



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, May 23, 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: Major European bourses opened modestly higher on Tuesday with investors adopting a cautious stance following a suspected terrorist attack at a concert in the UK's city of Manchester late on Monday. In reaction to the above, GBP moved lower and UK Gilts gained some ground. EUR/USD hit a fresh six-month high following comments by German Chancellor Angela Merkel that the EUR is currently "too weak... due to the ECB's policy". Elsewhere, UST yields were modestly lower in European trade while Bund yields rose with the 10-yr UST/Bund yield spread narrowing to the lowest level since early November 2016. Focus today is on the US administration's budget proposal for the full fiscal year 2018 that reportedly envisions, inter alia, large cuts to social safety-net programs and increased spending on defense and border-security.

GREECE: The Eurogroup that convened yesterday did not produce definite results as regards the completion of the 2nd programme review, the debt relief framework and the disbursement of the next loan tranche. With regard to the prior actions in the context of the 2nd programme review, all sides – including the IMF – acknowledged the significant progress but pointed out that out of the 140 prior actions, 25 are still pending. With regard to debt relief, it was agreed that the primary surpluses of 3.5% of GDP are to be maintained until 2022. Additionally the Eurogroup reiterated its position that in terms of debt relief there are two guiding principles: firstly, the solution needs to be inside the package that was agreed in May 2016 and secondly, that the final decision on what is actually needed and will be put in place will be taken at the end of the programme

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mostly under pressure earlier on Tuesday amid rising risk aversion in the aftermath of a terror attack in Manchester and lingering US political jitters. Weak import data from China and an ongoing political turmoil in Brazil also weighed.

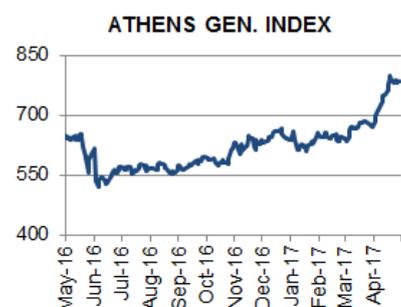
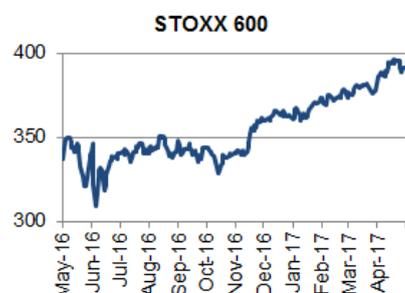
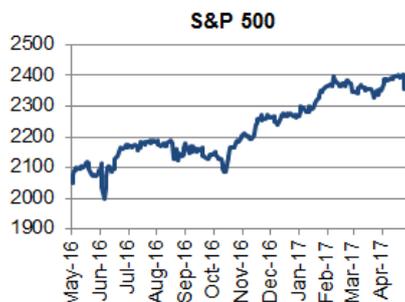
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May 23, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European bourses opened modestly higher on Tuesday with investors adopting a cautious stance following a suspected terrorist attack at a concert in the UK's city of Manchester late on Monday. In reaction to the above, the GBP moved lower hovering around 1.2975 against USD, 0.2% weaker compared to the settlement in the prior session. UK Gilts gained some ground with the 10-yr yield trading close to 1.08%, c. 1bps lower on a daily basis with the spread against its German counterpart narrowing to a multi-session intraday low of 68.4bps earlier today. Meanwhile, the USD remained under pressure across the board as political turbulence around US President Donald Trump continues. The DXY was hovering around 96.874 at the time of writing, within distance from Monday's multi-month closing low, failing to capitalize on the Chicago Federal Reserve's announcement that its national activity index rose to the highest level in around 2 ½ years of 0.49 in April. Focus today is on the US administration's budget proposal for the full fiscal year 2018 that reportedly envisions, inter alia, large cuts to social safety-net programs and increased spending on defense and border-security. The EUR extended recent gains against the USD hitting a new six-month peak of 1.1267 favored by German Chancellor Angela Merkel's comments that the common currency is currently "too weak... due to the ECB's policy". Technically, 1.1299 (early Nov. 2016 peak) represents the next target for EUR-bulls. Elsewhere, UST yields were modestly lower in European trade while Bund yields rose with the 10-yr UST/Bund yield spread narrowing close to 183bps, c. 2bps lower on a daily basis and the lowest since early November 2016. Elsewhere, after marking a four-week peak of \$54.40/br on Monday, a few days ahead of the May 25th OPEC meeting, Brent crude retreated trading close to \$53.30/br in European trade on news that the US budget proposal envisions the sale of half of the country's strategic oil inventories.

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GREECE

The Eurogroup that convened yesterday did not produce definite results as regards the completion of the 2nd programme review, the debt relief framework and the disbursement of the next loan tranche. With regard to the prior actions in the context of the 2nd programme review, all sides – including the IMF – acknowledged the significant progress but pointed out that out of the 140 prior actions, 25 are still pending. The Eurogroup expressed its confidence that Greece will complete these actions in the following weeks thus opening the way for the next loan tranche. On the latter, it should be noted that Jeroen Dijsselbloem reportedly implied that there can be no further disbursement on behalf of the European partners unless the IMF financially participates in the programme as well. A large part of yesterday's meeting revolved around debt relief for Greece, with deliberations taking place separately between the German FinMin Wolfgang Schaeuble, the French FinMin Bruno Le Maire, the IMF European Department Director Poul Thomsen and the Eurogroup President Jeroen Dijsselbloem. For the time being, it was agreed that the primary surpluses of 3.5% of GDP are to be maintained until 2022. After that, it is understood that Germany would prefer higher surpluses in the area of 2.6% while the IMF lower ones around 1.5% of GDP. Meanwhile, the Eurogroup reiterated its position that in terms of debt relief there are two guiding principles: firstly, the solution needs to be inside the package that was agreed in May 2016 and secondly, that the final decision on what is actually needed and will be put in place will be taken at the end of the programme. As regards the next steps, it appears unlikely that an extraordinary Eurogroup meeting will be held before the scheduled one on June 15th, and therefore, a global deal comprising the completion of the review and an agreement on the debt relief framework should be expected at that meeting.

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May 23, 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

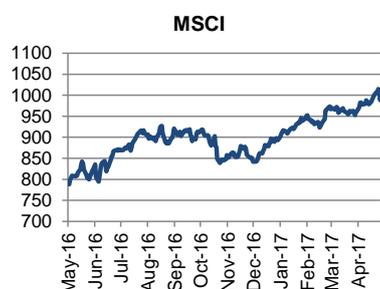
ROMANIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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 were mostly under pressure earlier on Tuesday amid rising risk aversion in the aftermath of a terror attack in Manchester (UK) and lingering US political jitters. Weak import data from China and an ongoing political turmoil in Brazil, where President Michel Temer has been mired in a corruption scandal, also weighed. Against this backdrop, the MSCI Emerging Markets index stood in a modestly negative territory earlier today, snapping a 2-session rising streak which resulted to cumulative gains of 1.5%.

In the CESEE region, main stock indices treaded water, with Bulgaria's SOFIX leading the gains with a 0.6% rise and Poland's WIG the down-move with a 0.3% decline. Regional currencies underperformed, broadly recoiling compared to yesterday's settlement, though many remained not too far from recent highs. The Turkish lira fared worse than currency peers, with the USD/TRY trading around levels of 3.5715 at the time of writing having pulled back from Monday's 3.5520 multi-session trough. The Polish zloty hovered around levels of 4.2020/€ in European trade vs. yesterday's session high of 4.1855/€, remaining however within distance from a 1 ½ year peak near 4.1590 hit late last week. In a similar vein, the Hungarian forint also retreated ahead of a Central Bank meeting later on the day, where the MPC is broadly anticipated to leave the key policy rate unchanged at the current record low of 0.90% today and maintain its loose monetary policy stance. In this context, the EUR/HUF rose to 308.80 earlier today from Monday's 7-week low just off 308.00, while Hungarian bonds firmed slightly.

In the local debt markets, Romania's government sold yesterday a planned amount of RON 500mn (~ €109.7mn) of 2019 T-bonds. The paper was sold at a price of 99.988 and the average accepted yield came in at 1.36%, 12bps less than that achieved on April 24th when the bond was last sold. The issue bears a coupon of 1.35% and matures on February 25th, 2019. The tender's bid to cover ratio stood at 2.85 yesterday, reflecting strong investor demand.

Looking into the remainder of the week, apart from today's Central Bank meeting in Hungary, Ukraine also holds its MPC meeting this week (Thursday). The market's median forecast is for a 50bps reduction in the key rate to 12.50%. Government bond auctions in Serbia, Romania and Hungary, unemployment data in Poland and Hungary's Central Bank Financial Stability Report also lure market attention, among other, in the coming days. On Thursday, President of the European Council Donald Tusk and President of the European Commission Jean-Claude Juncker are scheduled to meet with Turkish President Tayyip Erdogan on the sidelines of the NATO summit in Brussels. On Friday, Moody's is due to review Bulgaria's sovereign credit rating. The country's long-term foreign exchange rating currently stands at Baa2, with stable outlook, and has remained unchanged since 2011.

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May 23, 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	3.02	0	2
1-week	3.16	1	-1
1-month	3.36	2	1
3-month	3.54	2	7
6-month	3.71	1	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.84	0	-24
5Y RSD	5.30	0	-5
7Y RSD	5.69	#N/A N/A	6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.81	-1	-51
USD Nov-24	6.38	0	-4

CDS

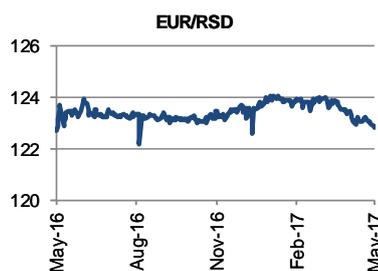
	Last	ΔDbps	ΔYTD bps
5-year	170	-1	-38
10-year	223	-1	-32

STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.9	0.13%	3.14%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.82	0.03%	0.52%



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.44	-1	-18
5Y RON	2.33	-1	-19
10Y RON	3.36	-1	-29

RO Eurobonds

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

CDS

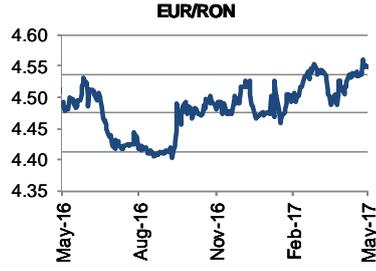
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-5
10-year	149	0	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8483.2	-0.25%	19.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.559	0.04%	-0.44%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	10	-30
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	0	-16
5Y BGN	0.27	-4	-24
10Y BGN	1.61	0	-30

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.17	-93	-85
EUR Sep-24	1.42	60	-27

CDS

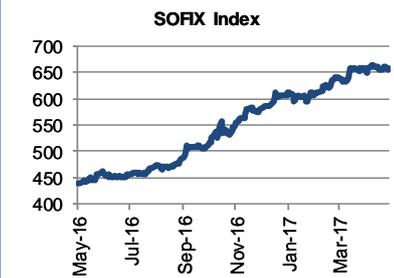
	Last	ΔDbps	ΔYTD bps
5-year	113	2	-39
10-year	165	2	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	656.6	0.24%	11.96%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7389	0.10%	6.87%



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

Data updated as of 10:20 EEST

May 23, 2017

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