



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, May 29, 2017

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: The majority of Asian equity indices ended lower, giving back earlier modest gains in a low trading volume environment due to today's Memorial Day holiday. In FX markets, the US dollar retained a positive tone following upwardly revised Q1 real GDP data released on Friday. Hawkish comments from San Francisco Federal Reserve President John Williams earlier today were also positive for the US dollar. Against this background, the DXY dollar index consolidated around Friday's closing of 97.442 in European trade at the time of writing, holding above last week's 6 1/2 month low of 96.797. Elsewhere, the British pound edged up in European trade on Monday trading around levels of 1.2835 against the US dollar, after hitting a three-week low of 1.2775 on Friday. Looking at this week's calendar, investors' attention centres on the May nonfarm payroll report due on Friday, while several officials from the ECB and Fed are scheduled to speak in the coming sessions.

GREECE: Focus is now turned to the June 15th Eurogroup for the completion of the 2nd programme review and the issues of debt relief and inclusion of Greece's eligible debt in the ECB's QE programme. Last week a multi-bill was tabled to Parliament addressing the pending prior actions attached to the 2nd programme review and, according to press reports, all remaining items will have been closed by the next Eurogroup so that the compliance report will be positive. Discussions on the aforementioned issues will be held anew at the June 6th and June 9th Euroworking Group meetings as well as the June 5th Eurogroup.

SOUTH EASTERN EUROPE

BULGARIA: Local equities remained broadly unchanged in the past week, while BGN and FX denominated bonds were little changed.

SERBIA: The EUR/RSD remained bound within a range of 122.95 and 123.20 over the last few days.

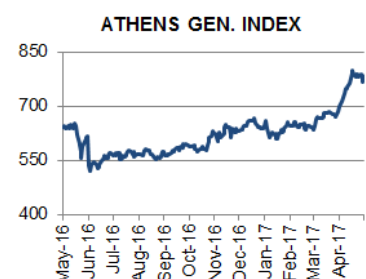
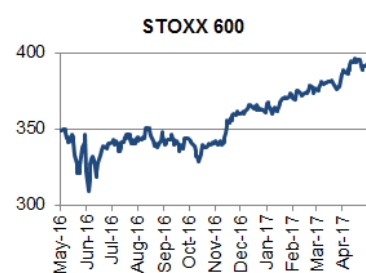
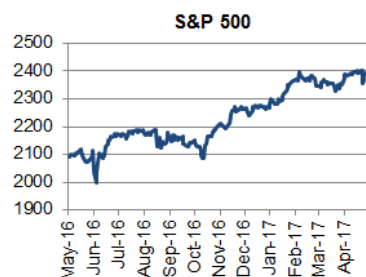
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May 29, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of Asian equity indices ended lower, giving back earlier modest gains in a low trading volume environment due to today's Memorial Day holiday. A North Korean missile launch earlier today, the third ballistic test in a row in just over three weeks, may also had a negative impact. In FX markets, the US dollar retained a positive tone following upwardly revised Q1 real GDP data released on Friday. According to the BEA's second Q1 estimate, real GDP growth grew by 1.2%QoQ saar vs. 0.7% QoQ saar in the advance estimate. The main source of the upward revision concentrated on private consumption, which was revised higher to 0.6% from 0.3% QoQ saar previously, and business investment, where upwardly revised structures and intellectual property spending more than offset a modest downgrade in the equipment spending. Comments from San Francisco Federal Reserve President John Williams earlier today that medium-term inflation trends in the US remained "pretty favorable" despite some recent softness in consumer prices, and that another two Fed fund rate hikes this year were appropriate, were also positive for the US dollar. Against this background, the DXY dollar index consolidated around Friday's closing of 97.442 in European trade at the time of writing, holding above last week's 6 1/2 month low of 96.797. Elsewhere, the British pound edged up in European trade on Monday trading around levels of 1.2835 against the US dollar, after hitting a three-week low of 1.2775 on Friday in the wake of an opinion poll showing a narrowing lead for the ruling Conservatives over the opposition Labour Party of 5 percentage points (pps) compared to c. 15-20 pps a few weeks earlier. Meanwhile, four opinion polls over the weekend showed that the Conservative Party's lead has fallen to a range between 2-6 pps after last week's terror attack in Manchester. With markets closed in both the UK (Bank Holiday) and US (Memorial Day), today's major data releases include only April's M3 money supply growth for the Euro area. Looking ahead, May's Euro area Economic Sentiment Indicator and US core PCE deflator for April are due on Tuesday. On Wednesday market focus centres on May CPI report for the Euro area and manufacturing PMIs (final May readings) on Thursday. In the US, investors' attention is on the May nonfarm payroll report due on Friday, while several officials from the ECB (including ECB President Mario Draghi and Ewald Nowotny) and Fed (including John Williams, Lael Brainard and Robert Steven Kaplan) are scheduled to speak in the coming sessions.

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GREECE

Focus is now turned to the June 15th Eurogroup for the completion of the 2nd programme review and the issues of debt relief and inclusion of Greece's eligible debt in the ECB's QE programme. Last week a multi-bill was tabled to Parliament addressing the pending prior actions attached to the 2nd programme review and, according to press reports, all remaining items will have been closed by the next Eurogroup so that the compliance report will be positive. With regard to the potential medium-term debt relief framework, expectations are low that a more satisfactory solution will be reached at the coming Eurogroup. Nevertheless, the Greek side will reportedly seek a general statement about a solution encompassing the extension of debt maturities and the partial fixing of interest rates that would ensure the sustainability of Greece's debt. This leaves the question of the financial participation of the IMF in the programme open, which in turn makes the inclusion of Greece in the ECB's QE programme more difficult. It is reminded that according to ECB Executive Board Member Benoit Coeure, although formally the ECB does not require the IMF to participate financially in Greece's programme, this would provide reassurance regarding the credibility of the debt relief measures. Nevertheless, according to press reports, a scheme may be looked for that will allow the ECB to include Greece in QE even if the IMF is to retain an advisory role for the time-being. Discussions on the aforementioned issues will be held anew at the June 6th and June 9th Euroworking Group meetings as well as the June 5th Eurogroup.

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May 29, 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

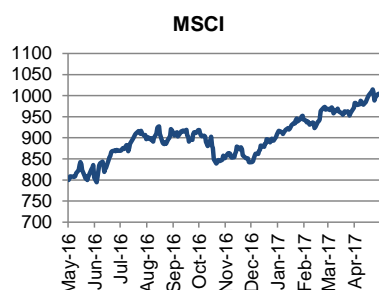
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

BULGARIA

Bulgarian equities hovered up and down last week as investors remained undecided on the direction. Indices closed flat with both the blue-chip index SOFIX and the sector BG REIT trading higher in two out of four sessions. Activity was subdued with turnover standing around €1.9mn with half of the volume coming from a single block deal in Eurohold Bulgaria AD. Meanwhile, the yields on domestic debt with maturity up to five years declined by 3-5 bps while longer-term notes marked no major changes. The Eurobond curve also moved somewhat lower. On the data front, both non-government deposits and loans increased last month, according to BNB, with deposits adding 7.6% year-on-year. Gross external debt on the other hand recorded a modest decline in March at 70.2% of GDP compared to 70.3% in February.

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SERBIA

The EUR/RSD keeps posting lower lows despite repeated interventions from the National Bank of Serbia (NBS). This week, the NBS bought €75mn without being able to overturn downfall. This illustrates an excessive euro supply mostly generated from local EUR indexed loan disbursements. On the other side, surpluses absorption by corporate is far less than it was in Q1. Looking into 2016, the NBS was aggressive on the buying side on 123.00. Now, the cross slowly glides toward 122.00 as the NBS intervenes in small amounts, just enough to slow down the bearish EUR/RSD market.

The annual event for the economic and financial dialogue between the EU, the Western Balkans and Turkey, that took place on last Tuesday in Brussels, was attended by officials of EU member states, Western Balkan countries, the European Commission and the ECB. The EU officials praised the already undertaken steps in 2016 giving encouraging authorities to continue reducing budget deficit in 2017 and initiate reforms of the state-owned enterprises, including the announced restructuring of Srbijagas and implementing the Elektroprivreda optimization plan. In addition, according to them, Serbia should also implement the remaining measures of the strategy for resolution of non-performing loans, continue efforts aimed at promoting the use of the dinar, finalize the reform and privatization of the two large state-owned banks, and find a solution for the remaining small state-owned banks.

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May 29, 2017

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	0	2
1-week	3.16	-1	-1
1-month	3.36	1	1
3-month	3.54	1	7
6-month	3.71	0	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.89	#N/A	N/A
5Y RSD	5.27	-2	-9
7Y RSD	5.65	-1	2

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.78	0	-55
USD Nov-24	6.36	1	-6

CDS

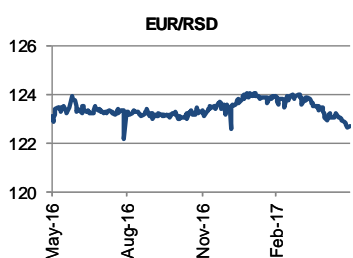
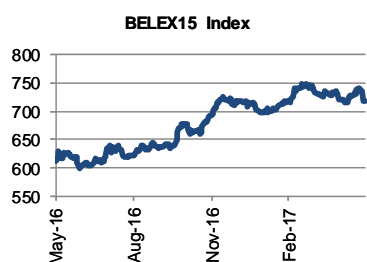
	Last	ΔDbps	ΔYTD bps
5-year	169	0	-39
10-year	222	0	-33

STOCKS

	Last	ΔD	ΔYTD
BELEX15	717.6	-0.03%	0.03%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.73	-0.01%	0.59%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.53	-1	-3
1-month	0.66	-2	-10
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	1.41	-1	-21
5Y RON	2.29	0	-23
10Y RON	3.34	1	-31

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.95	#N/A	N/A
USD Jan-24	3.29	0	-57

CDS

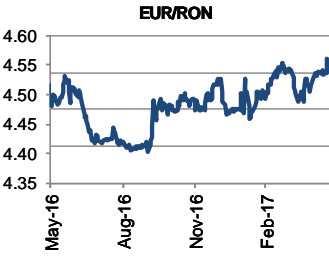
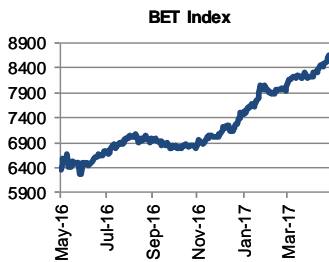
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-6
10-year	148	0	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8644.9	-0.03%	22.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5624	-0.02%	-0.51%



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	-0.04	-3	-19
5Y BGN	0.27	-3	-24
10Y BGN	1.61	0	-30

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.31	-5	-99
EUR Sep-24	1.39	0	-29

CDS

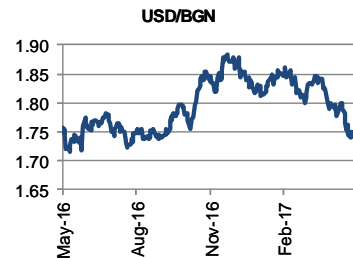
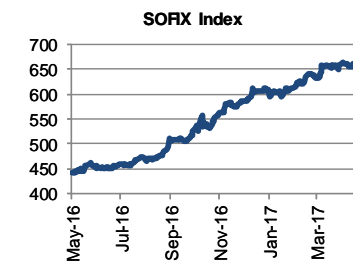
	Last	ΔDbps	ΔYTD bps
5-year	111	-2	-42
10-year	163	-2	-31

STOCKS

	Last	ΔD	ΔYTD
SOFIX	658.7	-0.12%	12.33%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7485	0.02%	6.29%



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

Data updated as of 11:45 EEST

May 29, 2017

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