

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: Wall Street firmed a tad overnight capitalizing on a stronger-than-expected Markit services PMI index for May. Another focus for the market yesterday was US President Donald Trump's first full budget plan envisioning a \$3.6 trillion cut in government spending over the next decade. Reversing earlier losses after Moody's cut China's sovereign credit rating to A1 from Aa3, the majority of equity indices in Asia ended in positive territory on Wednesday. In FX markets, the EUR/USD traded around 1.1191/92 in European trade at the time of writing, pulling away from yesterday's 6-1/2 month high of 1.1268. Elsewhere, higher equity prices weighted on major bond markets. Market focus centres on the FOMC minutes from the meeting on May 3rd.

GREECE: According to press reports, in an effort to bridge the differences between Germany and the IMF on the debt relief issue a compromise proposal was submitted at the May 22nd Eurogroup that was rejected by the Greek side. In reaction to the lack of any definite outcomes with respect to the completion of the 2nd programme review, the debt relief measures and the disbursement of the next loan tranche at Monday's Eurogroup, Greek government bond yields moved higher.

SOUTH EASTERN EUROPE

CESEE MARKETS: CESEE assets were mixed earlier on Wednesday, lacking direction in the absence of any major triggers.

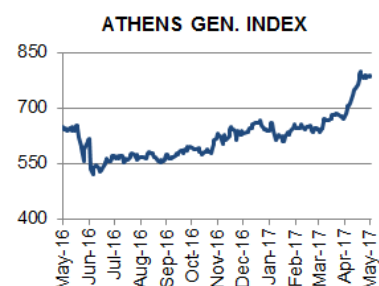
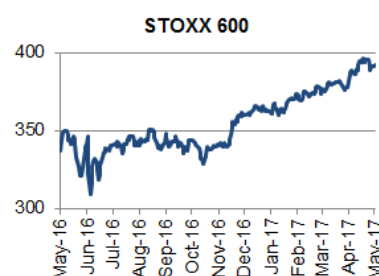
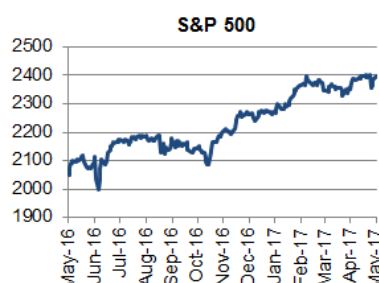
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May 24, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street firmed a tad overnight capitalizing on a stronger-than-expected Markit services PMI index for May (54.0 from 53.01 in April), which more than offset a modest decline in Markit manufacturing PMI index to 52.5 from 52.8 in the prior month. Another focus for the market yesterday was US President Donald Trump's first full budget plan envisioning a \$3.6 trillion cut in government spending over the next decade, with the biggest savings coming from Medicaid healthcare and food assistance programs for the poor. Concerning the proposed tax cuts, US Treasury Secretary Steven Mnuchin noted that he hopes to get tax reform passed this year, but it could be rather difficult to happen before August. Reversing earlier losses after Moody's cut China's sovereign credit rating to A1 from Aa3, the majority of equity indices in Asia ended in positive territory on Wednesday. In FX markets, the euro declined yesterday after ECB's Benoit Coeure said at a conference in Paris that the ECB is not about to change policy exit sequencing from that communicated previously and that the ECB would start hiking interest rates "well beyond the horizon" of asset purchases. Against this backdrop, the EUR/USD traded around 1.1191/92 in European trade at the time of writing, pulling away from yesterday's 6-1/2 month high of 1.1268. Elsewhere, higher equity prices weighted on major bond markets, with the 10-yr UST yield trading near a one-week high of 2.28% at the time of writing and the 10-yr Bund yield hitting a one-week high of c. 0.41% earlier today. The stronger German IFO business climate index, which surged to the highest reading on record in May, also added to improved risk sentiment. Today's calendar includes the flash June consumer confidence index for Germany, while in the US, the March FHFA house price index reading and April existing home sales data are due later in the day. Market focus centres on the FOMC minutes from the meeting on May 3rd, while speeches from Fed (Rober Kaplan and Neel Kashkari) and ECB officials (ECB President Mario Draghi and Peter Praet) will likely be scrutinized by market participants.

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GREECE

According to press reports, in an effort to bridge the differences between Germany and the IMF on the debt relief issue a compromise proposal was submitted at the May 22nd Eurogroup that was rejected by the Greek side on the grounds that such a plan would hinder, among others, Greece's participation in the ECB's QE programme. As per the same sources, the IMF would remain in the programme as a technical advisor facilitating the release of the next loan tranche to Greece but debt relief discussions would be differed until after the German federal elections in September and the Fund would financially participate in the programme in 2018. In reaction to the lack of any definite outcomes with respect to the completion of the 2nd programme review, the debt relief measures and the disbursement of the next loan tranche at Monday's Eurogroup, Greek government bond yields moved higher. The 10-yr GGB yield was hovering around 5.86% in European trade at the time of writing after ending at 5.65% on Monday with the spread against its German counterpart hovering around 550bps, c. 24bps higher compared to Monday's settlement.

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May 24, 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

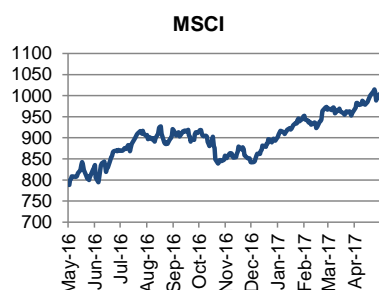
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CESEE assets were mixed earlier on Wednesday, lacking direction in the absence of any major triggers. Meanwhile, China's sovereign credit rating downgrade by Moody's did not have a material impact on the region's assets. In this context, Hungary's main BUX index posted the largest daily losses in the region, retreating by 0.6% in European trade and pulling further away from a new record peak reached on Monday. Elsewhere, Romania's BET index outperformed its peers with a 0.5% concomitant advance reaching new decade highs earlier in the session. The index has received support over recent days from an IPO and upbeat Q1 GDP data which confirmed that economic activity in the region remains particularly robust. Financial markets in Bulgaria are closed today on national holiday.

In FX markets, regional currencies were little changed in European trade on Wednesday. The Hungarian forint stood just off yesterday's 7 ½-week high of 307.88, a day after the Central Bank (MNB) meeting decision. As was broadly anticipated, the MPC stayed put on its monetary policy keeping the benchmark base interest rate at a record low of 0.90% for the 12th consecutive month and maintaining its loose policy stance. The overnight deposit rate was also kept unchanged at -0.05%, as was the lending rate which was held at 0.90%. The upper limit on the stock of three-month Central Bank deposits was left at HUF 500bn, as set at the March 2017 meeting until the end of the second quarter of 2017. MNB reiterated that economic activity is expected to pick up pace over the forecast horizon, while inflation is seen sustainably reaching the 3% medium-term official target from the first half of 2018 onwards.

In the local debt markets, Serbia's Public Debt Administration raised yesterday EUR 49.63mn of 2-year T-bonds accepting all bids. The amount sold was nearly in line with a planned amount of EUR 50mn. The paper was sold at a price of 99.921 and the average accepted yield came in at 1.04%, almost unchanged from 1.05% achieved when the issue was last sold on February 14. The bonds mature on May 25, 2019 and bear an annual coupon of 1%. Today's CESEE macroeconomic and events calendar is particularly light, with focus turning to global developments such the Fed's May meeting minutes.

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May 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	2396.93	0.1%	7.1%	EUR/USD	1.1237	0.0%	6.8%	UST - 10yr	2.24	-1	-20	GOLD	1262	0.1%	9.5%
Nikkei 225	19613.28	-0.3%	2.6%	GBP/USD	1.2992	-0.1%	5.1%	Bund-10yr	0.40	1	19	BRENT CRUDE	54	0.2%	-5.0%
STOXX 600	392.29	0.3%	8.5%	USD/JPY	111.1	0.2%	5.3%	JGB - 10yr	0.05	0	0	LMEX	2781	0.2%	4.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	0	2
1-week	3.17	1	0
1-month	3.35	-1	0
3-month	3.53	-1	6
6-month	3.71	0	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.87	3	-21
5Y RSD	5.29	-1	-7
7Y RSD	5.65	#N/A	N/A

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

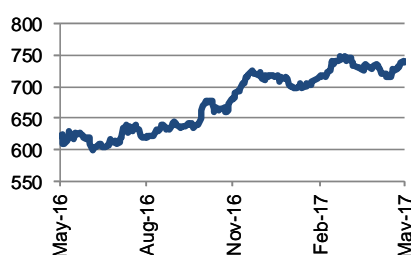
STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.1	-0.10%	3.03%

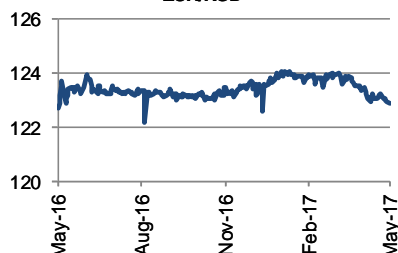
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.76	0.07%	0.57%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.48	4	-8
1-month	0.69	1	-7
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	3.37	0	-28

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.94	0	-20
USD Jan-24	3.35	1	-51

CDS

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

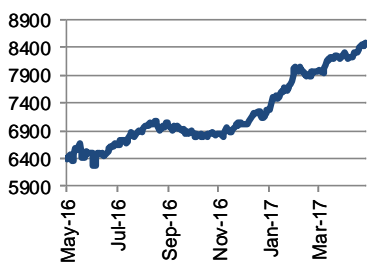
STOCKS

	Last	ΔD	ΔYTD
BET	8511.0	0.08%	20.13%

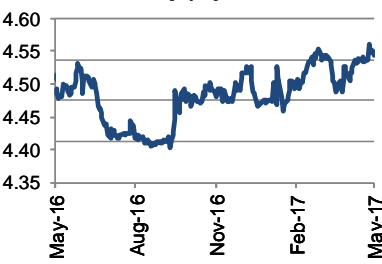
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5546	0.13%	-0.34%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	10	-30
1-month	-0.17	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	-0.02	-1	-17
5Y BGN	0.26	-5	-24
10Y BGN	1.61	0	-30

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.98	-96	-66
EUR Sep-24	1.40	68	-28

CDS

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

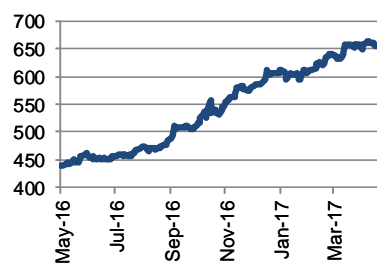
STOCKS

	Last	ΔD	ΔYTD
SOFIX	661.5	0.99%	12.80%

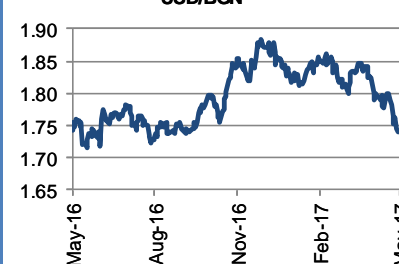
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7407	-0.01%	6.76%

SOFIX Index



USD/BGN



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

Data updated as of 16:50 EEST of previous session

May 24, 2017

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