



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, May 11, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- May 11
  - Initial jobless claims (weekly)
  - PPI (Apr)
- May 12
  - CPI (Apr)
  - Retail sales (Apr)
  - UoM consumer sentiment (May, p)

#### EUROZONE

- May 11: European Commission releases Spring Forecast
- May 12
  - DE: GDP (Q1, 1st est)
  - Industrial production (Mar)

#### GREECE

- May 10
  - Industrial production (Mar)
  - CPI /HICP (Apr)
- May 11: U/E rate (Feb)

#### SEE

##### BULGARIA

- May 9
  - Industrial production (Mar)
  - Retail sales (Mar)
- May 10: Trade balance (Mar)

##### ROMANIA

- May 8: RON 500mn3.4% 2022 T-bonds auction
- May 9: Net wages (Mar)
- May 10: Trade balance (Mar)
- May 11
  - Industrial production (Mar)
  - CPI (Apr)

##### SERBIA

- May 8: PPI (Apr)
- May 12
  - CPI (Apr)
  - MPC meeting

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Major currency pairs continued to move within tight ranges in European trade on Thursday with GBP luring market attention ahead of the simultaneous publication later today of the BoE's May Inflation Report, the MPC policy decision and the minutes of the monetary policy meeting. These will be followed by a press conference by BoE Governor Mark Carney. In FX markets, NZD was among the main underperformers after RBNZ stayed put on interest rates and kept a neutral basis at its monetary policy meeting earlier today, defying expectations for a shift toward a modestly hawkish stance.

**GREECE:** In its 2017 Spring Forecasts released today, the European Commission revised downwards its 2017 GDP growth forecast for Greece, to 2.1% YoY from 2.7% YoY previously (2017 Winter Forecasts). Private consumption is expected to be the main growth driver in 2017 supported by the decrease in the unemployment rate which is forecast at 22.8%. The Public Debt Management Agency (PDMA) successfully sold on Wednesday €1.138bn of three-month T-bills to refinance a maturing issue. The three-month paper was sold at an average accepted yield of 2.70%, unchanged compared to that recorded at the last auction of the same paper which was held in April. The bid-to-cover ratio came in at 1.61, higher than 1.30 in the previous auction, thanks to foreign investors' hefty demand.

### SOUTH EASTERN EUROPE

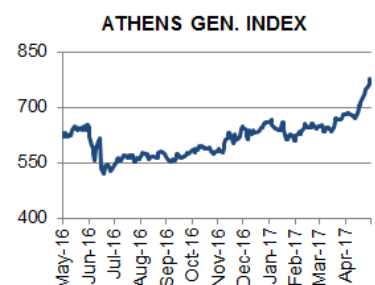
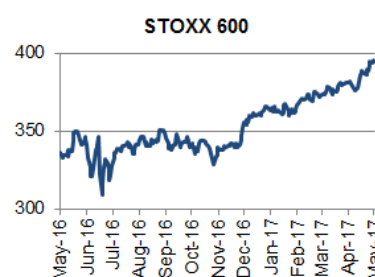
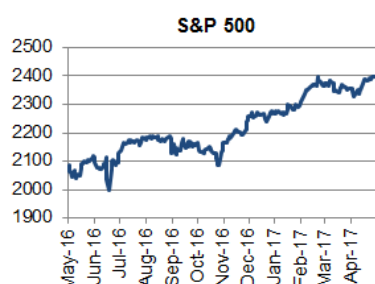
**CESEE MARKETS:** The majority of emerging market assets extended this week's gains favored by a rebound in commodity prices.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major currency pairs continued to move within tight ranges in European trade on Thursday with GBP luring market attention ahead of the simultaneous publication later today of the BoE's May Inflation Report, the MPC policy decision and the minutes of the monetary policy meeting. These will be followed by a press conference by BoE Governor Mark Carney. Just a few weeks ahead of the UK snap general elections and a string of mixed domestic data lately, the majority of the MPC members are likely to vote in favor of maintaining the current monetary policy stance. However, should the MPC adopt a more hawkish than expected tone, sterling is likely to gain some ground with GBP/USD expected to test levels above 1.30. Meanwhile, GBP/USD was hovering around 1.2930/35 in European trade at the time of writing, close to an eighth-month intraday peak of 1.2990 marked earlier this week. Separately, the EUR was little changed against its major currency peers. Addressing the Dutch parliament yesterday, ECB President Mario Draghi supported the view that, in spite of the continuing euro area economic recovery, the Central bank is in no rush to scale back monetary stimulus or increase interest rates amid persistently subdued underlying inflation pressures. In its 2017 Spring Economic Forecasts published earlier today, European Commission projects that, after 1.8% in 2016, euro area GDP growth is set to remain firmly steady at 1.7% in 2017 and 1.8% in 2018. In FX markets, NZD was among the main underperformers after RBNZ stayed put on interest rates and kept a neutral basis at its monetary policy meeting earlier today, defying expectations for a shift toward a modestly hawkish stance. Turning to fixed-income safe havens, US Treasury yields were little changed on a daily basis as yesterday's lackluster demand for 10-yr note auction was offset by market concerns that Donald Trump's decision to dismiss the FBI Director is likely to hinder his plan for tax reform and adoption of a stimulus package.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

In its 2017 Spring Forecasts released today, the European Commission revised downwards its 2017 GDP growth forecast for Greece, to 2.1% YoY from 2.7% YoY previously (2017 Winter Forecasts). The downward revision is based on the poor economic performance of Q4-2016 which implies a much lower carry-over effect to 2017 as well as the delay of the closure of the 2<sup>nd</sup> programme review which has a negative impact to investor and consumer confidence. Private consumption is expected to be the main growth driver in 2017 supported by the decrease in the unemployment rate which is forecast at 22.8% (up from 22.0% in the 2017 Winter Forecasts). The Public Debt Management Agency (PDMA) successfully sold on Wednesday €1.138bn of three-month T-bills to refinance a maturing issue. The three-month paper was sold at an average accepted yield of 2.70%, unchanged compared to that recorded at the last auction of the same paper which was held in April. The bid-to-cover ratio came in at 1.61, higher than 1.30 in the previous auction, thanks to foreign investors' hefty demand. The book was oversubscribed due to high demand from foreign investors with the cut-off ratio coming in at 68.7% vs. 100% in last month's auction. It is worth noting that foreign investment funds participated in an auction of Greek T-bills for the first time in 2015 amid improved sentiment towards Greece following the preliminary technical agreement on the 2<sup>nd</sup> programme review that was reached earlier this month between the Greek government and official creditors. According to press reports, foreign funds covered about a quarter of the issue, participating with around €250-270mn while the remainder was covered, as usual, by Greek banks.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

May 11, 2017

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

The majority of emerging market assets extended this week's gains favored by a rebound in commodity prices. Most bourses in the CESEE region stood in a modestly positive territory in early European trade. The main exceptions were Turkey's main BIST100 index and Serbia's BELEX15, which lost ca 0.1-0.2% each, possibly in reflection of profit taking after staging respective rallies of 2.4% and 1.3% cumulatively over this week's first three sessions.

Supported by the risk-on mood, most regional currencies were firmer earlier on Thursday. The Hungarian forint stood in early European trade just off a 1-month high of 310.20 against the euro hit overnight. The currency largely shrugged off CPI data released yesterday, which showed a slowdown in consumer inflation in April, as well as dovish Central Bank comments. In more detail, the headline CPI index rose by 2.2%YoY in April, marking a deceleration from a 2.7%YoY advance a month earlier. Additionally, the April 25<sup>th</sup> monetary policy meeting minutes - also published on Wednesday - revealed that the MPC "stands ready to ease monetary conditions further using unconventional, targeted instruments" supporting the view that the Central Bank (MNB) is unlikely to swing direction in its ultra-accommodative monetary policy any time soon. Furthermore, the Central Bank reiterated that it anticipates a sustainable return of consumer price inflation to its 3% medium-term target in H1 2018. Against this backdrop, Hungarian government bonds firmed yesterday, with the 2 and 10-year benchmark yields falling by ca 4bps each on the day to end at 0.96% and 3.11%, respectively.

Elsewhere, the Romanian leu gained some ground in European trade on Thursday after inflation data for April, released earlier in the session came in slightly stronger than anticipated. In more detail, CPI rose by 0.61%YoY last month, after marking a 0.18% YoY increase in March. The data slightly outpaced a market's median forecast of 0.50% YoY. Along these lines, the EUR/RON hovered around levels of 4.5485 earlier today, having pulled back from a 1-month peak of 4.5530 hit in Asian markets.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

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

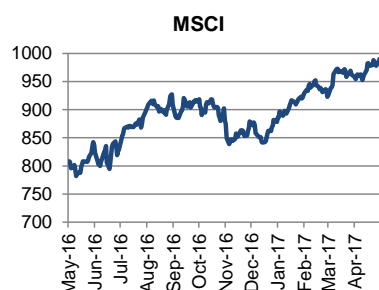
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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 11, 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	2399.63	0.1%	7.2%	EUR/USD	1.0879	0.1%	3.4%	UST - 10yr	2.40	-2	-5	GOLD	1222	0.2%	6.1%
Nikkei 225	19961.55	0.3%	4.4%	GBP/USD	1.2945	0.1%	4.8%	Bund-10yr	0.44	2	23	BRENT CRUDE	51	0.8%	-10.9%
STOXX 600	396.45	0.2%	9.7%	USD/JPY	114.17	0.1%	2.5%	JGB - 10yr	0.05	1	1	LMEX	2694	-0.2%	1.3%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.06	0	6
1-week	3.21	0	4
1-month	3.37	0	2
3-month	3.55	1	8
6-month	3.73	1	7

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.97	-1	-11
5Y RSD	5.37	-1	1
7Y RSD	5.70	1	7

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.81	-3	-51
USD Nov-24	6.40	0	-1

**CDS**

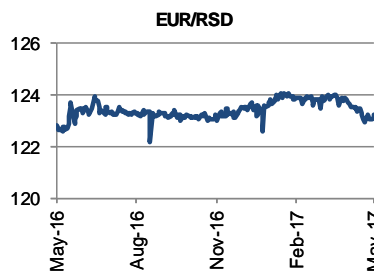
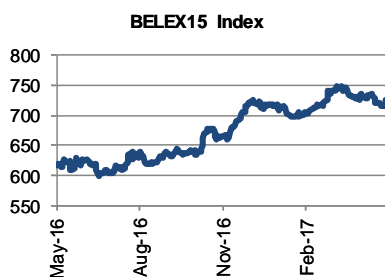
	Last	ΔDbps	ΔYTD bps
5-year	174	0	-33
10-year	228	0	-27

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	724.9	1.38%	1.05%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.19	-0.05%	0.22%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.53	0	-3
1-month	0.66	0	-10
3-month	0.88	0	-2
6-month	1.1	0	-1
12-month	1.26	0	1

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.53	0	-9
5Y RON	2.47	0	-5
10Y RON	3.59	0	-6

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.01	0	-13
USD Jan-24	3.37	0	-49

**CDS**

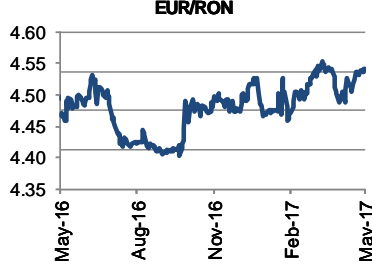
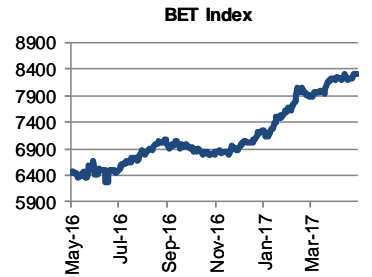
	Last	ΔDbps	ΔYTD bps
5-year	104	-1	-6
10-year	149	-1	-4

**STOCKS**

	Last	ΔD	ΔYTD
BET	8352.2	0.39%	17.88%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5509	0.06%	-0.26%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.29	11	-29
1-month	-0.17	0	0
3-month	-0.10	-1	-3
6-month	0.04	0	-4
12-month	0.42	0	2

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.01	-2	-14
5Y BGN	0.30	-4	-21
10Y BGN	1.63	0	-28

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.38	-5	-6
EUR Sep-24	1.44	0	-24

**CDS**

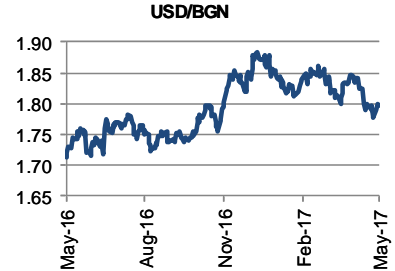
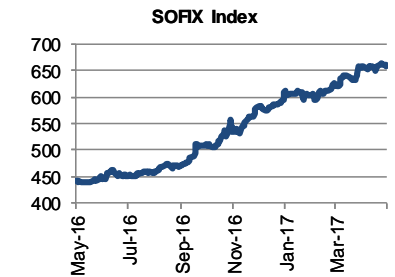
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-42
10-year	168	0	-26

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	658.1	-0.28%	12.21%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7979	0.11%	3.37%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:10 EEST

May 11, 2017

## Contributors

**Paraskevi Petropoulou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Theodoros Stamatiou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
30 210 3371228  
[tsamatiou@eurobank.gr](mailto:tsamatiou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Mariana Papoutsaki**  
[mpapoutsaki@eurobank.gr](mailto:mpapoutsaki@eurobank.gr), +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tsamatiou@eurobank.gr](mailto:tsamatiou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto:etsiampaou@eurobank.gr), +30 210 3337871

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankEA\\_FMR@eurobank.gr](mailto:EurobankEA_FMR@eurobank.gr)

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