

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: In line with market expectations, the ECB stayed put on its monetary policy meeting on Thursday and saw no need to deviate from the guidance provided so far. The less dovish tone President Mario Draghi adopted at the press conference compared to that of last month, favored European government bonds with periphery yields outperforming. In FX markets, the EUR was modestly firmer supported by better than expected Q1 GDP data from Spain.

GREECE: According to Greek government officials a staff level agreement with the institutions (EC/ECB/ESM/IMF) in the context of the 2nd programme review is likely by Wednesday at the latest. Following the staff level agreement the required measures are expected to be legislated by the Hellenic Parliament by May 15th while a global deal will consequently be sealed at the May 22nd Eurogroup where more clarity on the issue of medium term debt relief is also expected to be provided. Eurostat released yesterday the business and consumer survey results for April 2017 according to which the Economic Sentiment Indicator in Greece rose slightly for the second month in a row to 94.9 index units (i.u.) from 93.4 i.u. in March.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets treaded water earlier today, with geopolitical tensions casting a negative tone in global risk sentiment and positive macroeconomic data from the Eurozone providing some respite.

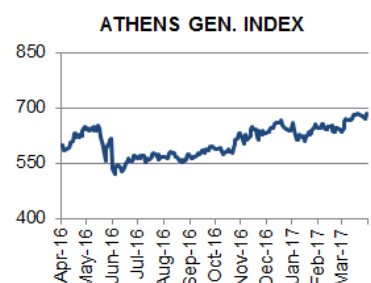
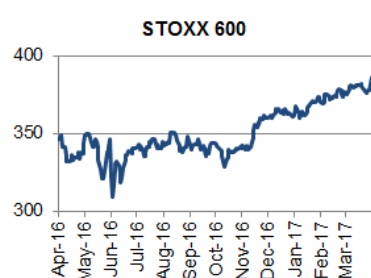
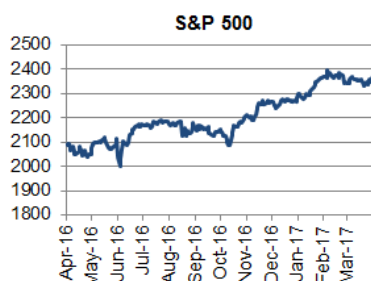
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April 28, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the ECB stayed put on its monetary policy on Thursday and did not alter the language on the forward guidance. However, it slightly revised upwards its assessment on economic growth with the accompanying policy statement reading that the euro area economy "is becoming increasingly solid" and that downside risks, though "still tilted to the downside (...) have further diminished (...) moving towards a more balanced configuration". The inflation outlook was little changed with the ECB reiterating that underlying inflation pressures continue to remain subdued and have not yet demonstrated a convincing upward trend. Against this background, the ECB saw no need to deviate from the guidance provided so far with President Mario Draghi adopting at the post-meeting press conference a less dovish tone compared to that of last month conveying the message that the prospect of tighter monetary policy is still some way off. In reaction to the above, European government bonds firmed with periphery yields gaining the most. Portugal outperformed followed by Spain while Greece and Italy lagged behind. In FX markets, the EUR was modestly firmer on a daily basis supported by better than expected Q1 GDP data from Spain. The EUR/USD was hovering around 1.0890 at the time of writing after ending at 1.0870 on Thursday, marking weekly gains of 1.5% so far mainly favored by perceived easing political risks in France after the first round of Presidential elections on Sunday produced the most market friendly outcome. Looking at today's calendar, focus is on UK Q1 GDP data which are expected to show a slowdown as increased inflation dents real wage growth. US Q1 GDP data, also due today, are anticipated to suggest that growth has probably moderated from the prior quarter, as has been the case in the first quarter for the past three years probably due to weather conditions. Meanwhile, the US Congress is expected to approve today a short-term extension of current government funding that will ensure funding for government operations at current levels until May 3rd.

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GREECE

According to Greek government officials a staff level agreement with the institutions (EC/ECB/ESM/IMF) in the context of the 2nd programme review is likely by Wednesday at the latest. Most key issues have reportedly been agreed but there are still a number of details to be closed in the areas of labour market reform, the financial sector and privatisations. Talks are expected to continue on a technical level whereas a discussion on the four draft documents that Greece is to sign with the European institutions and the IMF (the Memorandum of Understanding, the Memorandum of Economic and Financial Policies and the corresponding technical agreements) will likely be held later today with the participation of the competent Ministers. Following the staff level agreement the required measures are expected to be legislated by the Hellenic Parliament by May 15th while a global deal will consequently be sealed at the May 22nd Eurogroup where more clarity on the issue of medium term debt relief is also expected to be provided. Meanwhile, according to press reports the Board of Directors of the Public Power Corporation (PPC) approved yesterday the hire of a consultant to make recommendations regarding the lignite production units that are going to be sold and the procedure to be followed. With regard to the serious matters of unpaid bills and electricity theft that have significantly undermined the liquidity of the company and the sector at large, the staff level agreement will reportedly contain a number of actions to address this issue. In other news, Eurostat released yesterday the business and consumer survey results for April 2017 according to which the Economic Sentiment Indicator in Greece rose slightly for the second month in a row to 94.9 index units (i.u.) from 93.4 i.u. in March, driven by improved confidence in industry, services, consumers and retail trade while confidence in construction deteriorated.

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April 28, 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

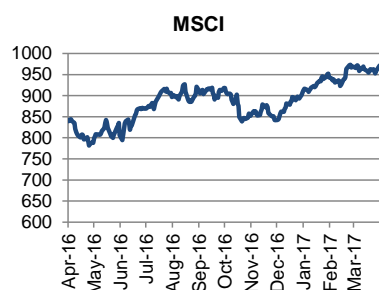
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

Emerging market assets traded water earlier today, with geopolitical tensions casting a negative tone in global risk sentiment and positive data from the Eurozone providing some respite. Nonetheless, the MSCI Emerging Markets index remained near a 2-year peak hit earlier this week, poised to end in the black for the 4th month running in April. In FX markets, the Turkish lira extended its recent gains earlier today, a couple of days after the Central Bank surprised markets with a largely unexpected hike in the late liquidity window lending rate at its latest MPC meeting. In more detail, currency bounced to a 4-month high near 3.5505 against the US dollar in late Asian trade today, having rallied by more than 5% since the April 16th referendum on constitutional changes amid improved global risk sentiment, tight TRY Central Bank liquidity and somewhat easing domestic political uncertainty in the near-term.

Earlier on Friday, the Central Bank of Turkey (CBT) released its updated Inflation Report. As was anticipated the inflation forecasts for this year and the next were raised, with the mid-point end-2017 projection revised to 8.5% from 8.0% previously and for end-2018 upped to 6.4% from 6.0% before. Recall that the inflation outlook in Turkey has deteriorated significantly over recent months, with CPI spiking to an 8 ½ year high of 11.29% in March well above the official 5% medium-term target. As also noted by the Central Bank recently, cost-push pressures and the volatility in food prices lie behind the steep inflation up-move in recent months. Exacerbating this trend has also been the lira's sharp depreciation earlier in the year, which came on the back of increased worries over the domestic political landscape, deteriorating growth prospects and higher Fed policy rates against a backdrop of political pressure against higher interest rates which would ultimately weigh on the country's economic activity. Since the beginning of the year, the Central Bank has tightened monetary conditions significantly via liquidity management. Earlier in the week, the Central Bank unexpectedly raised the late liquidity window lending rate by 50bps to 12.25% at its latest MPC meeting, the first that was held after the April 16th referendum on constitutional changes. The move came in against a market median forecast that the MPC would stay put on its monetary policy maintaining all main policy rates stable. At the same time, the benchmark one-week repo rate was held at 8.00% and the overnight borrowing and lending rates at 7.25% and 9.25%, respectively. In the accompanying statement released upon the announcement of the MPC's decision, the Central Bank acknowledged that the recent improvement in risk appetite does mitigate some of the upside price pressures but added that "the current elevated levels of inflation pose risks on the pricing behavior". In this context, the MPC maintained its hawkish stance, highlighting that it would remain in place until a significant improvement in inflation outlook was evidenced, and left the door open for further tightening, if needed.

Also in focus later on the day is a Fitch review on Ukraine's sovereign credit rating. Data releases from Poland (CPI) for April and Serbia (industrial production, retail sales and trade balance) for the month of March also lure market attention today.

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April 28, 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	2388.77	0.1%	6.7%	EUR/USD	1.0885	0.1%	3.5%	UST - 10yr	2.29	0	-15	GOLD	1266	0.1%	9.9%
Nikkei 225	19196.74	-0.3%	0.4%	GBP/USD	1.2925	0.2%	4.6%	Bund-10yr	0.31	2	11	BRENT CRUDE	52	0.3%	-9.2%
STOXX 600	387.40	-0.1%	7.2%	USD/JPY	111.25	0.0%	5.2%	JGB - 10yr	0.02	-1	-3	LMEX	2768	-0.7%	4.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.08	1	8
1-week	3.22	2	5
1-month	3.38	1	3
3-month	3.56	1	9
6-month	3.72	-1	6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.87	0	-21
5Y RSD	5.30	0	-6
7Y RSD	5.66	0	2

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.73	-3	-59
USD Nov-24	6.41	0	0

CDS

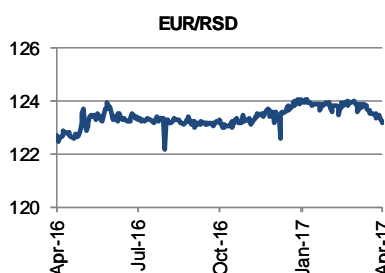
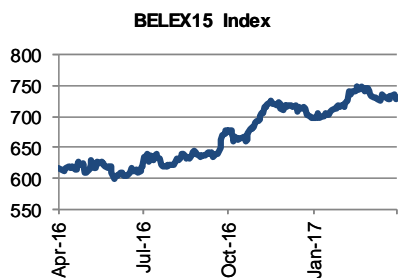
	Last	ΔDbps	ΔYTD bps
5-year	179	0	-29
10-year	230	1	-26

STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.9	-0.36%	1.61%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.17	0.09%	0.24%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	0	7
1-month	0.69	0	-7
3-month	0.89	0	-1
6-month	1.1	0	-1
12-month	1.28	0	3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.60	0	-2
5Y RON	2.51	-1	-1
10Y RON	3.56	-1	-9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.03	0	-11
USD Jan-24	3.35	-1	-50

CDS

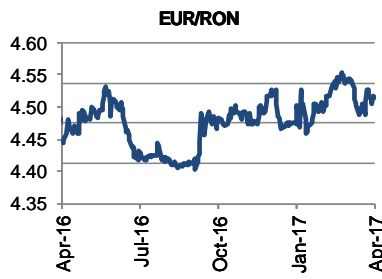
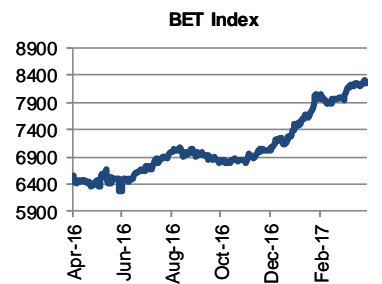
	Last	ΔDbps	ΔYTD bps
5-year	106	1	-3
10-year	150	0	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8180.5	-0.05%	15.46%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5322	0.04%	0.15%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
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	3	-13
5Y BGN	0.32	0	-18
10Y BGN	1.62	0	-28

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.89	0	-56
EUR Sep-24	1.52	#VALUE!	-16

CDS

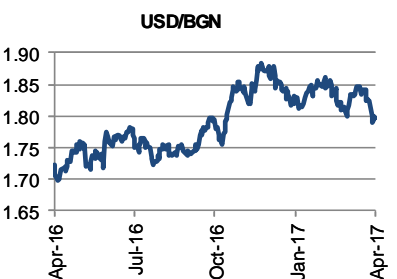
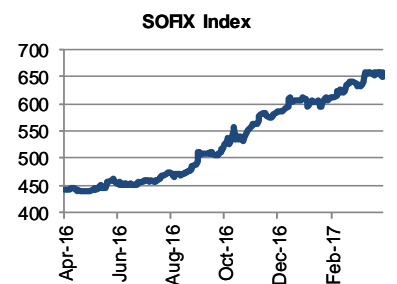
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-40
10-year	170	0	-24

STOCKS

	Last	ΔD	ΔYTD
SOFIX	657.6	1.25%	12.13%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7969	0.11%	3.42%



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

Data updated as of 10:30 EEST

April 28, 2017

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