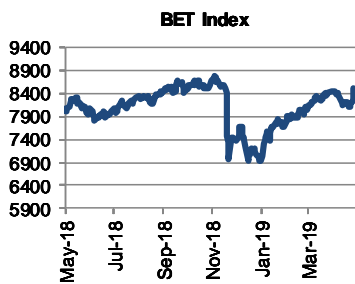
	Last	ΔDbps	ΔYTD bps
5-year	91	1	1
10-year	137	2	3

STOCKS

	Last	ΔD	ΔYTD
BET	8476.4	-0.29%	14.80%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.76	-0.02%	-2.22%



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	-0.31	-2	-24
5Y BGN	0.00	-1	-10
10Y BGN	0.35	0	-40

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.13	0	-8
EUR Sep-24	0.15	0	-33

CDS

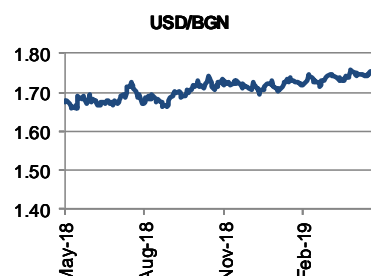
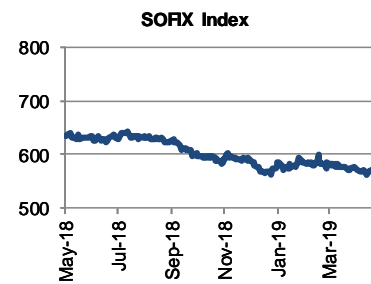
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	129	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	572.6	0.13%	-3.68%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7569	0.02%	-2.93%



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

Data updated as of 08:45 EEST

Thursday 30 May 2019

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