

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- May 30:
 - Personal income (Apr)
 - Core PCE (Apr)
 - Case-Shiller index (Mar)
 - Conf. Board Cons. Sent. (May)
- May 31:
 - Chicago PMI (May)
 - Pending home sales (Apr)
- June 1:
 - ADP employment (May)
 - Initial claims (weekly)
 - ISM manufacturing (May)
 - Auto sales (May)
- June 2:
 - Empl report (May)
 - Trade balance (Apr)

EUROZONE

- May 29:M3 (Apr)
- May 30:Econ Sent Ind (May)
- May 31:
 - HICP (May)
 - Unempl rate (Apr)
- June 1:PMI manuf (May,f)

GREECE

- May 30: PPI (Apr)
- May 31: Retail sales (Mar)
- June 1: PMI manufacturing (May)
- June 2: GDP (Q1, prov. est.)

SEE

BULGARIA

- May 30: PPI (Apr)
- May 31:
 - Budget balance (Apr)
 - Base interest rate (Jun)
- June 2: Fitch & S&P sovereign rating review

ROMANIA

- May 31: Unemployment (Apr)
- June 2:
 - Retail sales (Apr)
 - PPI (Apr)
 - Intern. reserves (May)

SERBIA

- May 31:
 - IP (Apr)
 - Trade balance (Apr)
 - Retail sales (Apr)
 - GDP (NSA, Q1)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European equity markets opened lower on Tuesday, the EUR came under some pressure and German Bunds firmed on market perception that the ECB is not in a hurry to wind down its monetary stimulus in spite of the ongoing improvement in the euro area economic recovery. A German press report suggesting that Greece may opt out of its next debt repayment in mid-July and increased expectations for snap elections in Italy later this year, also had an impact. For the remainder of the day, focus is on US data including personal income and spending for April and the CB's consumer sentiment index for May.

GREECE: Speaking to foreign press, Greek Finance Minister Euclid Tsakalotos claimed that Greece had fulfilled its obligations in the context of the 2nd programme review and that it is now up to the country's official lenders to see their part of the deal through. He added that investors are piling up "outside the door" in large numbers but are waiting for a clear roadmap as to how Greece's debt will be rendered sustainable. Speaking before the EU Parliament Committee on Economic and Monetary Affairs, ECB President Mario Draghi stated that the ECB will not consider including Greece in the quantitative easing programme (QE) before the conclusion of the 2nd programme review and the country's debt having been rendered sustainable. The 20-year extension of the concession of the Athens International Airport is to be signed in June and, according to government sources, it may yield more than €500 million.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mostly weaker earlier on Tuesday on deteriorating risk sentiment.

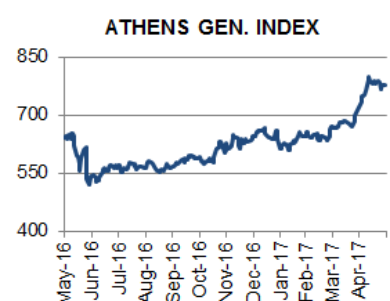
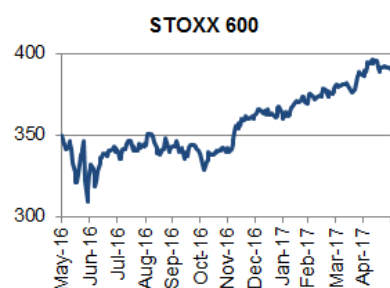
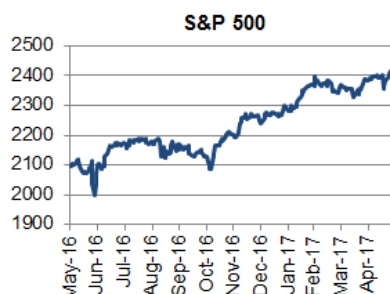
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May 30, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

European equity markets opened lower on Tuesday, the EUR came under some pressure and German Bunds firmed on market perception that the ECB is not in a hurry to wind down its monetary stimulus in spite of the ongoing improvement in the euro area economic recovery. Speaking before the EU Parliament yesterday, ECB President Mario Draghi reiterated that “substantial” stimulus is still required as underlying inflationary pressures remain relatively subdued even though the euro area economic recovery is solidifying and broadening. A German press report suggesting that Greece may opt out of its next debt repayment due in mid-July should official creditors fail to reach a compromise on debt relief at the next Eurogroup scheduled for June 15th, also had an impact. In addition, former Italian Prime Minister Matteo Renzi’s comments that it makes sense “from a European perspective” for Italy to hold snap elections in September, when German federal elections are also due, fueled market talk for a snap election in fall. According to the press reports, Italy’s three major political parties are close to an agreement on a new electoral law and the relevant discussion is expected to start in the lower house on June 5th. As per the same sources, an agreement on a new electoral law before the end of July, harmonizing the voting system for both the Chamber of Deputies and the Senate, would undoubtedly increase the likelihood of a snap ballot in September. Against this background, the 10-yr Bund yield dropped to 0.30% in European trade, the lowest in the last four weeks, with the spread against its US counterpart widening by c. 2.5bps, trading close to 194bps at the time of writing, the widest in more than two weeks. The EUR/USD retreated to levels around 1.1145/50 after testing levels near 1.1200 at some point on Monday, moving further below a 6 ½ month peak of 1.1267 marked a week ago. For the remainder of the day, focus is on US data including personal income and spending for April and the CB’s consumer sentiment index for May.

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GREECE

Speaking to foreign press, Greek Finance Minister Euclid Tsakalotos claimed that Greece had fulfilled its obligations in the context of the 2nd programme review and that it is now up to the country’s official lenders to see their part of the deal through. He added that investors are piling up “outside the door” in large numbers but are waiting for a clear roadmap as to how Greece’s debt will be rendered sustainable. After a meeting with the Estonian PM Jüri Ratas – in view of the Estonian Presidency of the EU Council as of July 1st – the Greek PM Alexis Tsipras said with regard to debt relief: “let there be a solution and let it come when it comes” adding, however, that he expects a clear solution within June. If this is not reached at the June 15th Eurogroup then, reportedly, the next milestone for a potential political disentanglement is the June 22nd European Council summit. Meanwhile, speaking before the EU Parliament Committee on Economic and Monetary Affairs, ECB President Mario Draghi stated that the ECB will not consider including Greece in the quantitative easing programme (QE) before the conclusion of the 2nd programme review and the country’s debt having been rendered sustainable. He added that after Greece’s official creditors decide what debt relief measures will be implemented, the ECB will carry out its fully independent debt sustainability analysis to check debt sustainability even under more adverse scenarios. Therefore, as things stand, it is understood that a commitment by the institutions to keep Greece’s debt sustainable in the future would not be adequate for the ECB to include Greece in QE now. On the privatisations front, the 20-year extension (from 2026 to 2046) of the concession of the Athens International Airport is to be signed in June and, according to government sources, it may yield more than €500 million. The deal is expected to be concluded in October upon its approval by the Court of Auditors, the EC Directorate-General for Competition and the Hellenic Parliament.

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May 30, 2017

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets were mostly weaker earlier on Tuesday on deteriorating risk sentiment. Against this backdrop, the MSCI Emerging Markets index stood modestly lower at the time of writing compared to Monday's close. However, it remained within distance from a new 2-year peak hit yesterday. In a similar vein, most bourses in the CESEE region fell in early European trade. Despite some weakening in regional stock indices today, most remain near recent multi-year highs thanks to broadly improving macroeconomic fundamentals and positive company earnings reports released recently. Romania's BET index bucked the negative trend earlier today, hovering near a new decade high reached intraday today thanks to upbeat first quarter corporate earnings results which overshadowed ongoing fiscal slippage concerns.

Elsewhere, most currencies in the CESEE space were weaker against a firmer US dollar, while government bonds mostly firmed in early European trade on Tuesday. In FX markets, the Hungarian forint underperformed its regional peers, with the EUR/HUF hovering around levels of 308.25 at the time of writing. The pair stands just off a multi-session peak near 308.40 hit earlier in the day, but also remains within distance from last week's 6-month low of 306.44.

Looking into the remainder of the week, final Q1 GDP in Poland and Serbia and preliminary May CPI data in Poland take centre stage on Wednesday. Regional PMI data for May lure market attention on Thursday, which are likely to confirm that economic activity in CESEE remains robust and on track. Meanwhile on Friday, S&P and Fitch are scheduled to review Bulgaria's sovereign credit ratings. S&P's long-term foreign exchange rating for Bulgaria currently stands at BB+ with stable outlook and Fitch's corresponding rating is at BBB- with outlook stable.

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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

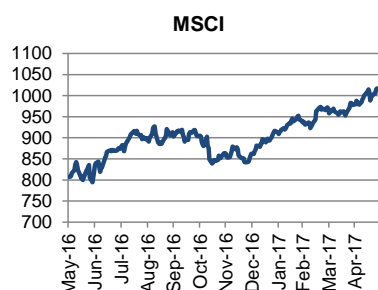
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

May 30, 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	2415.82	0.0%	7.9%	EUR/USD	1.1142	-0.2%	5.9%	UST - 10yr	2.23	-1	-21	GOLD	1265	-0.3%	9.8%
Nikkei 225	19677.85	0.0%	2.9%	GBP/USD	1.2858	0.1%	4.1%	Bund-10yr	0.30	0	9	BRENT CRUDE	52	-0.8%	-8.7%
STOXX 600	390.41	-0.2%	8.0%	USD/JPY	110.99	0.2%	5.4%	JGB - 10yr	0.04	0	0	LMEX	2770	-0.6%	4.1%

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	4.88	0	-20
5Y RSD	5.31	0	-5
7Y RSD	5.59	-3	-4

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.76	#N/A N/A	-56
USD Nov-24	6.35	-1	-6

CDS

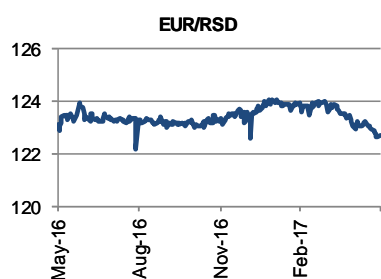
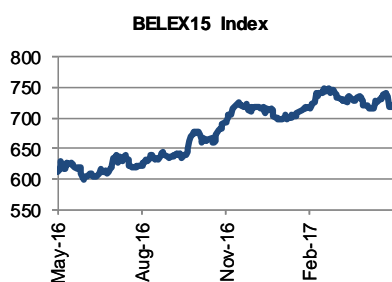
	Last	ΔDbps	ΔYTD bps
5-year	169	0	-39
10-year	221	-1	-34

STOCKS

	Last	ΔD	ΔYTD
BELEX15	719.1	0.21%	0.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.73	0.01%	0.59%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.53	0	-3
1-month	0.68	2	-8
3-month	0.87	0	-3
6-month	1.04	0	-7
12-month	1.23	0	-2

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.40	-2	-22
5Y RON	2.27	-2	-25
10Y RON	3.34	-1	-31

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.93	-2	-21
USD Jan-24	3.29	0	-57

CDS

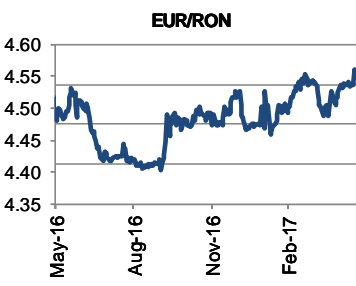
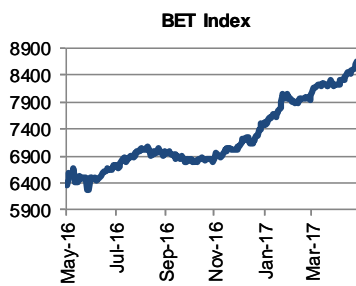
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-6
10-year	148	0	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8712.9	0.45%	22.98%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5665	-0.01%	-0.60%



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	0.04	0	-4
12-month	0.43	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.03	1	-18
5Y BGN	0.24	0	-27
10Y BGN	1.59	0	-32

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.99	-5	-67
EUR Sep-24	1.39	0	-29

CDS

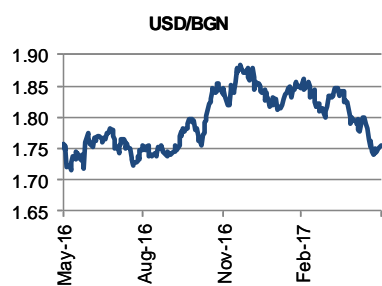
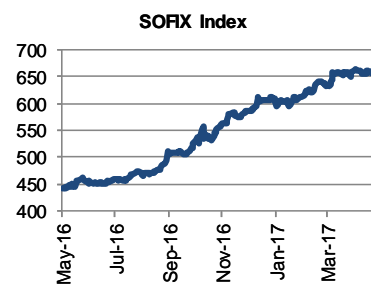
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-42
10-year	162	-1	-32

STOCKS

	Last	ΔD	ΔYTD
SOFIX	657.2	0.26%	12.07%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7554	-0.21%	5.87%



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

Data updated as of 11:15 EEST

May 30, 2017

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