



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, May 09, 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 500mn3.4% 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: Major European bourses were trading in positive territory in early trade amid easing concerns over European politics following pro-European Emmanuel Macron's victory in the French presidential elections run-off on Sunday. Yet, gains were limited on lingering uncertainty over the extent to which the new French President will be able to implement his programme, a development that will largely depend on the outcome of the parliamentary elections that take place on 11 and 18 June. In FX markets, the EUR/USD retreated from Monday's six-week peak on the back of investor appetite for some profit taking. Following the market friendly outcome of the French Presidential elections and amid expectations for an improved euro area Q2 real GDP growth rate, market focus now turns on the likelihood of a shift by the ECB to a less accommodative monetary policy. The ECB holds its next monetary policy meeting on June 8 and in the meantime investors will pay particular attention to public speeches by Governing Council members.

GREECE: The draft Supplemental Memorandum of Understanding that has leaked to the press describes in detail the prior actions that Greece needs to implement in the context of the 2nd programme review. Among others, the document describes the package of prior-actions that will be pre-legislated and will take effect in 2019 and 2020. The aforementioned package along with all the other prior actions in the context of the 2nd programme review, are reportedly scheduled to be voted in the Hellenic Parliament on May 18th based on the updated timetable.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets came under pressure earlier on Tuesday on profit taking and against a stronger US dollar.

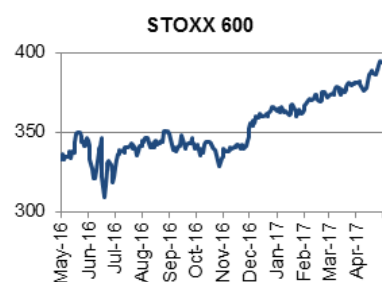
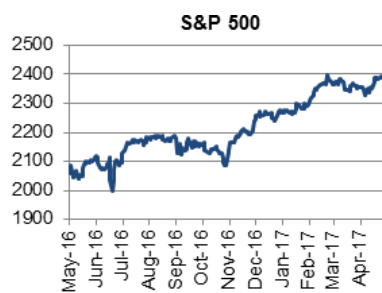
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May 9, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European bourses were trading in positive territory in early trade amid easing concerns over European politics following pro-European Emmanuel Macron's victory in the French presidential elections run-off on Sunday. Yet, gains were limited on lingering uncertainty over the extent to which the new French President will be able to implement his programme, a development that will largely depend on the outcome of the parliamentary elections that take place on 11 and 18 June. Electoral results and recent polls suggest that Macron's party is likely to be the main party in the 577-seat parliament but it is unclear whether it will enjoy an outright majority or will have to rely on the support of centre-left and/or centre-right MPs. Modestly firmer commodity prices may also favor market sentiment towards European equity markets. Brent crude oil was hovering around \$49.60/barrel at the time of writing, 0.6% higher on a daily basis and 1.1% firmer relative to last week's settlement on optimism that major oil producing countries will likely decide at the May 25th meeting to extend their agreement for supply cuts into H2 2017. In spite of the recent upside attempt, Brent crude was still not too far from a year-to-date low of \$48.4 marked late last week amid lingering concerns about slowing demand and increased US crude output. In FX markets, appetite for some profit taking pushed the EUR/USD to levels around 1.0920/23 in European trade after marking a six-week peak of 1.1022 in the prior session. Yet, the pair was still above key support area of 1.0850/1.0900 on the back of fading worries over European politics and signs of an improving euro area growth outlook. Following the market friendly outcome of the French Presidential elections and amid expectations for an improved euro area Q2 real GDP growth rate, market focus now turns on the likelihood of a shift by the ECB to a less accommodative monetary policy. The ECB holds its next monetary policy meeting on June 8 and in the meantime investors will pay particular attention to public speeches by Governing Council members.

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GREECE

The draft Supplemental Memorandum of Understanding that has leaked to the press describes in detail the prior actions that Greece needs to implement in the context of the 2nd programme review. Among others, the document describes the package of prior-actions that will be pre-legislated and will take effect in 2019 and 2020. The package includes: 1) the medium-term fiscal strategy (MTFS) for 2018-21 which should be in line with agreed medium-term targets that are to be reached without detrimental to growth measures, 2) the pension reform delivering net savings of 1% of GDP in 2019 and the personal income tax (PIT) reforms to be implemented and deliver net savings of 1% of GDP in 2020 (on this issue it is stated that the IMF will seek assurances of the opposition on non-reversal of measures coming into force in 2020), 3) a growth-enhancing tax package matching in net terms the yield from the personal income tax reform, and 4) a targeted spending package matching in net terms the yield from the pension reform. Furthermore, it is clarified that the PIT measures will be implemented in 2019 if the IMF, in cooperation with the European institutions and the Greek authorities considers that a frontloaded implementation is needed in order to reach the agreed 3.5% of GDP primary surplus target in 2019, which should be reached without growth detrimental measures. Additionally, the amount of the expansionary package to be implemented starting in 2019, shall be in line with the institutions' projected over-performance relative to the agreed medium-term targets on the assumption that the contractionary measures will have already been built into the baseline scenario. Finally, it is requested that the Greek authorities provide a written, independent legal opinion confirming that both the income tax reform and the expansionary package are feasible under the Greek Constitution and that the pension reform is in line with the Greek Constitution and the Charter of Fundamental Rights. The aforementioned package along with all the other prior actions in the context of the 2nd programme review, are reportedly scheduled to be voted in the Hellenic Parliament on May 18th based on the updated timetable.

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May 9, 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

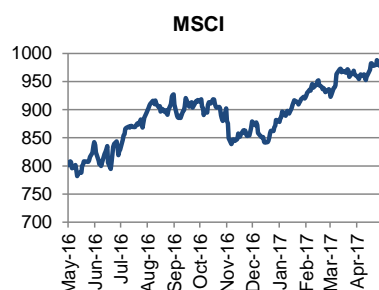
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CESEE MARKETS

Emerging market assets came under pressure earlier on Tuesday on profit taking and against a stronger US dollar. Following yesterday's short-lived 0.7% daily post-French-election advance, the MSCI Emerging Market index slid earlier today standing in the red for the fourth out of the five last session, though remaining not too far from a recent 2-year peak. On the flipside, bourses in the CESEE region traded mostly in the black in European trade, with Hungary's main BUX index leading the way higher.

In FX markets, regional currencies broadly recoiled from yesterday's multi-session highs. The Turkish lira suffered the largest losses, with the USD/TRY rising by 0.67% to hover at a 2-week peak of 3.6080 at the time of writing. Similarly the Polish zloty stood 1% weaker against the euro trading near 4.2300 in Europe today, within distance from a 2-week low of 4.2400 hit in Asian markets. Likewise, the Hungarian forint modestly weakened, with the EUR/HUF rising to a session peak close to levels 311.80/€, after hitting a 2-week low of 310.80 yesterday.

In the local debt markets, the Romanian finance ministry sold on Monday RON 500mn worth of 2022 government bonds at a price of 102.7884 and an average accepted yield of 2.77%. The yield achieved yesterday was in line with that produced at the last auction of the same paper which was held in April. The issue which matures on March 8, 2020 bears a coupon of 3.4%. Yesterday's tender was 2.75 times oversubscribed.

Looking into the remainder of the week, focus is on CPI readings for April in Hungary and Ukraine on Wednesday, Romania on Thursday as well as Serbia and Poland on Friday. Also on Friday, sovereign rating reviews from S&P on Ukraine, Moody's on Poland and Fitch on Hungary take centre stage.

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May 9, 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	2399.38	0.0%	7.2%	EUR/USD	1.0895	-0.3%	3.6%	UST - 10yr	2.39	0	-5	GOLD	1225	-0.1%	6.3%
Nikkei 225	19843.00	-0.3%	3.8%	GBP/USD	1.2921	-0.2%	4.6%	Bund-10yr	0.43	2	23	BRENT CRUDE	49	-0.1%	-13.3%
STOXX 600	395.84	0.5%	9.5%	USD/JPY	113.77	-0.5%	2.8%	JGB - 10yr	0.04	1	-1	LMEX	2695	-1.1%	1.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.06	-1	6
1-week	3.21	0	4
1-month	3.37	0	2
3-month	3.54	0	7
6-month	3.72	-1	6

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	1.85	4	-48
USD Nov-24	6.42	0	0

CDS

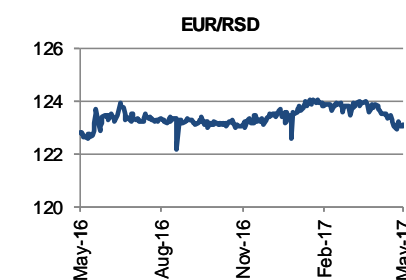
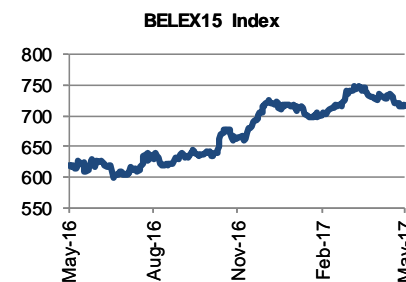
	Last	ΔDbps	ΔYTD bps
5-year	175	0	-33
10-year	229	0	-27

STOCKS

	Last	ΔD	ΔYTD
BELEX15	717.2	0.21%	-0.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.13	-0.04%	0.27%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.5	-4	-6
1-month	0.68	-1	-8
3-month	0.89	0	-1
6-month	1.11	0	0
12-month	1.27	-1	2

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.56	0	-6
5Y RON	2.49	0	-3
10Y RON	3.60	0	-5

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.01	-1	-13
USD Jan-24	3.39	3	-46

CDS

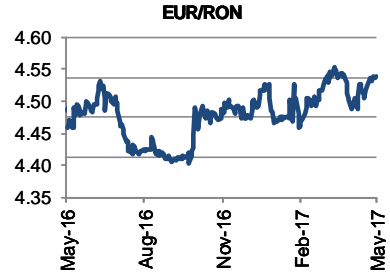
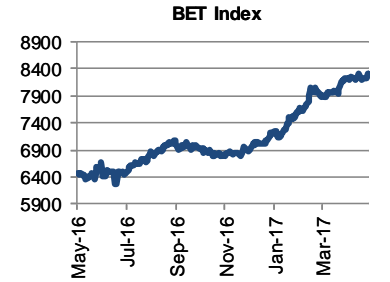
	Last	ΔDbps	ΔYTD bps
5-year	105	-1	-5
10-year	150	0	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8325.9	0.34%	17.51%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5506	-0.04%	-0.25%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-4
12-month	0.42	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.01	2	-14
5Y BGN	0.30	-3	-20
10Y BGN	1.65	0	-26

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.26	5	-94
EUR Sep-24	1.44	0	-24

CDS

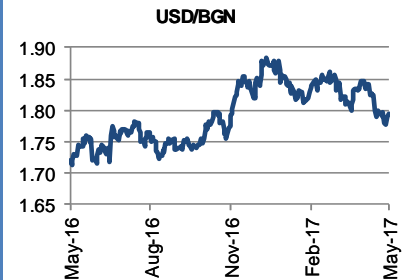
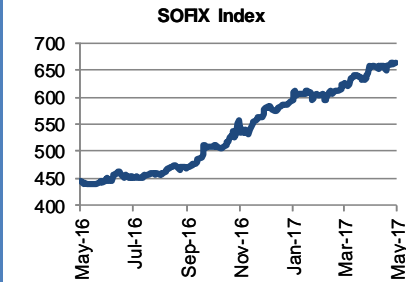
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-42
10-year	168	0	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	663.9	0.47%	13.22%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7952	-0.26%	3.52%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:40 EEST

May 9, 2017

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