



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, May 19, 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: Market risk sentiment improved modestly in early trade on Friday. However, cautiousness prevails as political turbulence around US President Donald Trump continues with investors eagerly awaiting former-FBI Director James Comey's testimony at a Senate hearing next week. In FX markets, the USD gained some ground supported by Thursday's US positive data and hawkish comments by Cleveland Fed President Loretta Mester. Elsewhere, in response to the modestly improved tone of global equity markets and a hawkish shift in short-term Fed rate hike expectations, US Treasuries moved slightly lower with short-dated paper underperforming and the yield curve tilting slightly flatter.

GREECE: The multi-bill with the prior actions in the context of the second programme review was ratified yesterday by the Hellenic Parliament with all 153 SYRIZA-ANEL governing coalition MPs voting in favour of it and 128 opposition MPs rejecting it. Following the multi-bill voting, the Greek PM stated that Greece has now fulfilled its commitments on reforms and it is now expected that the May 22nd Eurogroup will come up with a decision on debt relief that will correspond to the sacrifices of the Greek people. With regard to the debt relief framework and the inclusion of Greek debt in ECB's Public Sector Purchase Programme, ECB Executive Board Member Benoit Coeure reportedly stated that the ECB would like to see a clear description of the debt relief measures and how they would contribute to the sustainability of Greek debt.

SOUTH EASTERN EUROPE

CYPRUS: The positive momentum of the tourism sector continued in the fourth month of 2017.

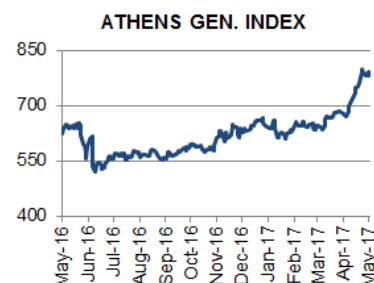
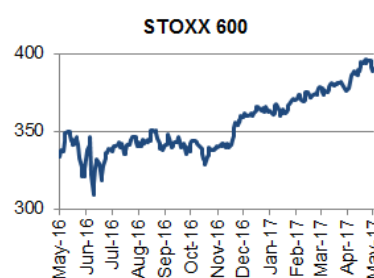
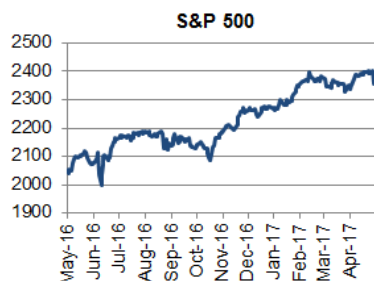
CESEE MARKETS: Emerging market assets recovered some ground earlier on Friday as global risk sentiment somewhat improved.

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May 19, 2017

Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Market risk sentiment improved modestly in early trade on Friday with the majority of European bourses trading in green territory at the time of writing after Asian equity markets finished slightly firmer. However, cautiousness prevails as political turbulence around US President Donald Trump continues with investors eagerly awaiting former-FBI Director James Comey's testimony at a Senate hearing next week. In FX markets, the USD gained some ground supported by Thursday's US positive data. Jobless claims for the week ended May 13 unexpectedly dropped by 4k to 232k, pointing to an ongoing improvement in labor market conditions. In addition, the Philly Fed manufacturing index rose to 38.8 from 22.0 in April confounding market expectations for a drop to 19.5. Reacting to the above, the DXY bounced 0.3% compared to Thursday's settlement, which was the lowest since mid-November 2016 while comments by Cleveland Fed President Loretta Mester that the Fed should keep raising interest rates as the economy has reached full employment and inflation is nearing the 2.0% target, also helped. GBP/USD retreated to levels around 1.2970/75 in early European trade after testing levels above 1.300 at some point on Thursday for the first time since last September on firmer than expected UK retail sales data for April. Elsewhere, in response to the modestly improved tone of global equity markets and a hawkish shift in short-term Fed rate hike expectations following Thursday's bunch of positive US data and Fed Mester's hawkish comments, US Treasuries moved slightly lower in European trade with short-dated paper underperforming and the yield curve tilting slightly flatter. Focus today is on ECB Governing Council Members Vítor Constâncio and Peter Praet who speaks at the ECB-EU conference in Brussels while FOMC members James Bullard (voting member) and Jones Williams (non-voting member) are also due to speak in separate events.

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GREECE

The multi-bill with the prior actions in the context of the second programme review was ratified yesterday by the Hellenic Parliament with all 153 SYRIZA-ANEL governing coalition MPs voting in favour of it and 128 opposition MPs voting against it. The MPs of the far-right opposition party Golden Dawn abstained from the voting. Following the multi-bill voting, the Greek PM stated that Greece has now fulfilled its commitments on reforms and it is now expected that the May 22nd Eurogroup will come up with a decision on debt relief that will correspond to the sacrifices of the Greek people. Prior to the said Eurogroup, the official lenders will compile the compliance report where it will be verified that what was agreed at the preliminary technical agreement of May 2nd has been implemented by the Greek side. According to the May 22nd Eurogroup draft annotated agenda: "The Eurogroup will discuss the next steps for concluding the second review of the macroeconomic adjustment programme in Greece following the preliminary agreement reached between the institutions and the Greek authorities on a policy package. The Eurogroup is also expected to come back to the issue of the medium-term fiscal path for the post-programme period and discuss debt sustainability, on the basis of the agreement reached in May 2016." With regard to the debt relief framework and the inclusion of Greek debt in ECB's Public Sector Purchase Programme, ECB Executive Board Member Benoit Coeure reportedly stated that the ECB would like to see a clear description of the debt relief measures and how they would contribute to the sustainability of Greek debt. He added that although formally the ECB does not need the IMF to be on board, its participation would provide some sort of reassurance with respect to the credibility of the debt relief measures.

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May 19, 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

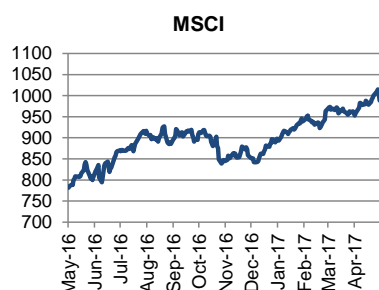
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CYPRUS

The positive momentum of the tourism sector continued in the fourth month of 2017. Tourist arrivals expanded by 26.9% YoY in the month of April 2017 to 286.3 thousand, up from 225.6 thousand in same month a year earlier. The month of April 2017 was the twenty second consecutive month with a positive rate of increase on an annual basis. This sets a new record as it was the highest volume of tourist arrivals ever recorded in Cyprus during April, while the second-best was recorded in April 2001.

Overall, tourist arrivals increased by +19.9% YoY in Jan-April 2017 (572,024 vs. 477,183). Tourist arrivals from Israel (+71.4% YoY, 42,391) and Russia (+48.7% YoY, 48,028) recorded a hefty increase. Having been weak in Q1, tourist arrivals from traditional markets such as Germany (+38.6% YoY) and UK (+9.8% YoY) rebounded as well in Jan-April. Although it is too soon to tell to make inferences on how the full-year data will evolve, tourism revenues expanded also robustly by +22.9% YoY in January-February 2017 to €82mn, up from €66.7mn compared to the same month last year. This expansion is much larger than a year earlier. Overall, the tourism industry is poised for another year of records in 2017 contributing to the GDP growth rebound of the Cypriot economy.

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CESEE MARKETS

Emerging market assets recovered some ground earlier on Friday as global risk sentiment somewhat improved. Along these lines, the MSCI Emerging Markets index stood in a marginally positive territory in early European trade, after posting cumulative losses of ca 2.6% over the prior two sessions. In CESEE, most bourses firmed modestly. Serbia's BELEX15 index was amongst the region's outperformers, firming by 1% at the time of writing compared to the prior session's settlement. At the same time Hungary's BUX stood ca 0.5% higher, having reached new record highs earlier in European trade. On the flipside main indices in Bulgaria and Ukraine bucked the positive trend, falling modestly. Turkish markets are closed today for National Holiday.

In FX markets, regional currencies broadly firmed against a weaker USD. The Turkish lira led the up-move, with the USD/TRY trading 0.8% lower at 3.5945 in European markets after pulling back from yesterday's 1-month high near 3.6415. In a similar vein, the Polish zloty also firmed, with the EUR/PLN standing ca 0.2% lower at 4.2070 at the time of writing, below a multi-session peak of 4.2285 reached yesterday.

Despite many regional assets being poised to end the week in the red in view of elevated political jitters in the US, it is worth noting that most currencies and main indices remain near recent multi-week/year highs thanks to a rally in major global bourses, renewed signals over robust economic recovery growth prospects in the region and recently announced upbeat corporate earnings results in the CESEE space.

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May 19, 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	2365.72	0.4%	5.7%	EUR/USD	1.115	0.4%	6.0%	UST - 10yr	2.24	1	-20	GOLD	1251	0.3%	8.6%
Nikkei 225	19590.76	0.2%	2.5%	GBP/USD	1.301	0.5%	5.3%	Bund-10yr	0.36	2	15	BRENT CRUDE	53	1.0%	-6.6%
STOXX 600	390.87	0.4%	8.1%	USD/JPY	111.5	0.0%	4.9%	JGB - 10yr	0.04	-1	-1	LMEX	2727	-0.6%	2.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.99	0	-1
1-week	3.12	0	-5
1-month	3.33	0	-2
3-month	3.54	0	7
6-month	3.74	0	8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.85	-13	-23
5Y RSD	5.29	-8	-6
7Y RSD	5.63	#N/A N/A	-1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.89	0	-43
USD Nov-24	6.38	-2	-3

CDS

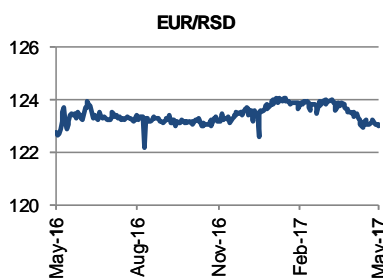
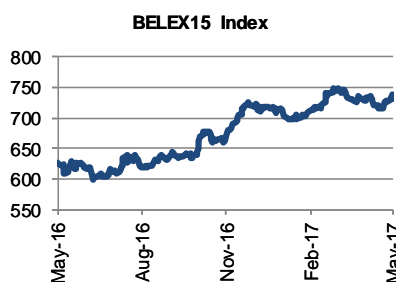
	Last	ΔDbps	ΔYTD bps
5-year	171	-3	-37
10-year	223	-3	-33

STOCKS

	Last	ΔD	ΔYTD
BELEX15	738.6	0.99%	2.96%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.12	-0.10%	0.28%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	0	-11
1-month	0.68	2	-8
3-month	0.86	-1	-4
6-month	1.06	0	-5
12-month	1.24	0	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.47	0	-15
5Y RON	2.38	1	-14
10Y RON	3.42	1	-23

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.94	0	-20
USD Jan-24	3.36	0	-50

CDS

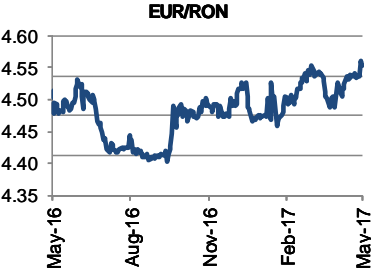
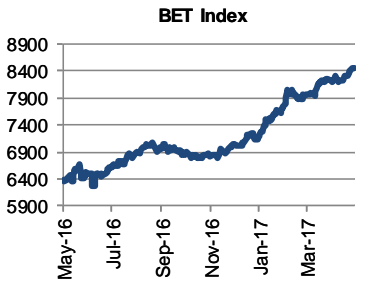
	Last	ΔDbps	ΔYTD bps
5-year	106	2	-4
10-year	151	2	-1

STOCKS

	Last	ΔD	ΔYTD
BET	8466.2	0.43%	19.49%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.562	0.13%	-0.50%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
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	-2	-13
5Y BGN	0.32	0	-19
10Y BGN	1.61	0	-30

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.76	0	-44
EUR Sep-24	1.51	-57	-17

CDS

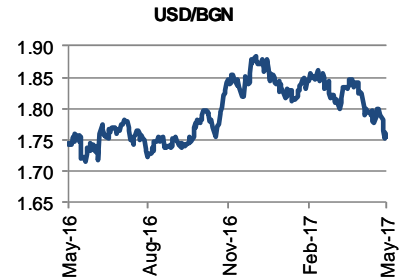
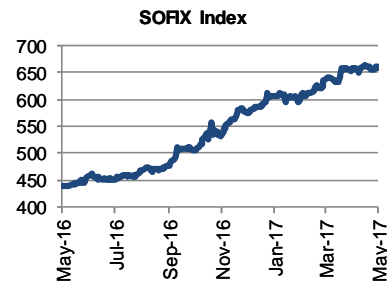
	Last	ΔDbps	ΔYTD bps
5-year	107	-3	-45
10-year	165	-3	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	658.6	-0.14%	12.30%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7543	0.43%	5.93%



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

Data updated as of 12:10

May 19, 2017

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