



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, May 17, 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: The USD remained under pressure against most of its major currency peers in European trade as political risks surrounding the White House administration appear to be getting worse, raising questions over the President's ability to push through major election promises. EUR/USD extended recent gains hitting a fresh six-month high while GBP/USD was little changed ahead of today's UK employment data. US Treasuries gained on weaker-than-expected US housing-related data with the 10-yr UST/Bund yield spread narrowing to the lowest level so far this year.

GREECE: According to press reports, it is understood that official lenders have agreed on the primary surplus targets after the expiration of the programme, to be kept at 3.5% of GDP at least until 2022. Nevertheless, the different projections for the Greek GDP growth trajectory between the European partners and the IMF so far prevent a mutually acceptable solution regarding the medium-term debt relief framework. An extraordinary Euroworking Group may be held before the May 22nd Eurogroup, in an effort to bridge remaining differences.

SOUTH EASTERN EUROPE

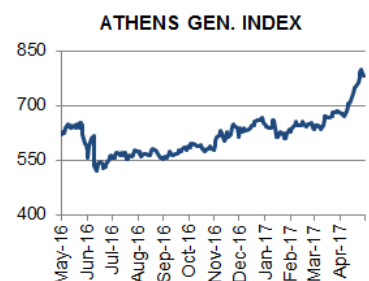
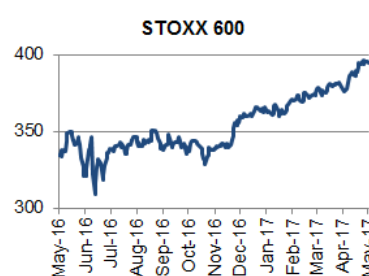
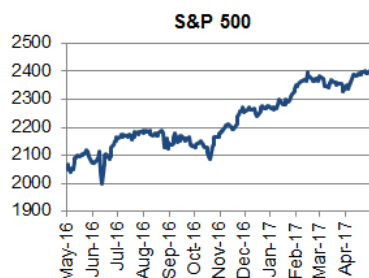
CESEE MARKETS: Emerging market assets came under pressure earlier on Wednesday on waning risk appetite as caution prevailed over US politics.

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May 17, 2017

Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

The USD remained under pressure against most of its major currency peers in European trade as political risks surrounding the White House administration appear to be getting worse, raising questions over the President's ability to push through major election promises including tax reform and a sizable stimulus package. International press reports conveyed that US President Donald Trump had requested former FBI Director James Comey to end an investigation into former White House national security advisor Michael Flynn while during last week's meeting with the Russian Foreign Minister he appeared to have discussed classified national security information. In reaction to the above, EUR/USD extended recent gains hitting a fresh six-month high at 1.1122 while a positive German business survey also helped. May's ZEW index rose by 1.1pts to 20.6 in May, the highest since August 2015 supported by fading political risks in the aftermath of the French presidential elections and hefty gains in German stock market over the last few weeks. News that Austria heads for snap general elections following the collapse of the ruling coalition, was shrugged off by FX market participants. However, GBP failed to capitalize on USD's weakness and higher than anticipated UK inflation data hovering around 1.2920/25 against USD at the time of writing, not much changed compared to Tuesday's settlement but 0.5% lower from multi-month highs marked last week. Focus today is on UK March employment data which have the potential to push GBP higher should they reveal a faster than expected increase in wage growth. Turning to fixed-income safe havens, US Treasury yields moved lower in reaction to weaker-than-expected US housing starts, shrugging off a 1.0%MoM increase in April's industrial production, the highest in more than three years. Global equity markets' lackluster performance, also had an impact. Coming on the heels of a disappointing Philly Fed manufacturing survey and weaker-than-expected inflation data that were released over the last few sessions, Tuesday's data revealed that housing starts dropped by 2.6% in April to a seasonally adjusted annual rate of 1.17 million units, the lowest in five months following a downwards revised rate of 1.20 million units in the prior month. Against this background, US Treasuries outperformed Bunds with the respective 10-yr yield spread narrowing to 188.5bps earlier today, moving below the 190bps level for the first time so far this year.

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GREECE

According to press reports, it is understood that official lenders have agreed on the primary surplus targets after the expiration of the programme, to be kept at 3.5% of GDP at least until 2022. Nevertheless, the different projections for the Greek GDP growth trajectory between the European partners and the IMF so far prevent a mutually acceptable solution regarding the medium-term debt relief framework. As a result, alternative scenarios are being discussed based on different GDP projections and an extraordinary Euroworking Group may be held before the May 22nd Eurogroup, in an effort to bridge remaining differences. The subject was reportedly discussed yesterday between the Greek PM Alexis Tsipras and the German Chancellor Angela Merkel who agreed that a solution on the debt relief framework must be reached at the May 22nd Eurogroup. Meanwhile, the multi-bill containing all the prior actions for the 2nd programme review is being discussed at the competent parliamentary committees and is expected to be voted by the Hellenic Parliament by May 19th with defects from the governing SYRIZA-ANEL coalition highly unlikely.

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May 17, 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

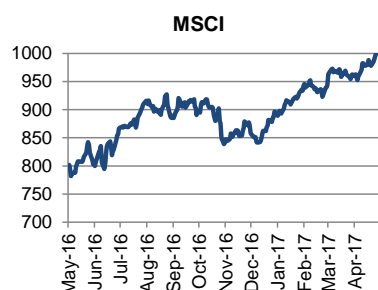
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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 Wednesday on waning risk appetite as caution prevailed over US politics. Along these lines, the MSCI Emerging Markets index stood in a modestly negative territory earlier today having snapped a 7-session rising streak, its longest advance in about two months. Bourses in the CESEE region were mixed with Poland's WIG index leading the losses for the second day running, falling by 0.6% at the time of writing compared to the prior session's settlement. At the same time, main indices in Bulgaria, Romania and Hungary were modestly firmer. Nonetheless, most bourses in the region remained near recent highs, having trailed over recent weeks gains in major global stock markets while receiving additional support from upbeat quarterly earnings reports and robust Q1 2017 GDP readings released earlier in the week. Indicatively, Turkey's BIST 100 and Hungary's BUX remained within distance from record highs reached in recent sessions and Romania's main BET index stood just off from yesterday's near decade highs, while Poland's WIG index remained within distance from a 10-year high hit in early May.

Despite the US dollar's retreat, regional currencies came under pressure earlier on Wednesday in view of waning risk appetite. The Turkish lira led the losers' pack with the USD/TRY rising by 0.65% on the day to hover around levels of 3.5615 in early European trade. The Hungarian forint and Polish zloty also recoiled, posting daily losses to the tune of 0.35-0.40% trading at 309.90 and 4.1885 against the euro at the time of writing, though both remained near a 7-week peak of 308.26 and a 1 ½ year 4.1850 high, respectively, hit yesterday.

In the local rates markets, Serbia's Public Debt Administration sold on Tuesday RSD 10.98bn (~ €89.2mn) of 2-year T-bonds, below an initially planned amount of RSD 25bn. The average accepted yield came in at 4.65%, in line that achieved at a prior auction of the same paper in March. The paper was sold at a price of 97.851. It matures on May 18, 2019 and carries an annual coupon of 3.5%. The tender's bid to cover ratio stood at 1.04 yesterday.

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May 17, 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	2398.69	-0.2%	7.1%	EUR/USD	1.1081	1.0%	5.3%	UST - 10yr	2.31	-3	-13	GOLD	1238	0.6%	7.5%
Nikkei 225	19919.82	0.3%	4.2%	GBP/USD	1.2905	0.1%	4.4%	Bund-10yr	0.42	0	22	BRENT CRUDE	52	0.2%	-8.6%
STOXX 600	395.46	-0.1%	9.4%	USD/JPY	113.05	0.7%	3.5%	JGB - 10yr	0.05	0	0	LMEX	2734	0.7%	2.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	-1	2
1-week	3.15	-3	-2
1-month	3.34	0	-1
3-month	3.52	2	5
6-month	3.71	3	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.99	1	-9
5Y RSD	5.38	0	2
7Y RSD	5.71	#N/A	N/A

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.78	0	-54
USD Nov-24	6.38	-1	-3

CDS

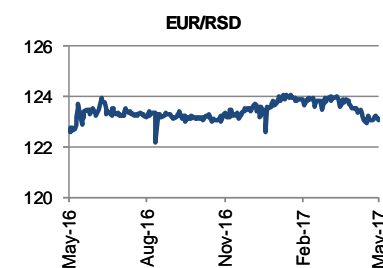
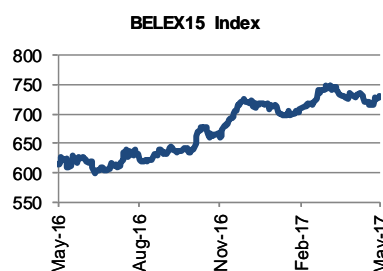
	Last	ΔDbps	ΔYTD bps
5-year	170	-5	-37
10-year	223	-5	-32

STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.9	0.28%	1.88%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.97	0.11%	0.40%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	-3	-10
1-month	0.66	0	-10
3-month	0.87	0	-3
6-month	1.06	0	-5
12-month	1.24	-1	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.48	-1	-14
5Y RON	2.37	2	-15
10Y RON	3.39	1	-26

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.96	0	-17
USD Jan-24	3.33	-2	-52

CDS

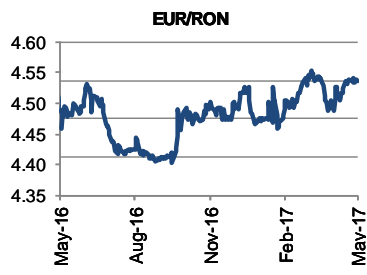
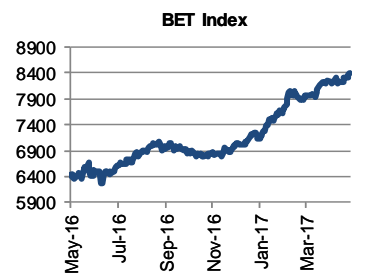
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-5
10-year	149	1	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8480.9	0.24%	19.70%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5486	-0.01%	-0.21%



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	0.04	0	-4
12-month	0.43	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.01	-1	-17
5Y BGN	0.26	-5	-24
10Y BGN	1.61	0	-30

BG Eurobonds

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

CDS

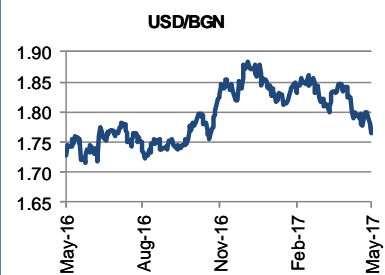
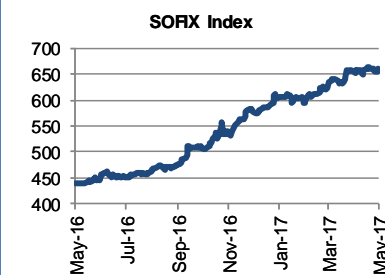
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-42
10-year	168	0	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	660.9	0.78%	12.69%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7651	0.96%	5.29%



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

Data updated as of 17:50 EEST of previous session

May 17, 2017

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