

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: The USD was weaker across the board in European trade weighed down by a dovish shift in short-term Fed rate hike expectations following disappointing US manufacturing-related data. Supported by broad-based USD weakness and increased optimism over the euro area's growth prospects, EUR/USD extended its recent gains hitting a fresh six-month peak of 1.1036 earlier today. Elsewhere, Bund yields moved north with long-dated paper underperforming on supply jitters. EMU sovereign debt spreads narrowed with Portugal outperforming. Meanwhile, the 10-yr US/Bund yield spread remained in a narrowing trend.

GREECE: The Eurogroup that convened yesterday reportedly discussed the medium term debt relief framework for Greece without, however, reaching a specific proposal. It is understood that all parties involved agree that any deal will not diverge from the framework that was agreed at the May 2016 Eurogroup which foresees that a set of debt relief measures will be implemented if needed following the successful implementation of the ESM programme. The issue will be discussed anew at the May 22nd Eurogroup along with the assessment of Greece's compliance with the preliminary technical agreement of May 2nd while the ESM will reportedly bring forward proposals regarding the structure of the next loan tranche disbursement. According to press reports, all sides express their will and confidence for a global agreement then or by mid-June at the latest.

SOUTH EASTERN EUROPE

CESEE MARKETS: The majority of CESEE assets firmed in morning European trade on Tuesday after Q1 2017 data released earlier today showed that economic activity in the region picked up pace across the board over that quarter, remaining impressively robust.

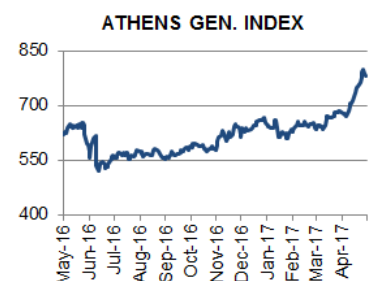
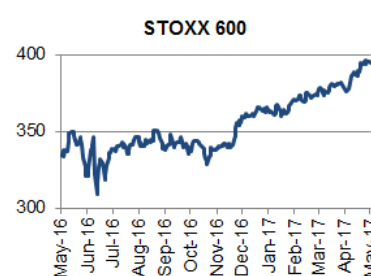
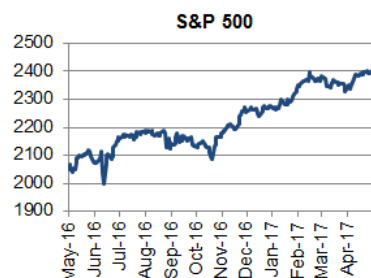
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May 16, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD was weaker across the board in European trade weighed down by a dovish shift in short-term Fed rate hike expectations following disappointing US manufacturing-related data. Coming on the heels of last week's weaker-than-expected inflation and retail sales for the month of April, data released on Monday showed that the N.Y. Fed business activity index unexpectedly fell in May shifting into negative territory for the first time in the last eight months. The respective index came in at -1.0 from +5.2 in the prior month confounding market expectations for an improvement at +7.0 amid reduced optimism over President Donald Trump's ability to push through some of the campaign promises including tax reform and a sizable stimulus package. The breakdown of the report was as gloomy as the headline showing that both employment and new orders components deteriorated. Fed funds futures are currently pricing in a c. 70% probability for a 25bps rate hike in June compared to 83% a week ago while the probability for two or more rate increases by the end of this year has been reduced to slightly less than 50%. Supported by broad-based USD weakness and increased optimism over the euro area's growth prospects, EUR/USD extended its recent gains hitting a fresh six-month peak of 1.1036 earlier today and marking cumulative gains of c. 5% so far this year. Elsewhere, Bund yields moved north with long-dated paper underperforming on supply jitters. EMU sovereign debt spreads narrowed with Portugal outperforming. Meanwhile, the 10-yr US/Bund yield spread remained in a narrowing trend hovering around a year-to-date low of 191.5bps at the time of writing compared to levels above 200bps in the first four months of the year. Looking at the day ahead, focus is on US housing starts and permits along with US industrial production for the month of April. In the euro area, we expect a second reading on euro area Q1 GDP growth while ECB Governing Council members Ewald Nowotny and Benoît Coeuré are due to speak.

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GREECE

The Eurogroup that convened yesterday reportedly discussed the medium term debt relief framework for Greece without, however, reaching a specific proposal. It is understood that all parties involved agree that any deal will not diverge from the framework that was agreed at the May 2016 Eurogroup which foresees that a set of debt relief measures will be implemented if needed following the successful implementation of the ESM programme. This set of measures could incorporate the following: 1) abolishment of the step-up interest rate margin related to the debt buy-back tranche of the 2nd Greek programme as of 2018, 2) use of 2014 SMP profits from the ESM segregated account and restoration of the transfer of ANFA and SMP profits to Greece (as of budget year 2017) to the ESM segregated account as an ESM internal buffer to reduce future gross financing needs, 3) early partial repayment of existing official loans to Greece by utilizing unused resources within the ESM programme to reduce interest rate costs and to extend maturities, and 4) if necessary, some targeted EFSF re-profiling to the extent needed to keep GFN under the agreed benchmark in order to give comfort to the IMF and without incurring any additional costs for former programme countries or to the EFSF. The issue will be discussed anew at the May 22nd Eurogroup along with the assessment of Greece's compliance with the preliminary technical agreement of May 2nd while the ESM will reportedly bring forward proposals regarding the structure of the next loan tranche disbursement. According to press reports, all sides express their will and confidence for a global agreement then or by mid-June at the latest.

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May 16, 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

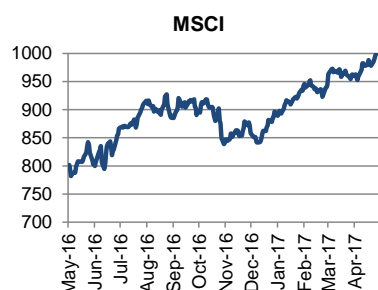
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

The majority of CESEE assets firmed in morning European trade on Tuesday after Q1 2017 data released earlier today showed that economic activity in the region picked up pace across the board over that quarter, remaining impressively robust. In more detail, Romania's real GDP growth came in at 5.7%YoY in Q1 2017 significantly outpacing a market consensus of 4.5%YoY and growth of 4.8%YoY marked in the prior quarter. Likewise, economic activity of 4.1%YoY over the first quarter of the year in Hungary exceeded a market median forecast of 3.2%YoY and a 1.6%YoY print in Q4 2016. Bulgaria's reading also beat expectations coming in at 3.4%YoY, in line with the prior quarter's reading and vs. 3.2%YoY anticipated. Poland's real GDP growth of 4.0%YoY marginally outperformed a forecast of 3.9%, recording strong acceleration from a downwardly revised increase of 2.5%YoY (2.7%YoY initially reported) in Q4 2016.

Against this backdrop, regional currencies broadly firmed, though main stock indices traded range-bound after reaching new multi-year highs over the last few days. In CESEE equity markets, Turkey's BIST 100 and Hungary's BUX, which reached record highs in recent sessions, posted gains to the tune of 0.5% and losses of 0.3%, respectively, at the time of writing. At the same time Romania's main BET index hovered in a marginally negative territory just off from near decade highs achieved earlier today. Meanwhile, Poland's WIG index broadly underperformed its regional peers with a 1.4% decline. Yet the index remained within distance from a 10-year high hit in early May.

In FX markets, the Hungarian forint and the Polish zloty firmed as far as a 7-week peak of 308.26 and 1 ½ year 4.1850 against the euro, respectively, in a knee-jerk reaction which came on the heels of the GDP data releases. However, the move proved short lived, with both the EUR/HUF and the EUR/PLN regaining some composure to trade almost flat on the day shortly after. The Romanian leu modestly firmed to trade around 4.5440/€ in European markets, having pulled away from last week's 1-month low of 4.5530/€.

In the local rates markets, the Romanian finance ministry sold on Monday RON 342mn (~€75.24mn) in a re-tap of 2027 T-bonds, exceeding initial plans for a sale of RON 300mn (~€66.00mn). The bonds were sold at a price of 117.6902 and the auction's average accepted yield came in at 3.68% yesterday, 35bps below that achieved when the paper was last sold in March. The bid to cover ratio stood at 2.1. The issue matures on July 26, 2027 and bears an annual coupon of 5.8%. Separately, Bulgaria's Ministry of Finance sold yesterday a planned amount of BGN 100mn in a reopening of government bonds due on July 25, 2027. The paper was sold at a price of 101.67 and has a yield of 1.78% which came in nearly in line with that achieved at a prior auction of the same paper held in March. The issue also bears a coupon of 1.95%. Investors offered to buy 1.47 times the amount of securities sold yesterday. Serbia also tapped debt markets yesterday via the sale of EUR 45.662mn of 371-day T-bills. The paper matures on May 23, 2018 and was sold at a price of 99.284 with an average accepted yield of 0.7%. The tender's bid to cover ratio stood at 1.04 yesterday.

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May 16, 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	2402.32	0.5%	7.3%	EUR/USD	1.1028	0.5%	4.8%	UST - 10yr	2.34	0	-10	GOLD	1235	0.3%	7.2%
Nikkei 225	19919.82	0.3%	4.2%	GBP/USD	1.2929	0.3%	4.6%	Bund-10yr	0.43	1	22	BRENT CRUDE	52	0.4%	-8.5%
STOXX 600	395.21	-0.2%	9.3%	USD/JPY	113.43	0.3%	3.1%	JGB - 10yr	0.05	0	0	LMEX	2734	0.7%	2.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.03	0	3
1-week	3.18	1	1
1-month	3.34	-2	-1
3-month	3.50	-5	3
6-month	3.68	-5	2

RS Local Bonds

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

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.77	-1	-55
USD Nov-24	6.38	-1	-3

CDS

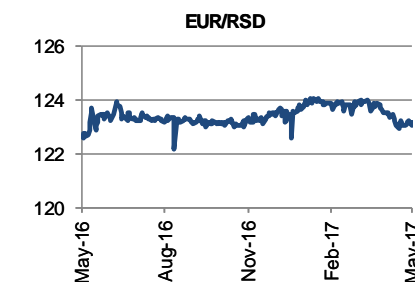
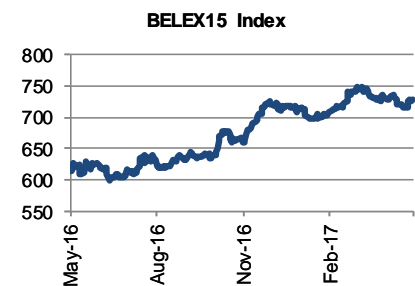
	Last	ΔDbps	ΔYTD bps
5-year	170	-5	-37
10-year	223	-5	-32

STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.8	0.40%	1.60%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.20	-0.08%	0.21%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	0	-7
1-month	0.66	0	-10
3-month	0.87	0	-3
6-month	1.06	0	-5
12-month	1.25	0	0

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.48	-1	-14
5Y RON	2.36	1	-16
10Y RON	3.38	-1	-27

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.96	0	-17
USD Jan-24	3.37	2	-49

CDS

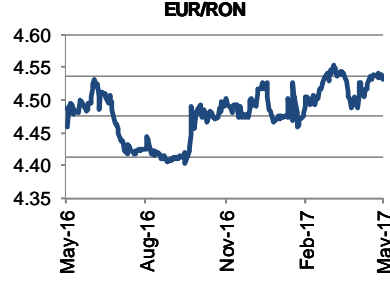
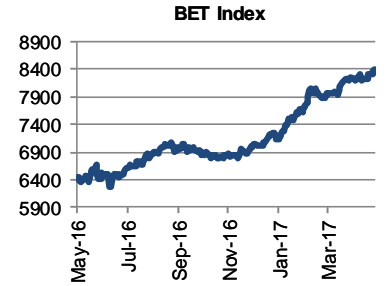
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-5
10-year	149	1	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8486.8	0.31%	19.79%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5451	0.07%	-0.13%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.22	18	-22
1-month	-0.16	0	0
3-month	-0.08	0	-1
6-month	0.05	0	-3
12-month	0.43	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.03	3	-12
5Y BGN	0.32	0	-18
10Y BGN	1.62	0	-28

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.30	0	2
EUR Sep-24	1.44	1	-24

CDS

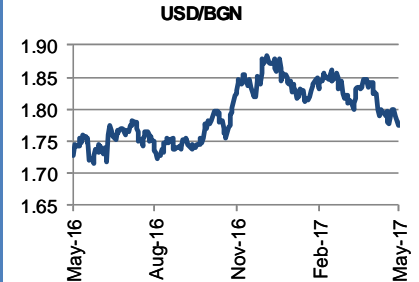
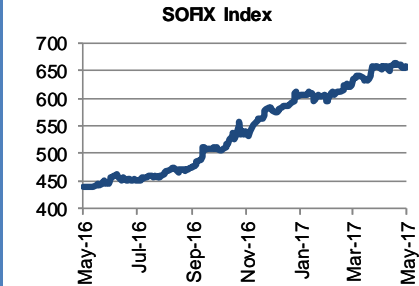
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-42
10-year	168	0	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	657.6	0.29%	12.14%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7735	0.48%	4.79%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:40 EEST

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