

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- May 26-27: G7 Summit

US

- May 24: New home sales (Apr)
- May 26
 - Jobless claims (weekly)
 - Durable goods orders (Apr)
 - Pending home sales (Apr)
- May 20
 - GDP (2nd est, Q116)
 - UoM consumer sentiment (May)

EUROZONE

- May 23: PMI manufacturing /services (May)
- May 24: DE:
 - GDP (details, Q116)
 - ZEW index (May)
- May 25: DE:
 - Gfk consumer confidence (May)
 - Ifo business climate (May)

GREECE

- May 23: Euro Working Group
- May 24: Eurogroup

SEE

BULGARIA

- May 27: Gross external debt (Apr)
- May 18: CAD (Mar)

ROMANIA

- May 23: 3.25% 2021 T-bond auction
- May 26: 2.5% 2019 T-bond auction

SERBIA

- May 25
 - 3.5% 2026 T-bonds auction
 - Real gross wages (Apr)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD retained a firm tone in European trade on Monday and US Treasury yields remained under upward pressure, albeit off recent highs, amid heightened expectations of further Fed rate tightening in the near future. Market focus this week will be on whether upcoming US data and comments from Fed officials will support further rate tightening expectations.

GREECE: The SYRIZA/ANEL coalition government secured late yesterday parliamentary approval of a key multi-bill incorporating the legislation required for the implementation of the remaining prior actions attached to the 1st programme review.

SOUTH EASTERN EUROPE

BULGARIA: The domestic equity market closed in the red on Friday amid low liquidity and lack of direction. Meanwhile, the local sovereign yield curve shifted slightly downwards in the long-end of the curve (6-10 years) and external government bonds were little changed.

ROMANIA: Moving broadly in line with the trend in the CESEE region, the EUR/RON moved higher for the second consecutive week. Elsewhere, money market rates were little changed, as the market remains very liquid in RON. Local-currency government bonds maintained a better bid tone for most of the week, though gains were later parred by hawkish Fed minutes.

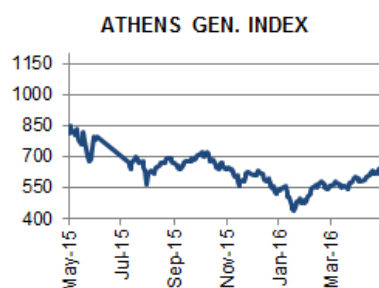
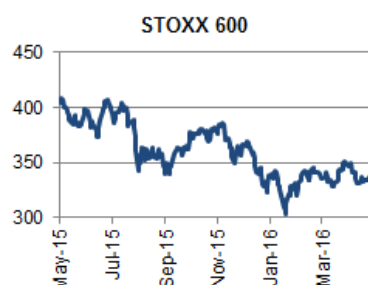
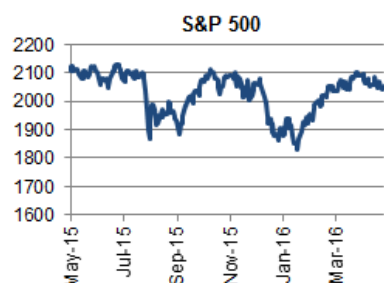
SERBIA: The EUR/RSD remained bound within the 122.50/70-122.65/85 trading range last week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD retained a firm tone in European trade on Monday and US Treasury yields remained under upward pressure, albeit off recent highs, amid heightened expectations of further Fed rate tightening in the near future. Fed fund futures currently assign a probability near 30% to a 25bps rate hike at the June FOMC meeting compared to c. 20% a week earlier and around 5.0% in early May following a string of positive US data over the last few sessions, the more hawkish than expected tone of the minutes from the Fed's April meeting that were released last week and recent comments from a number of Fed officials pointing to higher interest rates either in June or July. Against this background, market focus this week will be on whether upcoming US data and comments from Fed officials will support further rate tightening expectations. Two Fed members James Bullard and John Williams are scheduled to speak today while Chairperson Janet Yellen who speaks at Harvard University on Friday is unlikely to send a policy message as the particular venue is a dialogue with Professor Gregory Mankiw about her "groundbreaking achievements". On the US data front, April durable goods orders on Thursday and the second release of Q1 GDP on Friday take centre stage this week with Q1 GDP expected to be revised higher to 1.0%QoQ annualized from 0.5%QoQ annualized initially estimated. After ending at 1.85% in the prior session, the 10-yr US Treasury yield was hovering around 1.82% at the time of writing compared to a near four-week high of 1.89% marked late mid last week and levels near 1.70% marked a week earlier. In FX markets, the US dollar retained a firm tone with the DXY index hovering around 95.198 at the time of writing, within distance from a near two month peak of 95.502 marked late last week.

GREECE

The SYRIZA/ANEL coalition government secured late yesterday parliamentary approval of a key multi-bill incorporating the legislation required for the implementation of the remaining prior actions attached to the 1st programme review. The multi-bill was voted in principle by all 153 coalition MPs but during the voting of the individual articles, Mrs Vassiliki Katrivanou, a SYRIZA MP, voted against two of them, namely the one pertaining to the new Privatisation Fund and the one regarding the contingency mechanism. After the completion of the voting procedure Mrs. Katrivanou submitted her resignation from the parliamentary group of SYRIZA and handed her seat over to the party which will replace her with the next runner-up. Thus the coalition government will maintain its parliamentary majority in the 300-seat Parliament. Following the approval by the Parliament of the aforementioned multi-bill, the Euro Working Group which convenes later today is expected to confirm at a technical level the completion of the 1st programme review. Provided that all goes as planned, the Eurogroup which meets tomorrow is anticipated to politically endorse the compliance report for Greece's review, opening the way for the release of the next ESM loan tranche which is reportedly likely to amount to €9-11bn. Debt relief is also expected to feature high on the agenda of the May 24th Eurogroup but according to some press reports it is questionable whether a final agreement can be reached as the IMF and European creditors have failed so far to bridge their differences on the issue. Nevertheless, in an interview to international newswires on the sidelines of the G7 Finance Ministers' meeting, Eurogroup President Jeroen Dijsselbloem stated that significant progress has been made on debt relief and an agreement is possible at next week's Eurogroup.

May 23, 2016

BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	2.9	3.0
CPI (pa, yoy %)	-1.4	-0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	1.5	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

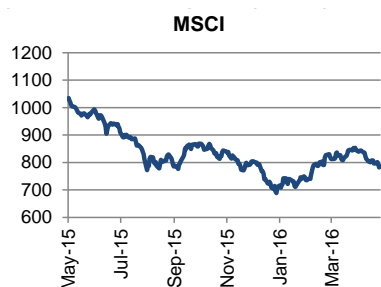
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.25	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

BULGARIA

The domestic equity market closed in the red on Friday amid low liquidity and lack of direction. The major SOFIX index lost ca 0.4% on a weekly basis, having closed at 439.18 on Friday. Meanwhile, the local sovereign bond yield curve shifted slightly downwards in the long-end of the curve (6-10 years) for a maximum of 7 bps. MinFin successfully reopened the 10-year benchmark on Monday, placing BGN 100mn at an average accepted yield 2.41% and bid/cover ratio of 2.33. Banks took half of the placement, followed by pension and state guarantee funds with a share of 30.98% and insurance companies with 10%. Investment intermediaries and other investors took the rest, acquiring 5.61% and 3.50% of the share, respectively. Bulgarian Eurobonds, on the other hand, were little changed.

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ROMANIA

Moving broadly in line with the trend in the CESEE region, the EUR/RON moved higher for the second consecutive week, jumping from 4.4900 at the previous week's settlement to 4.5155 on Friday. Elsewhere, money market rates were little changed, as the market remains very liquid in RON, with short term rates still stuck close to the deposit facility rate of 0.25%. The implied RON rate from swaps for the 1M maturity remained unchanged from the previous week at 0.45%, while the 12M rate increased 5bps to 0.85%. RON government bonds maintained a better bid tone for most of the week, with long end yields moving some 5bps lower until Wednesday. However, the publication of hawkish Fed minutes, mentioning the possibility of another hike for June, has put the market back in selling mode, with yields pulling back higher 5-7bps. Overall however the market finished little changed on a weekly basis, as later losses mostly canceled early gains.

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SERBIA

The EUR/RSD remained bound within the 122.50/70-122.65/85 trading range last week. The pair failed to break below the psychologically important level of 122.50, in a possible indication that upward pressures on the pair in the short term are on the cards. On the other hand, crucial resistance lies at 123.00, where the National Bank of Serbia is likely to intervene anew in order to halt any further EUR/RSD upside. Nonetheless, we are taking a very cautious approach since the elections are over and the Central Bank could be more lenient than before, because the fight for attracting voters is no longer a priority to the ruling party. In other news, the NBS left the key policy rate at 4.25% last week in spite of CPI remaining well under the Central Bank inflation tolerance bank (CPI stood at 0.4% in April YoY). The decision came against our expectations for a 25bps cut and may have been based on the fact that the NBS anticipates inflation returning closer to the target in the coming months amid recovering macroeconomic indicators. In the statement issued after the meeting, the Central Bank cited persistent uncertainties in the international markets, both on the commodity and financial bourses, calling for additional caution in running the monetary policies.

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May 23, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	286	-2	-17
1-week	2.97	-1	-22
1-month	3.10	-2	-41
3-month	3.29	0	-54
6-month	3.54	0	-49

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.32	-4	-22
5Y RSD	5.29	0	16
7Y RSD	6.63	0	-107

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.73	1	-43
USD Nov-24	6.23	0	-18

CDS

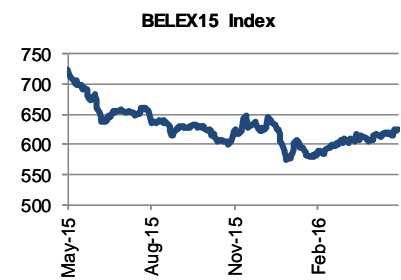
	Last	ΔDbps	ΔYTD bps
5-year	249	-6	-25
10-year	291	0	-48

STOCKS

	Last	ΔD	ΔYTD
BELEX15	623.5	0.07%	-3.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.72	-0.01%	-0.93%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	0	-11
1-month	0.58	0	-11
3-month	0.75	0	-27
6-month	1.02	0	-32
12-month	1.17	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.80	0	-13
5Y RON	2.67	0	-13
10Y RON	3.58	0	-20

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.49	2	-8
USD Jan-24	3.52	-1	-26

CDS

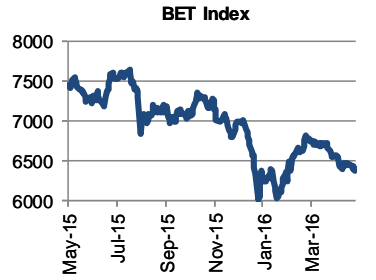
	Last	ΔDbps	ΔYTD bps
5-year	113	-2	-20
10-year	153	-2	-18

STOCKS

	Last	ΔD	ΔYTD
BET	6385.8	0.29%	-8.83%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.518	-0.03%	-0.09%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.14	0	-30
3-month	-0.03	0	-29
6-month	0.11	0	-42
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	0	-21
5Y BGN	1.14	0	-14
10Y BGN	2.45	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.02	-29	-5
EUR Sep-24	2.32	-14	-10

CDS

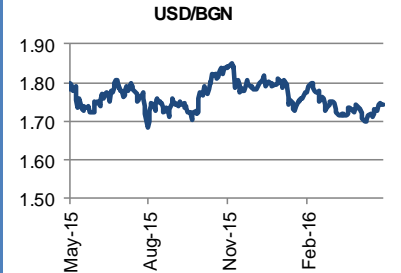
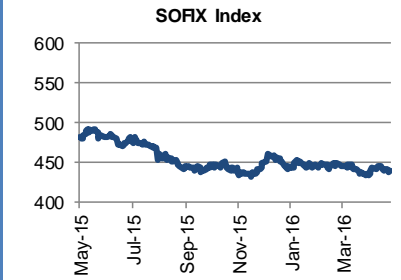
	Last	ΔDbps	ΔYTD bps
5-year	155	0	-17
10-year	200	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	439.2	0.12%	-4.71%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7449	-0.05%	3.18%



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

Data updated as of 12:20 EEST

May 23, 2016

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