



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, May 08, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- May 11
 - Initial jobless claims (weekly)
 - PPI (Apr)
- May 12
 - CPI (Apr)
 - Retail sales (Apr)
 - UoM consumer sentiment (May, p)

EUROZONE

- May 11: European Commission releases Spring Forecast
- May 12
 - DE: GDP (Q1, 1st est)
 - Industrial production (Mar)

GREECE

- May 10
 - Industrial production (Mar)
 - CPI /HICP (Apr)
- May 11: U/E rate (Feb)

SEE

BULGARIA

- May 9
 - Industrial production (Mar)
 - Retail sales (Mar)
- May 10: Trade balance (Mar)

ROMANIA

- May 8: RON 500m 3.4% 2022 T-bonds auction
- May 9: Net wages (Mar)
- May 10: Trade balance (Mar)
- May 11
 - Industrial production (Mar)
 - CPI (Apr)

SERBIA

- May 8: PPI (Apr)
- May 12
 - CPI (Apr)
 - MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Independent centrist Emmanuel Macron won the second round of French presidential elections on Sunday against far-right and Eurosceptic Front National's candidate Marine le Pen by a material margin. In a knee-jerk reaction to the market friendly outcome, the EUR moved higher across the board, the FTSEurofirst 300 index hit a nine-month intraday high and the 10-yr Bund yield marked a 1 ½ month intraday peak. Looking at this week's US calendar, focus is on inflation and retail sales data for April both due on Friday. Elsewhere, the European Commission is scheduled to publish its Spring Economic Forecast on Thursday while the BoE that convenes on the same day is expected to stay put on its monetary policy ahead of the June 8 general elections.

GREECE: With respect to the 2nd review of Greece's 3rd Economic Adjustment Programme, the focus is now on the potential debt relief framework which will open the way for the financial participation of the IMF in the programme. The main issues in the debt relief discussion are: 1) the size and the duration of the primary surplus target that Greece will need to attain in the post-programme period, 2) the debt relief framework, and 3) whether the "if needed" clause regarding the implementation of the aforementioned framework will be maintained in the global agreement. The multi-bill which will contain the bulk of the measures and counter-measures in the context of the 2nd programme review is expected to be voted by 17th May.

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities moved north last week following the release of Q1 2018 positive earnings reports. Meanwhile, the local sovereign debt market remained pretty much quiet. Eurobonds, on the other hand, gained some 5-7 bps in the long-end of the curve over last week.

SERBIA: The EUR/RSD held steady just above 123.00 during the whole of last week, remaining bound within a tight range of 123.05/25-123.15/35 against a backdrop of very low trading volumes.

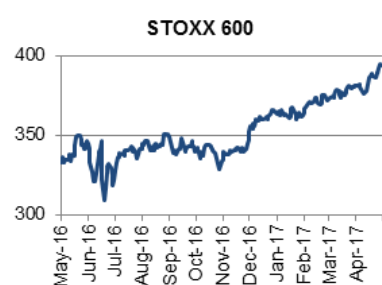
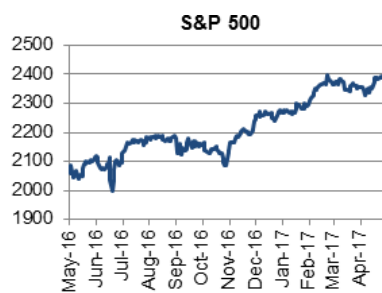
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May 8, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Independent centrist Emmanuel Macron won the second round of French presidential elections on Sunday against far-right and Eurosceptic Front National's candidate Marine Le Pen by a material margin 66.1% to 33.9%. In a knee-jerk reaction to the market friendly outcome, the EUR moved higher across the board hitting a six-month high of 1.1022 against the US dollar before retreating to levels around 1.0940/45 at the time of writing as appetite for some profit emerged while uncertainty over whether the new French President will be able to secure a majority at the upcoming parliamentary elections on 11 and 18 June so as to be able to implement his programme, may have also had some impact. In spite of the modest retreat, the EUR/USD remained c. 0.5% firmer on a weekly basis supported by the recent string of better-than-expected euro area data. Major European bourses opened higher with the FTSEurofirst 300 index hitting a nine-month intraday high slightly above 1,550 before reversing course in mid-trade, remaining though 1.8% higher on a daily basis with year-to-date gains standing at 7.5% thus far. Against this background, the 10-yr Bund yield was hovering around 0.40% in European trade, off a 1 ½ month intraday peak close to 0.44% recorded earlier in the day. The French-German 10-yr bond yield spread narrowed to a six-month low of c. 34.5bps, 28bps lower compared to levels recorded ahead of the first round of French presidential elections on April 24 and 43bps narrower from year-to-date highs in mid-February. Looking at this week's US calendar, focus is on inflation and retail sales data for April both due on Friday after non-farm payrolls released late last week surprised positively. The economy generated 211k new jobs in April and the unemployment rate fell to a decade low of 4.4%. Elsewhere, the European Commission is scheduled to publish its Spring Economic Forecast on Thursday while the BoE that convenes on the same day is expected to stay put on its monetary policy ahead of the June 8 general elections.

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GREECE

With respect to the 2nd review of Greece's 3rd Economic Adjustment Programme, the focus is now on the potential debt relief framework which will open the way for the financial participation of the IMF in the programme. According to press reports, the IMF's Board of Directors could accept an approach to debt relief that would unfold in two phases: 1) at present Greece's European partners would proceed with a more explicit commitment about granting debt-relief to Greece as well as a further specification of the medium-term debt relief framework that will be implemented, while 2) at a later stage – most likely after the German elections – the medium-term debt-relief measures will be quantified. This approach does not necessarily satisfy the German side, however, which reportedly favours among other proposals such as the buyback of IMF loans to Greece by the ESM. In any case, the main issues in the ongoing debt relief discussion are: 1) the size and the duration of the primary surplus target in the post-programme period, 2) the debt relief framework, and 3) whether the "if needed" clause regarding the implementation of the aforementioned framework will be maintained in the global agreement. The Washington Group may reportedly convene on the sidelines of the G7 Finance Ministers summit on May 11-13 to discuss Greek debt. In any case, as was once again stated by German FinMin Wolfgang Schäuble in a recent interview, that without the financial participation of the IMF, the programme would have to be re-designed and approved anew by the Bundestag. At the same time, sources from Frankfurt reportedly argue that the ECB Governor Mario Draghi would support Greece's inclusion in the central bank's QE programme only if the IMF were also on board with funds. Meanwhile, according to press reports, there are 100 prior actions that need to be implemented in order for the 2nd programme review to close while a legislative process is required for around 80 of them, be that ratification by the Hellenic Parliament, a presidential decree or a ministerial decision. The multi-bill which will contain the bulk of the measures and counter-measures is expected to be voted by 17th May.

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May 8, 2017

Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
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	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

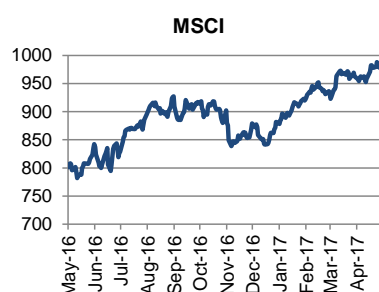
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.9	1.2	2.1
Budget Balance/GDP	-3.7	-1.4	-1.3
Current Account/GDP	-4.7	-4.0	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2016	current	2017
Policy Rate (eop)	4.00	4.00	4.00

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	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

BULGARIA

Bulgarian equities moved north last week following the release of Q1 2018 positive earnings reports. Following three weeks of consolidation, the blue-chip SOFIX index finally gained some ground closing 0.54% higher on a weekly basis on Friday at 660.81 points. Turnover rose to €2.7mn despite the shorter trading week. Meanwhile, the local sovereign debt market remained pretty much quiet with insignificant flexing of the curve around the 4-5y tenor. The next treasury auction is set on May 15th for BGN 100mn and will be placed in the 10-year benchmark paper. Eurobonds, on the other hand, gained some 5-7 bps in the long-end of the curve over the week.

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SERBIA

The EUR/RSD held steady just above 123.00 during the whole of last week, remaining bound within a tight range of 123.05/25-123.15/35 against a backdrop of very low trading volumes. The pair closed the Friday's session at 123.05/25, approaching levels that, as has been the case in the recent past, could trigger new National Bank of Serbia (NBS) intervention in the FX markets to halt any further appreciation of the local currency. Therefore, NBS appearance is very possible on Monday as the Serbian FX market is still oversupplied by euros, although pressure on the EUR/RSD pair has been reduced after two consecutive sessions of such interventions a few days ago. In more detail, NBS bought in the FX market € 40mn on April 28th and €15mn on May 3rd.

In other news, the World Bank Board of Directors approved on May 3 a \$70mn loan for Serbia that will provide the government with immediate funding in case of natural hazards. The Disaster Risk Management Policy Loan with a Catastrophe-Deferred Drawdown Option (CAT-DDO) is the first loan of its kind in Europe from the World Bank and the drawdown period will be three years and may be renewed up to four times. Separately, Serbia ran a general government surplus of RSD 11.8 billion in Q1, compared to a deficit of RSD 32 billion agreed under the IMF 3-year precautionary Stand-By Arrangement. The state budget recorded a RSD 7.2 billion surplus in Q1, with revenues at RSD 257.7 billion and expenditure at RSD 250.5 billion. In March alone, the state budget registered a RSD 4.4 billion deficit, with revenues at RSD 90.7 billion, RSD 71.2 billion of which were tax revenues and RSD 19.1 billion non-tax revenues. State budget outlays were at RSD 95 billion in March, RSD 19.4 billion of which was spent on salaries and RSD 16 billion went for transfers to social security organizations. The general government deficit for 2016 has been recalculated from RSD 57.1 billion to RSD 54 billion, or from 1.4% of GDP to 1.3% of GDP.

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May 8, 2017

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	2399.29	0.4%	7.2%	EUR/USD	1.094	-0.5%	4.0%	UST - 10yr	2.34	-1	-10	GOLD	1231	0.7%	6.8%
Nikkei 225	19895.70	2.3%	4.1%	GBP/USD	1.2961	-0.1%	4.9%	Bund-10yr	0.40	-2	19	BRENT CRUDE	49	-0.3%	-13.9%
STOXX 600	393.73	-0.2%	8.9%	USD/JPY	112.55	0.1%	4.0%	JGB - 10yr	0.03	1	-2	LMEX	2726	0.3%	2.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.07	-1	7
1-week	3.21	-2	4
1-month	3.37	-1	2
3-month	3.54	-2	7
6-month	3.73	0	7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.98	0	-10
5Y RSD	5.38	0	2
7Y RSD	5.69	0	6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.77	0	-55
USD Nov-24	6.42	0	0

CDS

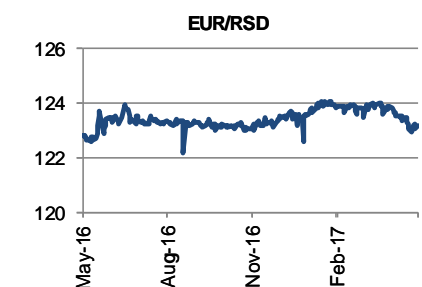
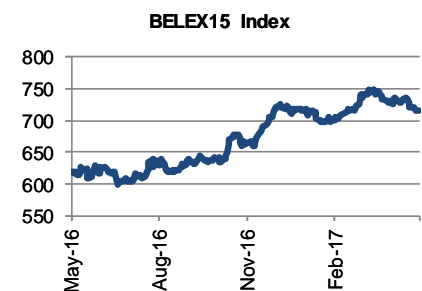
	Last	ΔDbps	ΔYTD bps
5-year	175	0	-33
10-year	229	0	-27

STOCKS

	Last	ΔD	ΔYTD
BELEX15	715.4	0.01%	-0.27%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.15	-0.01%	0.25%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.54	-1	-2
1-month	0.69	-1	-7
3-month	0.89	-2	-1
6-month	1.11	-2	0
12-month	1.28	-2	3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.56	-2	-6
5Y RON	2.51	0	-1
10Y RON	3.60	0	-5

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.02	0	-12
USD Jan-24	3.37	0	-48

CDS

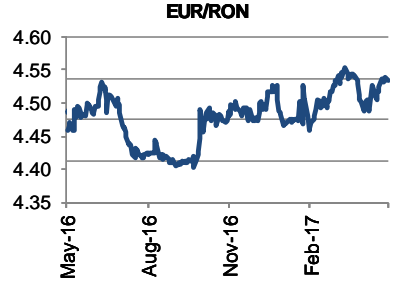
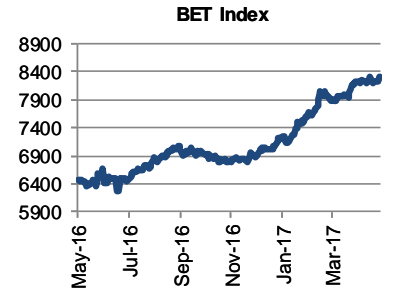
	Last	ΔDbps	ΔYTD bps
5-year	106	0	-4
10-year	150	0	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8269.4	-0.35%	16.72%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5471	0.09%	-0.18%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.16	0	0
3-month	-0.08	1	-1
6-month	0.04	0	-3
12-month	0.43	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.00	1	-15
5Y BGN	0.33	1	-17
10Y BGN	1.63	0	-28

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.88	-10	-56
EUR Sep-24	1.44	#VALUE!	-24

CDS

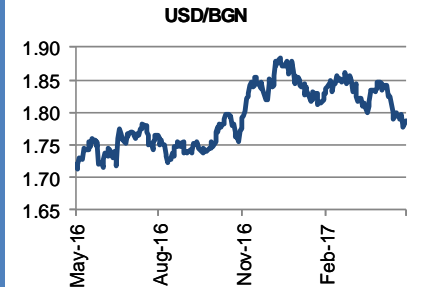
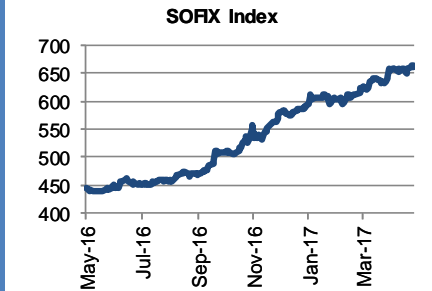
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-42
10-year	168	0	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	660.8	-0.41%	12.68%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7881	-0.54%	3.93%



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

Data updated as of 12:40 EEST

May 8, 2017

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