



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, May 22, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- May 25: OPEC review on output levels agreed in December 2016
- May 26-27: G7 leaders meet in Italy

US

- May 23: New home sales (Apr)
- May 24
 - Pending home sales (Apr)
 - FOMC meeting minutes (May 2-3)
- May 25: Initial jobless claims (weekly)
- May 26
 - GDP (Q1, 2nd)
 - Durable goods orders (Apr)
 - UoM consumer sentiment (May)

EUROZONE

- May 22: Eurogroup meeting
- May 23
 - Ecofin meeting
 - DE: GDP (Q1, details)
 - DE: Ifo business climate (May)
- May 24:
 - PM services & manufacturing (May, p)
 - DE: Gfk consumer confidence (May)

GREECE

- May 22: Current account balance (Mar)

SEE

BULGARIA

- May 26
 - Gross external debt (Mar)
 - Moody's review

ROMANIA

- May 22: 2019 1.35% T-bonds auction
- May 25: 2021 5.95% T-bonds auction

SERBIA

- May 23: 2019 T-bonds auction
- May 25: Real wages (Apr)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from Wall Street's positive tone in the prior session, the majority of European bourses were firmer in early trade on Monday. However, political turbulence around US President Donald Trump continues, with the DXY hovering not far from last week's six-month low and close to levels that prevailed shortly before the November 8th, 2016 US Presidential elections. Looking at this week's calendar, focus is on the US administration's draft budget for the full fiscal year 2018 on Tuesday ahead of the minutes of the May 3rd FOMC meeting and the OPEC meeting on Wednesday. On the data front, euro zone's PMI surveys on Wednesday and the second estimate of the US' Q1 GDP on Friday, lure market attention.

GREECE: During the past weekend the institutions reportedly compiled the compliance report that is expected to verify that what was agreed at the preliminary technical agreement of May 2nd has indeed been legislated or otherwise carried out by the Greek authorities. Based on a positive compliance report the Euroworking Group today will give a positive opinion and the Eurogroup will then politically endorse the agreement. This does not, however, signify the end of the road for the disbursement of the next loan tranche, as this must be approved by a number of national Parliaments including the German one, which in turn requires the financial participation of the IMF in Greece's bailout programme. Therefore, a solution on the debt relief framework is the next step but, it is reportedly unlikely that this will happen today.

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities posted modest gains last week, while BGN and FX denominated bonds were little changed.

SERBIA: The EUR/RSD remained bound within a tight range of 122.95 and 123.20 over the last few days.

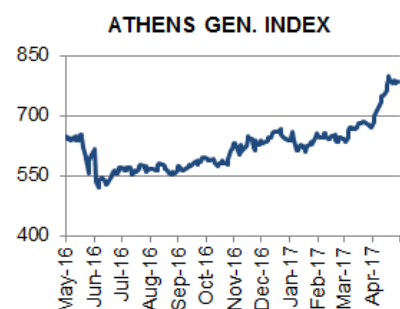
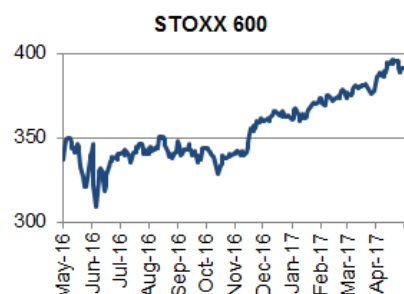
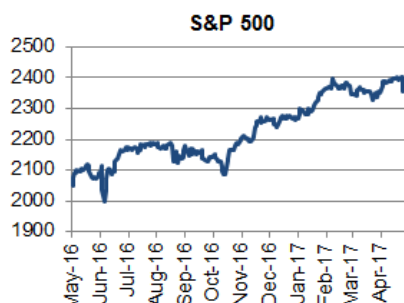
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May 22, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their cue from Wall Street's positive tone in the prior session, the majority of European bourses were firmer in early trade on Monday. However, political turbulence around US President Donald Trump continues, undermining market confidence in the US administration's ability to push through a string of major campaign promises. With US political jitters continuing to affect investor sentiment in FX markets, the DXY was hovering around 97.280 at the time of writing, just 0.2% higher from last week's six-month low and close to levels that prevailed shortly before the November 8th, 2016 US Presidential elections. Favored by the USD's weakness and increased optimism about the euro area's growth prospects, EUR/USD hit an intraday session peak of 1.1209 earlier today, within distance from last week's 1.1211 multi-month high, recording weekly gains of around 2.5%, the strongest performance in more than a year. Elsewhere, the modestly improved equity markets' performance exerted a negative impact on fixed-income safe-havens. The 10-yr UST yield was c. 1.5bps higher on a daily basis close to 2.25% with the spread against the 2-yr note hovering close to the narrowest in seven months. Looking at this week's calendar, focus is on the US administration's draft budget for the full fiscal year 2018 on Tuesday ahead of the minutes of the May FOMC meeting on Wednesday. OPEC and non-OPEC oil producers meet on Wednesday and are expected to agree an extension until end-Q1 2018 of the agreement originally made at the end of November 2016 for a total production cut of 1.8mn barrels per day compared to last October's levels. On the data front, euro zone's PMI surveys on Wednesday and the second estimate of the US' Q1 GDP on Friday, lure market attention.

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GREECE

During the past weekend the institutions reportedly compiled the compliance report that is expected to verify that what was agreed at the preliminary technical agreement of May 2nd has indeed been legislated or otherwise carried out by the Greek authorities. Based on a positive compliance report the Euroworking Group today will give a positive opinion and the Eurogroup will then politically endorse the agreement. This does not, however, signify the end of the road for the disbursement of the next loan tranche, as this must be approved by a number of national Parliaments including the German one, which in turn requires the financial participation of the IMF in Greece's bailout programme. Therefore, a consensus on the debt relief framework is the next step but, it is reportedly unlikely that this will happen today. At best, according to a number of press reports, the Eurogroup may decide today to return to Greece amounts equivalent to the Agreement on Net Financial Assets (ANFA) and Securities Market Programme (SMP) profits in line with a prior commitment by Member States which, however, expired in July 2015 when the previous European Financial Stability Facility (EFSF) programme lapsed. With regard to a more comprehensive medium-term debt relief package, the German side is reportedly in no hurry to grant it for two reasons: Firstly, it anticipates not just the legislation but also the implementation of the agreed measures and reforms. Secondly, according to a German MP, in view of the coming general elections in Germany in September, the tenure of the German Parliament expires in July. Consequently, if a potential medium-term debt relief proposal comes after the dissolution of the Bundestag, it will have to be approved by the Parliamentary Budget Committee and not the plenary session, which may be preferable to the German government considering the negative impact any such decision may have on German voters. As a result, it is not unlikely that a global agreement including the medium-term debt relief framework may yet take a couple of weeks to materialise.

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May 22, 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

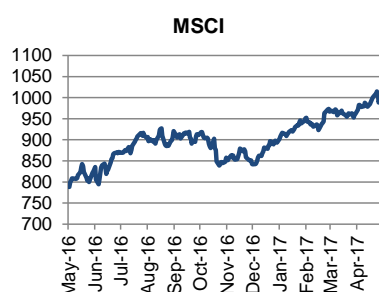
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

Bulgarian equities posted modest gains last week, with the blue-chip SOFIX index closing higher in three out of the total of five sessions. In more detail, the main benchmark index added 0.61% to end at 658.99 points on Friday remaining shy of a near 9-year high reached in early May. The real estate index BG REIT gained 0.55% at 110.97 points, closing higher for the third straight week for a total return of 2.4%. In the local debt markets, the government successfully retapped on Monday its 10-year benchmark bond placing another BGN 100mn at an average accepted yield of 1.78%. The local BGN-denominated bonds remained relatively quiet last week with the belly of the yield curve (3-6y) moving 5 bps lower. On the other hand, the Eurobond curve marked no major changes. In other news, the National Statistics Institute (NSI) released last week national accounts data which showed that the economy expanded by 3.4% in Q1 2017 compared to a year earlier and 0.8% compared to Q4 2016.

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SERBIA

The EUR/RSD remained bound within a tight range of 122.95 and 123.20 over the last few days. Looking into the coming sessions, we do not see imminent triggers for a sustainable up-move, while, a move to the downside may be supported by investor sentiment, though any such attempt is likely to be limited by fresh Central Bank (NBS) intervention. Against this backdrop, the EUR/RSD is likely to remain bound within tight ranges in the coming weeks and the pair to continue trading around current levels, with occasional spikes towards 123.50.

In other news, outgoing Prime Minister Aleksandar Vucic, who is due to take over as the President of the Republic after his victory on the April 2 presidential elections, has narrowed down the list of his possible successors to two names - Ivica Dacic, incumbent first deputy PM and Foreign Minister, and Ana Brnabic, who holds the state administration and local self-government portfolio. Local media reports have also speculated current Minister of Finance Dusan Vujovic as another possible option. In the domestic debt markets, the Public Debt Administration sold RSD 20bn worth of 7Y T-bonds at the paper's 5th reopening that was held on May 17th. The accepted yield remained the same (5.60%) with that achieved in the previous reopening that took place on February 23th.

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May 22, 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	2381.73	0.7%	6.4%	EUR/USD	1.117	-0.3%	6.2%	UST - 10yr	2.25	1	-20	GOLD	1255	0.0%	8.9%
Nikkei 225	19678.28	0.4%	3.0%	GBP/USD	1.2983	-0.4%	5.1%	Bund-10yr	0.37	0	16	BRENT CRUDE	54	1.0%	-4.8%
STOXX 600	391.72	0.1%	8.4%	USD/JPY	111.37	-0.1%	5.1%	JGB - 10yr	0.05	1	1	LMEX	2775	1.8%	4.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	0	2
1-week	3.15	0	-2
1-month	3.34	0	-1
3-month	3.52	0	5
6-month	3.70	0	4

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.85	0	-23
5Y RSD	5.29	0	-6
7Y RSD	5.63	0	-1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.89	1	-43
USD Nov-24	6.38	0	-4

CDS

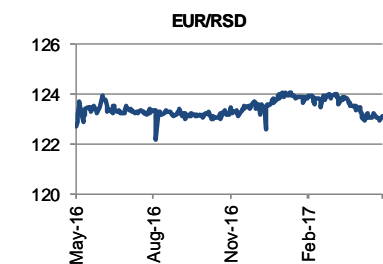
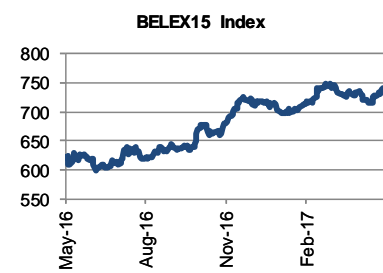
	Last	ΔDbps	ΔYTD bps
5-year	171	0	-37
10-year	225	2	-31

STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.5	0.34%	3.36%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.89	0.11%	0.47%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	-1	-12
1-month	0.68	0	-8
3-month	0.87	1	-3
6-month	1.05	-1	-6
12-month	1.24	0	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.46	-1	-16
5Y RON	2.37	0	-15
10Y RON	3.41	0	-24

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.94	0	-20
USD Jan-24	3.33	-2	-52

CDS

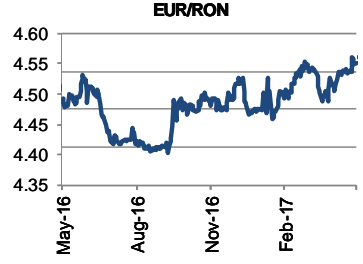
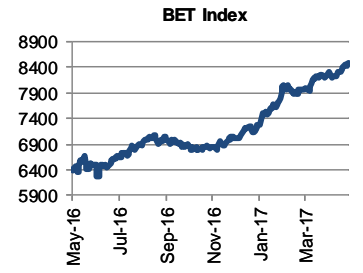
	Last	ΔDbps	ΔYTD bps
5-year	105	-1	-5
10-year	149	-2	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8471.7	-0.16%	19.57%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5606	0.03%	-0.47%



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	-0.01	-5	-16
5Y BGN	0.30	-3	-20
10Y BGN	1.61	0	-30

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-8.21	97	-788
EUR Sep-24	1.51	0	-17

CDS

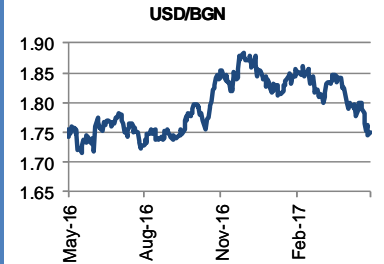
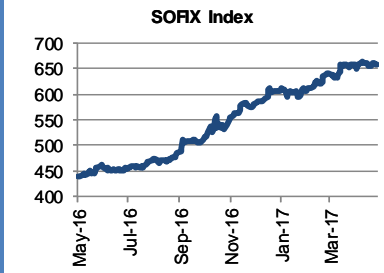
	Last	ΔDbps	ΔYTD bps
5-year	111	4	-41
10-year	163	-2	-31

STOCKS

	Last	ΔD	ΔYTD
SOFIX	658.9	0.02%	12.36%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.751	-0.30%	6.13%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:30 EEST

May 22, 2017

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