



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, May 10, 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: Market perception that fading political risks in Europe after centrist Emmanuel Macron won the French Presidential elections will likely open the way for the ECB to scale back its monetary stimulus, continued to weigh on core euro area sovereign bonds. In a similar note, US Treasury bond yields were standing not far from recent multi-week highs on the back of growing expectations for higher Fed interest rates in the coming months and a cramped calendar of corporate bond issues. In FX markets, the DXY was weaker on a daily basis on news that the FBI Director had been fired. In the absence of major data releases for the remainder of the day, focus today is on ECB President Mario Draghi who is scheduled to address the Dutch parliament at 13:00 CET.

GREECE: Greek PM Alexis Tsipras stated yesterday that Greece is closer than even to a substantial solution on debt relief and that this solution is now mainly the institutions' clear obligation. Slovakia's Finance Minister Peter Kazimir reportedly stated earlier today that the IMF will provide funding to Greece with an amount that is not important but really symbolic, adding that technically the IMF must be on board.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mostly firmer earlier on Wednesday thanks to strong corporate earnings reports and as the USD gave back some of yesterday's hefty gains.

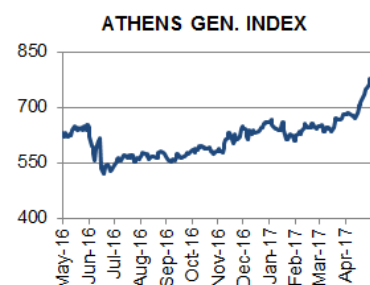
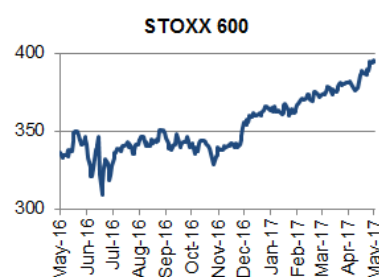
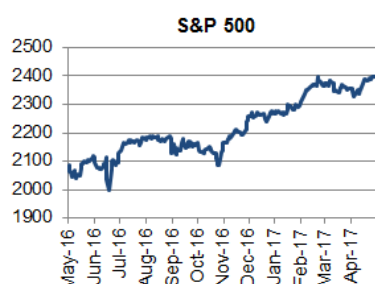
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May 10, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market perception that fading political risks in Europe after centrist Emmanuel Macron won the French Presidential elections, will likely open the way for the ECB to scale back its monetary stimulus, continued to weigh on core euro area sovereign bonds in European trade. Recent positive euro area data, supply jitters and firmer equity markets, also continued to exert an impact. ECB Governing Council member Yves Mersch was quoted saying earlier this week that the euro area economy is gaining momentum and the Central Bank is close to adjusting its policy guidance accordingly, noting though that there should be no deviation from the current ultra-accommodative policy stance. Against this background, the 10-yr Bund yield was hovering around 0.42% at the time of writing, close to a six-week 0.45% intraday peak hit at some point in the prior session following a drop to levels around 0.31% a few sessions ago. In a similar note, after recording levels slightly below 2.33% earlier this week, the 10-yr US Treasury bond was standing close to 2.38% in European trade, not far from Tuesday's five-week closing peak of 2.42% amid growing expectations for higher Fed interest rates in the coming months. A cramped calendar of corporate bond issues and market caution ahead of a 10-yr bond auction later in the day following lackluster demand at Tuesday's 3-year note sale, also played a role. In FX markets, the DXY was hovering around 99.42 in European trade, 0.3% lower on a daily basis on news that the FBI Director had been fired but still 0.2% higher on a weekly basis on the back of increased expectations for an additional Fed rate hike in June. The EUR/USD remained under pressure for the second session in a row hovering around 1.0870/65 in European trade following a six-month peak of 1.1022 earlier this week with the technical picture suggesting that a sustained move below 1.0845/50 could open the way for further weakness. In the absence of major data releases for the remainder of the day, focus today is on ECB President Mario Draghi who is scheduled to address the Dutch parliament at 13:00 CET.

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GREECE

Greek PM Alexis Tsipras stated yesterday that Greece is closer than even to a substantial solution on debt relief and that this solution is now mainly the institutions' clear obligation. He added that the relevant discussions are ongoing and are expected to continue until the May 22nd Eurogroup. With regard to a potential cabinet reshuffle, the Greek PM reportedly ruled it out on the grounds that the government's priority now was to speed up its work. Meanwhile, Slovakia's Finance Minister Peter Kazimir reportedly stated earlier today that the IMF will provide funding to Greece with an amount that is not important but really symbolic, adding that technically the IMF must be on board. As regards the prior actions in the context of the 2nd programme review, according to press reports the Court of Audit issued an opinion that the reduction of pensions, which is scheduled to take effect in 2019, contradicts the European Convention on Human Rights. Additionally, the Court of Audit noted that it was asked to give an expert opinion on a fiscal subject without the actuarial study that should have been accompanying it in line with Greek law. Meanwhile, with regard to the key issues of the labour market reform, one of the most sensitive issues in the current review, the draft Memorandum of Understanding with the ESM foresees that: 1) the current regime governing collective bargaining will be maintained until the end of the programme meaning, among others, that the favourability and the extension principles will continue to be suspended, 2) the veto power of the Minister of Labour on collective dismissals will be abolished and the sole competent authority for overseeing such procedures becomes the Supreme Labour Council (ASE). The composition of the ASE is to be reformed so that the state, the employees and the employers are equally represented. The ASE cannot block collective dismissals provided that there is compliance with the legal requirements of information and consultation of workers, 3) legislation is to be adopted to enable the fast-track judicial procedure used to judge the legality of strikes as well as other strike-related disputes, 4) the legal framework governing trade unions is to be modernised.

May 10, 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

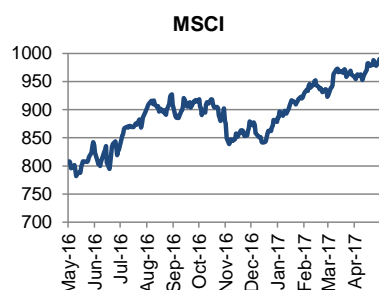
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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 were mostly firmer earlier on Wednesday thanks to strong corporate earnings reports and as the USD gave back some of yesterday's hefty gains. Against this backdrop, the MSCI Emerging Market index rose for the third consecutive session approaching near 2-year highs, while most bourses in the CESEE region also stood in the black at the time of writing. Serbia's main BELEX15 index led the gains with a 1.2% advance compared to the prior session's settlement. On the flipside Poland's WIG index bucked the positive trend, recoiling by 0.4% in European trade.

In FX markets, most regional currencies were firmer against a weaker US dollar. The Turkish lira firmed by ca 0.5% on a daily basis near levels of 3.6050, having bounced from a 2-week low of 3.6277 hit in Asian trade. Elsewhere, the Hungarian forint and the Polish zloty also gained ground, rising by approximately 0.2-0.4% against the euro to hover around levels of 311.05 and 4.2160, respectively, at the time of writing.

In the local debt markets, government bonds were mixed, with the Polish 2-year benchmark yield rising by 2bps to 2.019% and the corresponding 10-year easing by ca 3bps to 3.447%. Turkish long-term paper underperformed its regional peers with the 10-year yield spiking by 8bps to 10.38%. Albeit the Hungarian forint largely shrugged off a slowdown in consumer inflation in April, government bonds gained some ground in the wake of the CPI release earlier on Wednesday. As a result, the corresponding 10-year benchmark bond yield fell 7bps vs. yesterday's close to trade around levels of 3.08% in European markets. In more detail, the headline index rose by 2.2%YoY in April, marking a slowdown from a 2.7%YoY advance a month earlier. The data was almost in line with market expectations of 2.3%YoY and adds to the view that the Central Bank (MNB) is unlikely to swing direction in its ultra-accommodative monetary policy any time soon. Recall that in the latest MPC meeting in April, MNB noted that it anticipates a sustainable return of consumer price inflation to its 3% medium-term target from H1 2018 onwards and reaffirmed that interest rates are likely to remain on hold for a prolonged period of time.

The CESEE calendar is relatively weak for the remainder of the day. Inflation data from Ukraine for the month of April and Hungary's Central Bank April 25th meeting minutes are amongst those worth noting.

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May 10, 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	2396.92	-0.1%	7.1%	EUR/USD	1.089	0.1%	3.5%	UST - 10yr	2.38	-2	-6	GOLD	1222	0.0%	6.0%
Nikkei 225	19900.09	0.3%	4.1%	GBP/USD	1.2966	0.2%	4.9%	Bund-10yr	0.42	-1	21	BRENT CRUDE	49	0.7%	-13.7%
STOXX 600	395.22	-0.1%	9.4%	USD/JPY	114.05	-0.1%	2.6%	JGB - 10yr	0.04	0	0	LME X	2701	0.2%	1.5%

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	4.99	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	-1	-48
USD Nov-24	6.40	-1	-1

CDS

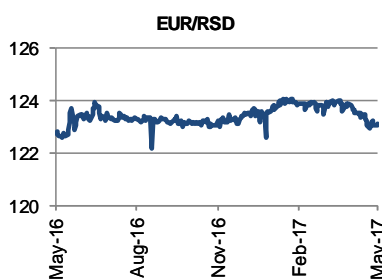
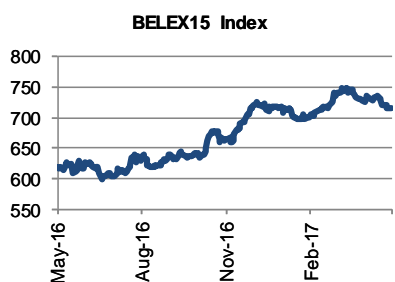
	Last	ΔDbps	ΔYTD bps
5-year	174	-1	-33
10-year	228	0	-27

STOCKS

	Last	ΔD	ΔYTD
BELEX15	715.0	-0.10%	-0.32%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.14	-0.07%	0.26%



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.55	0	-7
5Y RON	2.49	0	-3
10Y RON	3.61	0	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.01	0	-13
USD Jan-24	3.38	0	-47

CDS

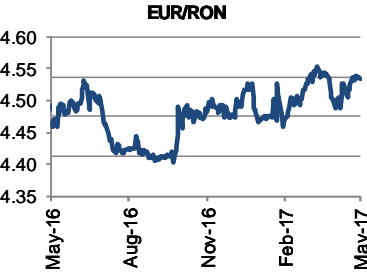
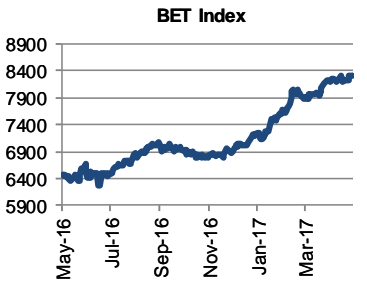
	Last	ΔDbps	ΔYTD bps
5-year	105	0	-5
10-year	150	0	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8324.3	0.10%	17.49%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5477	0.05%	-0.19%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.29	11	-29
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	0.02	0	-14
5Y BGN	0.34	0	-17
10Y BGN	1.63	0	-27

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.05	0	-73
EUR Sep-24	1.44	47	-24

CDS

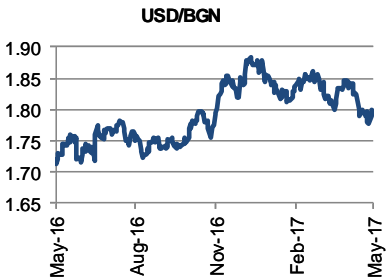
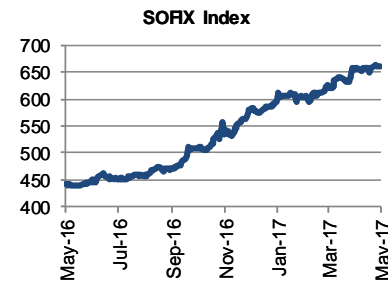
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-42
10-year	168	0	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	660.9	0.15%	12.69%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7962	0.14%	3.46%



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

Data updated as of 10:40 EEST

May 10, 2017

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