



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, May 15, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 15
 - Empire state index (May)
 - NAHB index (May)
- May 16
 - Housing starts (Apr)
 - Housing permits (Apr)
 - Industrial production (Apr)
- May 18
 - Initial jobless claims (weekly)
 - Philly Fed (May)

EUROZONE

- May 16
 - DE: ZEW index (May)
 - GDP (Q1, p)
- May 17: HICP (Apr)
- May 18: ECB April 27 meeting accounts
- May 19: Consumer confidence (May)

GREECE

- May 16: GDP (Q1, p)
- Credit expansion (Mar)

CYPRUS

- May 16: GDP (Q1, p)

SEE

BULGARIA

- May 15
 - CPI (Apr)
 - U/E rate (Apr)
 - 2027 1.95% T-bonds auction
- May 16: GDP (Q1, p)
- May 18: Current account (Mar)

ROMANIA

- May 15
 - 2027 5.8% T-bonds auction
 - Current account (Mar)
 - NBR MPC minutes
- May 16: GDP (Q1, p)
- May 18: 2020 2.25% T-bonds auction

SERBIA

- May 15: T-bonds auction
- May 16: T-bonds auction
- May 17: T-bonds auction
- May 19: Current account (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European equity markets were slightly firmer in early trade supported by higher oil prices amid increased expectations that OPEC and non-OPEC members will agree at the May 25th meeting to extend production cuts into 2018. In FX markets, the USD moved lower following weaker than expected US retail sales and inflation data, which raised questions over whether the Fed would be inclined to raise interest rates by more than once by the end of this year. Elsewhere, fixed income safe-havens retained a firm tone.

GREECE: The multi-bill containing all the prior actions that need to be legislated in the context of the 2nd programme review was tabled to the Hellenic Parliament on Saturday, while the voting is scheduled for May 18th. With regard to the debt relief no decision has yet been made although it is understood that some convergence has been achieved between the IMF and European – mainly German – partners. The Hellenic Statistical Authority released today the seasonally adjusted Q1 2017 GDP Flash estimate, which stands at -0.1%QoQ (vs -1.2% in Q4 2016) and -0.5%YoY (vs -1.1% in Q4 2016).

SOUTH EASTERN EUROPE

BULGARIA: Bucking the positive trend in global as well as regional bourses, local equities posted negative returns last week. Meanwhile, the domestic sovereign debt market remained quiet ahead of the upcoming 10-year bond auction on Monday. Eurobonds, on the other hand, witnessed some mild steepening of the yield curve in the long-end.

SERBIA: The Central Bank intervened several times over the last few days around EUR/RSD levels of 123.00, maintaining the pair within a tight range of 122.90-123.25 last week.

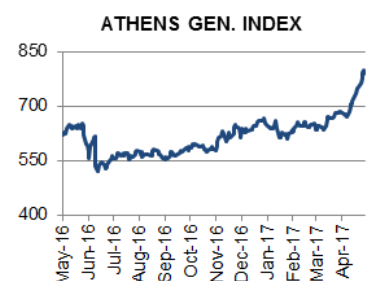
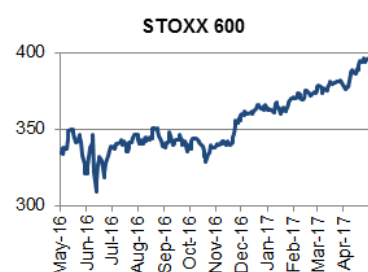
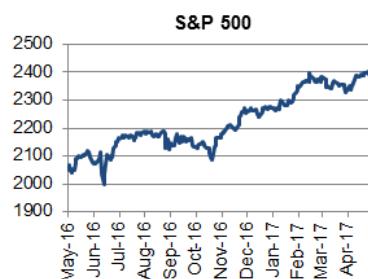
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May 15, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European equity markets were slightly firmer in early trade supported by higher oil prices amid increased expectations that OPEC and non-OPEC members will agree at the May 25th meeting to extend production cuts into 2018. Russia's Energy Minister was quoted saying earlier today that he favors an extension of the oil cut deal beyond 2017 while, in a separate event, his Saudi Arabia counterpart expressed confidence that the oil cut agreement will be extended into H2 2017 "and possibly beyond". In reaction to the above, Brent crude oil hit an intraday two-week peak of \$52.10/br earlier today, c. 6% higher from a multi-month low marked a couple of weeks earlier. In FX markets, the USD moved lower following weaker than expected US retail sales and inflation data, which raised questions over whether the Fed would be inclined to raise interest rates by more than once by the end of this year. Retail sales rose by 0.4%MoM in April against expectations for a 0.6%MoM gain while headline CPI increased by 2.2%YoY in the same month, down from 2.4%YoY in March. The DXY index was hovering around 99.099 in early European trade, 0.2% weaker compared to Friday's settlement albeit off a year-to-date low of 98.543 recorded earlier this month. Commodity related currencies gained the most while news that North Korea successfully conducted a missile test on Sunday also favored the safe-haven appeal of the Japanese currency. Elsewhere, fixed income safe-havens retained a firm tone with the 10-yr US Treasury yield hovering around a multi-session low of 2.34% at the time of writing in response to the latest weaker-than-expected US data following a six-week peak of 2.43% late last week. Looking at this week's calendar, focus is on US April housing starts and permits on Tuesday along with the April IP report, while on Thursday the Philly Fed will release its manufacturing survey for May. In the euro area, the second reading on Q1 GDP is due on Tuesday while final CPI data for April will be released on Wednesday.

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GREECE

The multi-bill containing all the prior actions that need to be legislated in the context of the 2nd programme review was tabled to the Hellenic Parliament on Saturday, while the voting is scheduled for May 18th. With regard to the debt relief framework which is expected to be part of the global agreement in the context of the 2nd programme review, according to press reports, the issue was discussed by the Washington Group on the sidelines of the G7 Finance Ministers Summit in Bari on May 11 to 13. However, no decision has been made yet although it is understood that some convergence has been achieved between the IMF and European – mainly German – partners. According to press, among the proposals for the debt relief framework is the extension of debt maturities for as much as twenty years, an element that the German side reportedly does not, in principle, oppose. Further talks on the subject will likely take place today, prior to the Euroworking Group, with the aim to paving the ground for an agreement at the May 22nd Eurogroup, which will allow the financial participation of the IMF in Greece's bailout programme and the approval of the next loan tranche to Greece by those national parliaments that set this as a precondition for the release of further funds. If a global agreement is not reached then, the next scheduled Eurogroup is on June 15th while an extraordinary Eurogroup before then cannot be ruled out. In other news, the Hellenic Statistical Authority released today the seasonally adjusted Q1 2017 GDP Flash estimate, which stands at -0.1%QoQ (vs -1.2% in Q4 2016) and -0.5%YoY (vs -1.1% in Q4 2016).

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May 15, 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

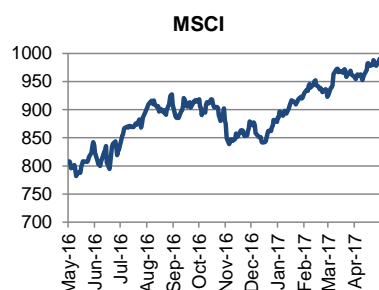
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

Bucking the positive trend in global as well as regional bourses, local equities posted negative returns last week, with all major benchmark indices - except for the BG REIT - closing lower. The blue-chip SOFIX index declined by 0.9% on the week to close near 654.97 points on Friday. The weekly turnover stood at EUR 3.27mn lifted by block deals with Industrial Holding Bulgaria AD and Eurohold AD. Meanwhile, the domestic sovereign debt market remained quiet ahead of the upcoming 10-year bond auction on Monday (BGN 100 mn) with just little adjustment to the upside for yields of shorter maturity paper. Eurobonds, on the other hand, witnessed some mild steepening of the yield curve in the long-end.

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SERBIA

The Central Bank (NBS) intervened several times over the last few days around EUR/RSD levels of 123.00, maintaining the pair within a tight range of 122.90-123.25 last week. The repeated interventions around the said level suggest that NBS is unlikely to allow any further appreciation of the dinar beyond that point. On the flipside, the room for an up-move towards April's highs of 123.85/05 appears rather limited. In support of the aforementioned, demand for hard currency is likely to prove weaker, due to seasonal factors, rather than stronger that would support EUR/RSD upside. At the same time, the domestic economic environment remains favorable, with the European Commission revising Serbia's GDP growth forecast from 3.0% to 3.2% in 2017. Against this backdrop, we anticipate the EUR/RSD to remain bound within a tight range around 123.10 – 123.50 over the summer months.

On the macroeconomic front, price pressures increased in April, with headline CPI rising to 4.0%YoY from 3.6%YoY a month earlier. The latest inflation reading is very close to the upper bound of the Central Bank tolerance band target (3%+/-1.5%). However, MPC Board members concluded that there is no need for change in KPR during their meeting on Friday.

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May 15, 2017

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.03	0	3
1-week	3.17	0	0
1-month	3.36	0	1
3-month	3.55	0	8
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	1.79	0	-54
USD Nov-24	6.39	-1	-2

CDS

	Last	ΔDbps	ΔYTD bps
5-year	175	0	-33
10-year	228	0	-27

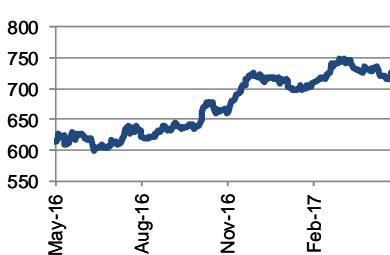
STOCKS

	Last	ΔD	ΔYTD
BELEX15	725.9	-0.44%	1.19%

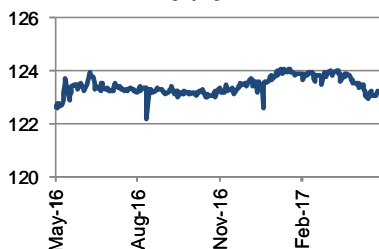
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.19	0.00%	0.22%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.5	0	-6
1-month	0.67	0	-9
3-month	0.87	0	-3
6-month	1.08	0	-3
12-month	1.25	0	0

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.50	1	-12
5Y RON	2.40	-2	-12
10Y RON	3.43	-2	-22

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.96	-5	-17
USD Jan-24	3.35	-2	-50

CDS

	Last	ΔDbps	ΔYTD bps
5-year	104	0	-6
10-year	148	0	-4

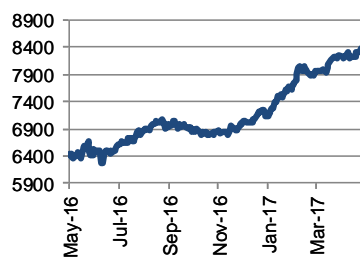
STOCKS

	Last	ΔD	ΔYTD
BET	8443.0	0.42%	19.17%

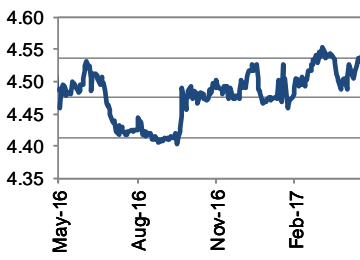
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5475	0.00%	-0.19%

BET Index



EUR/RON



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	0.43	1	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.00	-2	-15
5Y BGN	0.28	-5	-23
10Y BGN	1.62	0	-29

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.22	0	11
EUR Sep-24	1.44	47	-24

CDS

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

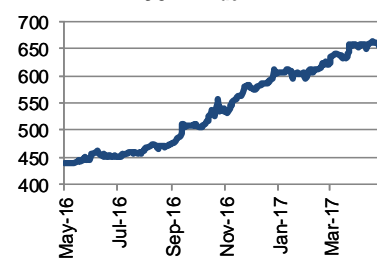
STOCKS

	Last	ΔD	ΔYTD
SOFIX	655.8	0.12%	11.82%

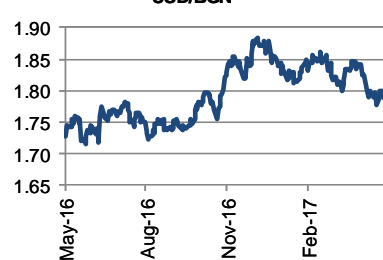
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7882	0.05%	3.93%

SOFIX Index



USD/BGN



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

Data updated as of 10:40 EEST

May 15, 2017

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