



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, May 25, 2017

### 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, 2<sup>nd</sup>)
  - 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:** Major European bourses were firmer in early trade while the USD was under pressure and US Treasury yields were a tad lower following the slightly less hawkish than expected tone of the minutes from May's FOMC policy meeting. "Most" FOMC participants considered that an additional rate hike soon "would be appropriate". However, they adopted a rather cautious stance judging that "it would be prudent to await additional evidence" indicating that the weak Q1 GDP print and the soft March inflation data had been transitory before taking another step in removing monetary policy accommodation. Focus today is on the OPEC meeting where oil producers are expected to extend the output-cut agreement for 9 months to March 2018.

**GREECE:** According to press reports the ESM put forward at the May 22<sup>nd</sup> Eurogroup a proposal comprising three scenarios for Greece based on different assumption on GDP and primary surplus targets beyond 2022 (until 2022 it has apparently been agreed that primary surpluses are to be kept at 3.5% of GDP). The issue of debt relief but also the completion of the 2<sup>nd</sup> programme review will be discussed anew at the June 8<sup>th</sup> Euroworking Group with the aim to preparing an agreement that could be sealed at the June 15<sup>th</sup> Eurogroup.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets gained ground earlier on Thursday after the release of the FOMC May minutes yesterday.

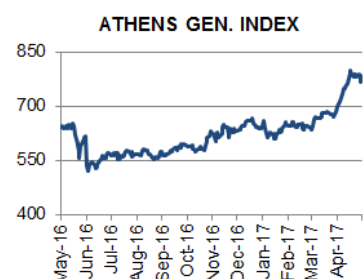
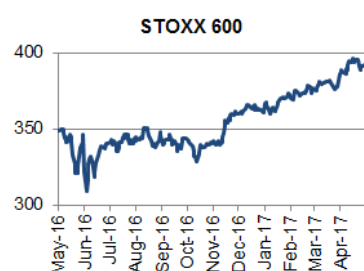
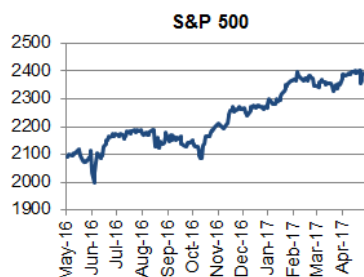
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May 25, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European bourses were firmer in early trade while the USD was under pressure and US Treasury yields were a tad lower following the slightly less hawkish than expected tone of the minutes from May's FOMC policy meeting. According to the FOMC minutes, "most" participants considered that an additional rate hike soon "would be appropriate". However, they adopted a rather cautious stance judging that "it would be prudent to await additional evidence" indicating that the weak Q1 GDP print and the soft March inflation data had been transitory before the FOMC decides to hike interest rates again. The minutes also provided some details about the purported normalization of the large balance sheet with nearly all policymakers sharing the view that it would be appropriate to start reducing the reinvestments of securities' holdings later this year, albeit at a "gradual and predictable manner". A plan of a "possible operational approach" was approved by "nearly all policymakers" while certain details about the proposed plan should be announced soon. The DXY index was 0.3% weaker on a daily basis in European trade with the EUR/USD hovering around 1.1250/55 at the time of writing, not far from a six-month peak of 1.1267 marked a couple of sessions ago following a short-lived drop to levels around 1.1170 on Wednesday. Elsewhere, German Bunds outperformed US Treasuries following comment by ECB President Mario Draghi which added to the view that the Central Bank needs more evidence of a sustained rise in inflation before it starts reducing its monetary stimulus. The 10-yr UST/Bund yield spread was hovering around 188bps at the time of writing, c. 4bps wider compared to the settlement in the prior session. Focus today is on the OPEC meeting where oil producers are expected to extend the output-cut agreement for 9 months to March 2018.

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### GREECE

According to press reports the ESM put forward at the May 22<sup>nd</sup> Eurogroup a proposal comprising three scenarios for Greece based on different assumption on GDP and primary surplus targets beyond 2022 (until 2022 it has apparently been agreed that primary surpluses are to be kept at 3.5% of GDP annually). The first scenario includes two options under an average growth assumption of 1.8%. The first option foresees primary surpluses of 3.5% of GDP up to 2032 and 3% of GDP up to 2038 and under this option there will be no need for any debt relief. The second option foresees primary surpluses of 2.0% from 2022 to mid-2030 and 1.5% thereafter until 2048. Under this option, Greece will require the maximum possible debt relief as it is described in the framework of the May 2016 Eurogroup. The second scenario assumes average growth of 1.0% and primary surpluses of 1.5% up to 2060. Under this scenario Greek debt reaches 226% of GDP in 2060 and the debt sustainability criterion for gross financing needs below 15% of GDP up to 2040 and below 20% of GDP thereafter and up to 2060 is not satisfied. In this case the debt relief framework of the May 2016 Eurogroup does not suffice to render Greece's debt sustainable and a more generous approach would be required. Finally, the third scenario assumes average growth of 1.25% and primary surpluses of 1.8% of GDP from 2023 to 2060. Under this scenario, debt sustainability could be restored by extending the maturities of European loans by 15 years and keeping their interest rates fixed at 1% until 2050. According to press reports the issue of debt relief but also the completion of the 2<sup>nd</sup> programme review will be discussed anew at the June 8<sup>th</sup> Euroworking Group with the aim to preparing an agreement that could be sealed at the June 15<sup>th</sup> Eurogroup.

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May 25, 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

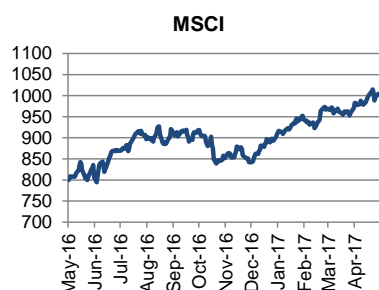
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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 gained ground earlier on Thursday after the release of the FOMC May minutes yesterday. Against this backdrop, the MSCI Emerging Markets index, which slid by ca 1% cumulatively over the prior two sessions, regained composure earlier today moving anew towards a 2-year high hit approximately a week earlier. In the CESEE space, main stock indices were mixed in morning trade as investors assessed the Fed's meeting minutes and awaited the conclusion of a meeting by crude oil producing countries later on the day. An extension of a cap on oil production through to the end of Q1 2018 is broadly anticipated to be agreed today. Poland's main WIG index led the gains with a 0.8% daily advance, receiving additional support from upbeat corporate earnings reports.

Against this backdrop, regional currencies were little changed in early European trade, with most remaining near highs hit earlier in the week. In more detail, the Turkish lira hovered around levels of 3.5585 against the USD at the time of writing, having eased by 0.5% from a 1-week high hit in Asian trade. Separately, the Polish zloty and the Hungarian forint stood just off yesterday's 1-week and 3-month respective highs near 4.1710 and 307.05 against the euro.

In the local debt markets, government bonds of longer maturity outperformed those of shorter tenure. Hungarian paper firmed, with the 3-year benchmark yield easing 3bps to 2.78%, ahead of an auction due later on the day and following news that the Central Bank will reportedly reopen interest rate swaps (IRS) which have supported commercial banks' purchases of forint-denominated T-bonds.

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May 25, 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	2404.39	0.2%	7.4%	EUR/USD	1.1228	0.1%	6.7%	UST - 10yr	2.26	1	-19	GOLD	1258	-0.1%	9.2%
Nikkei 225	19813.13	0.4%	3.7%	GBP/USD	1.2981	0.1%	5.0%	Bund-10yr	0.38	-3	17	BRENT CRUDE	54	0.8%	-4.3%
STOXX 600	392.37	0.1%	8.6%	USD/JPY	111.76	-0.2%	4.7%	JGB - 10yr	0.05	0	0	LMEX	2771	-0.6%	4.2%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.00	-2	0
1-week	3.15	-2	-2
1-month	3.36	1	1
3-month	3.56	3	9
6-month	3.75	4	9

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.86	-1	-22
5Y RSD	5.30	0	-6
7Y RSD	5.68	0	5

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.74	-8	-51
USD Nov-24	6.36	-1	-5

**CDS**

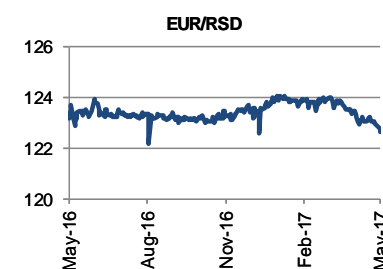
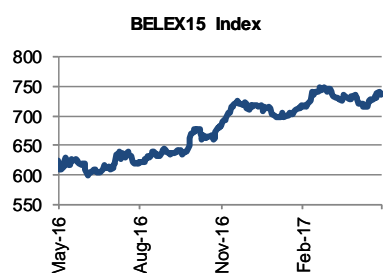
	Last	ΔDbps	ΔYTD bps
5-year	170	0	-38
10-year	223	0	-32

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	735.6	-0.47%	2.55%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	122.62	0.09%	0.68%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.57	0	1
1-month	0.69	0	-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	1.42	0	-20
5Y RON	2.31	0	-21
10Y RON	3.34	0	-31

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.95	0	-19
USD Jan-24	3.31	0	-54

**CDS**

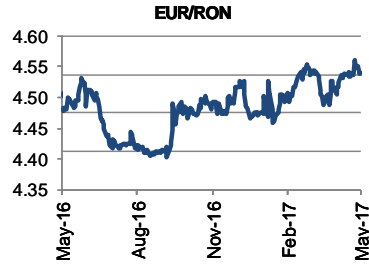
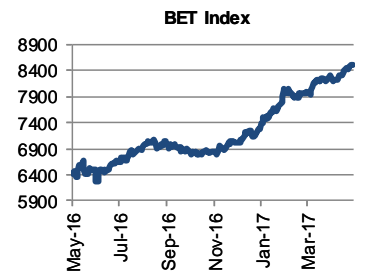
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-6
10-year	148	-1	-4

**STOCKS**

	Last	ΔD	ΔYTD
BET	8561.0	0.14%	20.83%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5506	0.01%	-0.25%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	0	-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	-0.03	-1	-17
5Y BGN	0.26	-1	-24
10Y BGN	1.61	0	-29

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-9.69	97	-937
EUR Sep-24	1.50	-68	-18

**CDS**

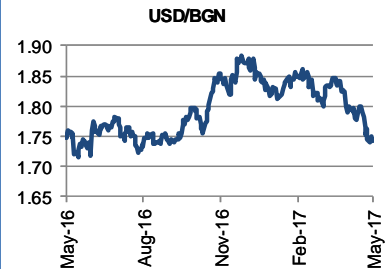
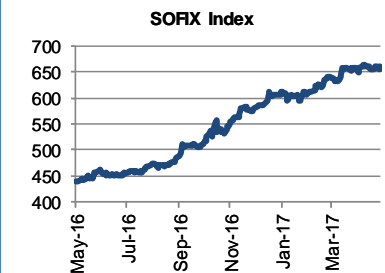
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-41
10-year	163	0	-31

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	660.7	0.88%	12.67%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.742	0.08%	6.68%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:00 EEST

May 25, 2017

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