

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Apr 25
 - Case Shiller house price index (Feb)
 - CB consumer sentiment (Apr)
 - New home sales (Mar)
- Apr 27
 - Jobless claims (weekly)
 - Pending home sales (Mar)
- Apr 28
 - GDP (1st est, Q1 2017)
 - Chicago PMI (Apr)
 - UoM Consumer sentiment (May)

EUROZONE

- Apr 24: DE: Ifo business climate (Apr)
- Apr 27
 - ESI (Apr)
 - ECB interest rate decision & press conference
- Apr 28: HICP (Apr)
- Apr 29: Extraordinary EU Summit on Brexit

GREECE

- Apr 28
 - Retail sales (Feb)
 - PPI (Feb)

SEE

BULGARIA

- Apr 24: 0.3% 2021 T-bonds auction
- Apr 27: Gross external debt (Feb)
- Apr 28
 - PPI (Mar)
 - Budget balance (Mar)

ROMANIA

- Apr 24: 1.35% 2019 T-Bonds sale

SERBIA

- Apr 24: 2% 2020 T-Bonds sale
- Apr 25: Real gross wages (Mar)
- Apr 28
 - Industrial production (Mar)
 - Retail sales (Mar)
 - Trade balance (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Independent centrist Emmanuel Macron won with 23.9% the first round of the French presidential elections that were held on Sunday April 23rd and qualified for the May 7th second and last round alongside far-right nationalist Marine Le Pen who fared slightly worse than polls implied gaining 21.5%. With the first round yielding the most market friendly outcome, the EUR gained across the board while the JPY was among the main underperformers weighed down by improved market sentiment. Looking at this week's calendar, focus is on the ECB monetary policy meeting on Thursday, the Trump tax plan which is expected to be announced on Wednesday and Q1 GDP data for both UK and US on Friday.

GREECE: In 2016, Greece attained a primary surplus of 3.9% of GDP (in ESA 2010 terms as released by the Hellenic Statistical Authority in the context of the first Excessive Deficit Procedure notification for 2017) and 4.19% of GDP (in programme terms), significantly above the programme target of 0.5% of GDP. The institutions' (EC/ECB/ESM/IMF) technical staff and mission heads are expected to return to Athens tomorrow (Tuesday, April 25th) with the intention to close any remaining items – primarily issues pertaining to the labour market reform and the Public Power Corporation – and reach a staff level agreement (SLA) in time for the 22nd May Eurogroup. According to the Bank of Greece, in the period January – February 2017 receipts from travel services contracted by 2.7% YoY (against +2.0% YoY in the same period of 2016) while inbound travelers decreased by 2.8% YoY (against -11% YoY in the same period of 2016).

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD moved lower last week, hitting a 3-month trough near 123.45 in a return to its start-of-the-year levels.

CESEE MARKETS: Emerging market assets kicked off the week on a positive footing, broadly staging a relief rally after the results of the first round of Presidential elections in France mitigated worries over a further rise of Euro-skepticism in the European Union.

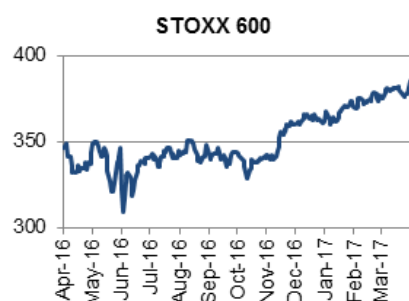
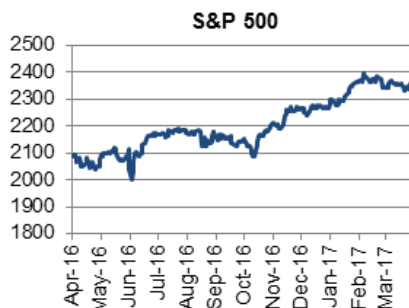
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April 24, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Independent centrist Emmanuel Macron won with 23.9% the first round of the French presidential elections that were held on Sunday April 23rd and qualified for the May 7th second and last round alongside far-right nationalist Marine Le Pen who fared slightly worse than polls implied gaining 21.5%. Conservative Francois Fillion scored third with 19.6% followed by eurosceptic far-left Jean-Luc Mélenchon who gathered 19.5% while, as expected, socialist Benoît Hamon was the big loser gaining just 6.5%. Both the conservative and socialist candidates urged their supporters to rally behind Emmanuel Macron in the second round while Jean-Luc Mélenchon refrained from making an explicit endorsement. Latest polls for the runoff indicate that Macron will easily beat Le Pen with around 60%. With the first round of French presidential elections yielding the most market friendly outcome, the EUR gained across the board hitting a five-week peak of 1.0935 against the USD in Asian trade before retreating modestly to levels around 1.0850/55 at the time of writing, standing c. 3% higher so far this year. The JPY was among the main underperformers weighed down by improved market sentiment with the USD/JPY rising above the 110.00 level for the first time in two weeks. Elsewhere, the 10-yr French government bond was yielding levels around 0.78% in European trade after marking a three-month low of 0.77% earlier in the day with the spread against its German counterpart narrowing close to 42bps, the lowest so far this year. Looking at this week's calendar, focus is on Thursday's ECB monetary policy meeting and the press conference that will follow where President Mario Draghi is expected to retain a dovish tone in the absence of convincing evidence so far of a sustained rise in underlying inflation. In the US, focus is on the Trump tax plan, expected to be announced on Wednesday, while two days later we expect the first estimate of Q1 GDP, which is expected to reveal a growth rate of 1.5% annualized vs. 2.1% in Q4 2016. UK Q1 GDP is also due on Friday and is likely to reveal a slowdown in the growth rate to around 0.5%QoQ from 0.7%QoQ in the prior quarter as the weaker GBP negatively affects household spending.

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GREECE

In 2016, Greece attained a primary surplus of 3.9% of GDP (in ESA 2010 terms as released by the Hellenic Statistical Authority in the context of the first Excessive Deficit Procedure notification for 2017) and 4.19% of GDP (in programme terms), significantly above the programme target of 0.5% of GDP. Although this result was acknowledged and welcome by Greece's official lenders, the IMF still expresses concerns as to whether the sustainability of such high primary surpluses is feasible or indeed desirable, as it is considered potentially harmful for growth. In any case, the institutions' (EC/ECB/ESM/IMF) technical staff and mission heads are expected to return to Athens tomorrow (Tuesday, April 25th) with the intention to close any remaining items – primarily issues pertaining to the labour market reform and the Public Power Corporation – and reach a staff level agreement (SLA) in time for the 22nd May Eurogroup. For this timetable to materialise, the Greek government must have all necessary legislation voted by the Hellenic Parliament by mid-May while according to press reports, the institutions have already prepared the drafts of the updated Memorandum of Understanding and the Memorandum of Economic and Financial Policies which Greece needs to agree with the European partners and the IMF respectively. As far as Greece's public debt is concerned, during the IMF Spring Meetings in Washington, the IMF European Department Director Poul Thomsen stated that at this stage an outline of the medium term debt relief measures coupled with the clarification of the size and duration of the primary surplus targets in the post-programme period by European partners would suffice for him to propose to the IMF's Governing Council the financial participation of the Fund in Greece's bailout programme. On the data front, the Bank of Greece released on Friday the balance of travel services for the period January – February 2017 according to which receipts from travel services contracted by 2.7% YoY (against +2.0% YoY in the same period of 2016) while inbound travelers decreased by 2.8% YoY (against -11% YoY in the same period of 2016).

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April 24, 2017

Latest economic & market developments in the CESEE region

SERBIA

The EUR/RSD moved lower last week, hitting a 3-month trough near 123.45 in a return to its start-of-the-year levels. However, near this area the probability of an intervention in the FX markets by the National Bank of Serbia (NBS) aimed at halting the dinar's recent appreciation momentum has increased significantly. In this context, we anticipate such NBS action if the cross dips below 123.45. So far this year, the Central Bank has only sold euros (€345mn) in order to stop a previous depreciation of the dinar, without having carried out a single intervention on the buying side. All in all, we continue to expect range trading to persist in the next couple of months, near the upper end of the recent four-month interval (123.50-95). According to the Public Debt Administration schedule, only one more auction is planned until the end of April, where the government plans to raise funds through a 3Y EUR denominated bond auction April 24th.

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CESEE MARKETS

Emerging market assets kicked off the week on a positive footing, broadly staging a relief rally after the results of the first round of Presidential elections in France mitigated worries over a further rise of Euro-skepticism in the European Union. Against this backdrop, major stock market indices in the CESEE space broadly rose compared to their settlement on Friday. The Polish WIG led the way higher (+1.00%) at the time of writing, while Turkey's BIST 100, Hungary's BUX and Romania's BETI followed suit with gains to the tune of 0.75%. In a similar vein, regional currencies firmed earlier on Monday, with the Polish zloty and the Hungarian forint rebounding from recent multi-week lows. In more detail, the EUR/PLN hovered near a session trough of 4.2370 at the time of writing, which is the pair's lowest intraday level in nearly a week. Similarly, the EUR/HUF slid as far as a 2-week low near 311.00 before pulling back slightly towards 311.60, with the pair having eased from Friday's 4-month intraday high of 314.24. The forint has come under pressure over the last few weeks after the government adopted legislation targeting the Central Eastern University in Budapest that has been founded by George Soros, stirring street rallies and causing reaction from the European Commission. Meanwhile, the Turkish lira rallied 1% against a weaker US dollar to trade at a 1-month high of 3.5930 in European markets. A post-referendum rally last week also assisted the Turkish currency as the result of the April 16th was broadly perceived by market participants as mitigating domestic political uncertainty in the near term, with the prospect of early general elections having been shunned. On the flipside, the Romanian leu failed to benefit from the risk-on mood, trading little changed at 4.5325 in Europe today, after Moody's revised late last week its outlook on the country's sovereign credit ratings to stable from positive citing fiscal risks. The government is reportedly expected to submit to parliament today a bill encompassing further rises in public sector wages, while net average wages spiked by 14.7%YoY in February. These plans have lately fanned worries over a potential overheating in the domestic economy, while fiscal slippage risks are on the rise. In other news, Fitch affirmed on Friday Cyprus's credit rating at BB- with positive outlook confounding our expectations for a possible upgrade given the improvement in the country's domestic fundamentals. Elsewhere, S&P also affirmed on Friday Poland's BBB+ ratings. Looking into this week, focus is mainly on government bond auctions in several CESEE countries, while Central Bank meetings in Hungary (Tuesday) and Turkey (Wednesday) take centre stage. The market's median forecast is for both MPCs to keep their key policy rates unchanged. On Friday, April's CPI data in Turkey as well as Poland and a rating review by Fitch on Ukraine's ratings also lure market attention, as does the updated Inflation Report in Turkey.

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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

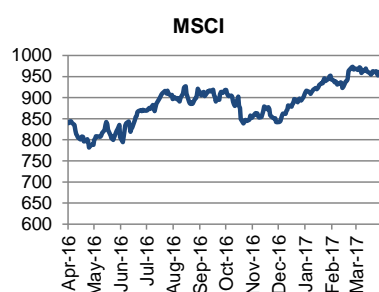
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

April 24, 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	2348.69	-0.3%	4.9%	EUR/USD	1.0872	1.3%	3.3%	UST - 10yr	2.30	5	-14	GOLD	1272	-0.9%	10.4%
Nikkei 225	18875.88	1.4%	-1.2%	GBP/USD	1.2826	0.1%	3.8%	Bund-10yr	0.35	10	15	BRENT CRUDE	52	1.0%	-7.7%
STOXX 600	385.30	1.9%	6.6%	USD/JPY	110.13	-1.0%	6.2%	JGB - 10yr	0.02	1	-2	LME X	2748	-0.5%	3.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.03	0	3
1-week	3.21	2	4
1-month	3.34	-2	-1
3-month	3.50	-3	3
6-month	3.69	0	3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.00	0	-8
5Y RSD	5.34	0	-2
7Y RSD	5.63	0	-1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.76	-1	-56
USD Nov-24	6.42	1	1

CDS

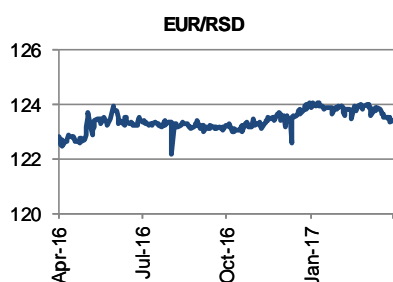
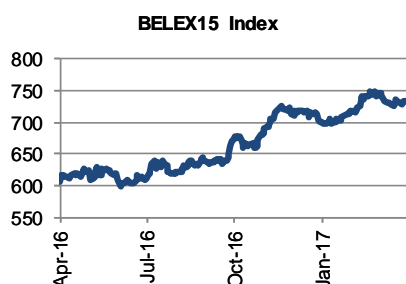
	Last	ΔDbps	ΔYTD bps
5-year	190	-1	-17
10-year	243	-1	-12

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.3	-0.22%	2.08%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.40	0.50%	0.05%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	7	2
1-month	0.65	1	-11
3-month	0.87	0	-3
6-month	1.09	2	-2
12-month	1.27	1	2

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.58	1	-4
5Y RON	2.48	1	-4
10Y RON	3.49	1	-16

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.03	0	-11
USD Jan-24	3.39	2	-47

CDS

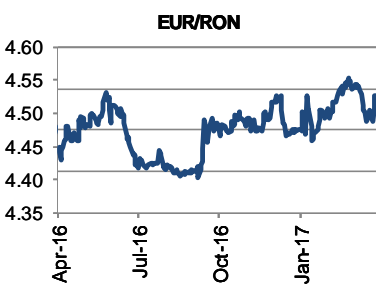
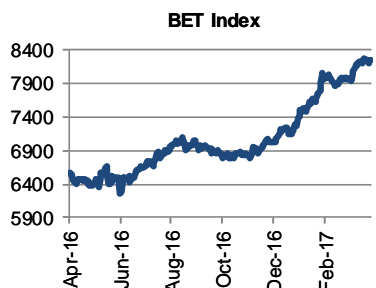
	Last	ΔDbps	ΔYTD bps
5-year	110	6	1
10-year	154	7	2

STOCKS

	Last	ΔD	ΔYTD
BET	8287.1	0.66%	16.97%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5349	0.07%	0.09%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.16	-1	0
3-month	-0.09	-2	-2
6-month	0.04	-1	-3
12-month	0.43	-2	3

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.06	3	-9
5Y BGN	0.39	3	-11
10Y BGN	1.63	0	-27

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.18	-10	14
EUR Sep-24	1.46	-49	-22

CDS

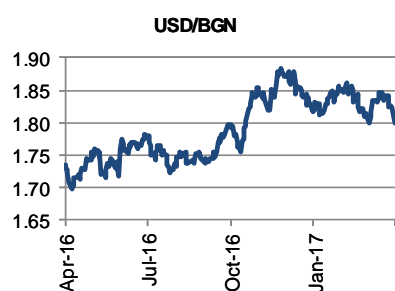
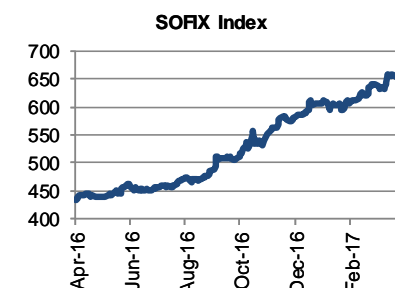
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-37
10-year	173	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	659.5	0.23%	12.46%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8004	1.26%	3.22%



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

Data updated as of 12:50 EEST

April 24, 2017

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