

Friday 18 May 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- May 14: Fed's Mester speaks
- May 15
  - Retail sales (Apr)
  - Empire State Manuf. (May)
  - NAHB housing index (May)
  - Business inventories (Mar)
  - Net Long-Term Capital inflows (Mar)
- May 16
  - Housing starts (Apr)
  - Building permits (Apr)
  - Industrial production (Apr)
- May 17: CB leading indicators (Apr)

##### EUROZONE

- May 15
  - Industrial production (Mar)
  - GDP (Q1)
  - DE: ZEW Index (May)
- May 16: CPI final (Apr)

##### UK

- May 15
  - Claimant count change (Apr)
  - Average earnings (Mar)
  - U/E rate (Mar)

##### GREECE

- May 15-22: Credit Expansion (Mar)

##### CYPRUS

- May 15: GDP (Q1, p)
- May 16: HICP (Apr)

##### SEE

##### BULGARIA

- May 15
  - GDP (Q1, p)
  - CPI (Apr)
  - U/E rate (Apr)
- May 18: Currenc account (Mar)

##### ROMANIA

- May 14
  - CPI (Apr)
  - Currenc account (Mar)
  - MPC meeting minutes
  - T-bonds auction
- May 15: GDP (Q1, A)
- May 17: T-bonds auction

##### SERBIA

- May 15: T-bonds auction
- May 17: Currenc account (Mar)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US Treasuries remained under pressure in early European trade on Friday with the 10-yr paper rising c. 13bps in yield terms so far this week mainly on the back of higher oil prices and mounting optimism over the US growth prospects. Supported by higher US Treasury yields, the US dollar index was standing not far from Wednesday's 2018 peak and around 1% firmer on a weekly basis. In Italy, the government programme for a coalition government consisting of the M5S and the League that was approved by the two party leaders, has raised fears over possible violations of the EU budget deficit ceiling and high tensions with Brussels.

**GREECE:** According to press reports the Greek government and the institutions agreed yesterday the amendments to the household insolvency law (Law 3869/2010) in order to filter out non-admissible petitions and speed up the processing of cases. An official from the Ministry of Finance has reportedly stated that a staff level agreement (SLA) will likely be reached this weekend and then be ratified at the 24 May Eurogroup. As regards the IMF, its Communications Director Gerry Rice stated yesterday at a press briefing that if an agreement is reached very soon the IMF Board could make financing available to Greece adding that good progress has been made on policies but debt relief is the issue that still remains to be resolved.

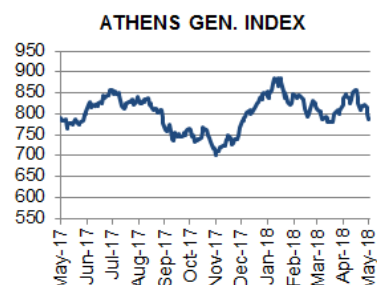
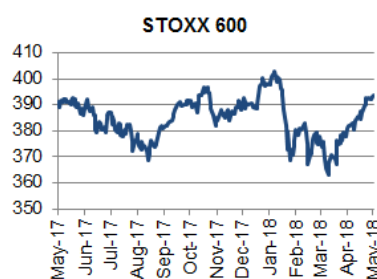
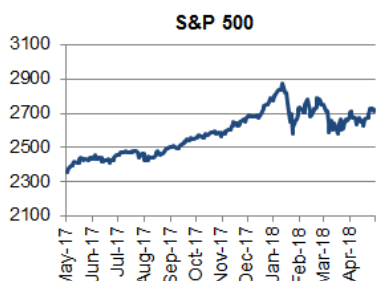
### SOUTH EASTERN EUROPE

**CYPRUS:** The positive momentum of the tourism sector continued in the fourth month of 2018. Tourist arrivals expanded by 9.7% YoY in the month of April 2018 to 314.1 thousand, up from 286.3 thousand in same month a year earlier (April 2017). The month of April 2018 was the thirty fourth consecutive month with a positive rate of increase on an annual basis. This sets a new record as it was the highest volume of tourist arrivals ever recorded in Cyprus during April.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

US Treasuries remained under pressure in early European trade on Friday with the 10-yr paper rising c. 13bps in yield terms so far this week mainly on the back of higher oil prices and mounting optimism over the US growth prospects. Coming on the heels of encouraging US retail sales earlier this week, yesterday's data showed that the Philly Fed manufacturing business activity index rose by 11.2 points in May to 34.4 with employment hitting a seven-month high and prices received jumping to the highest level since early 1989. Separately, initial jobless claims for the week ended 12 May rose more than expected but both the four-week moving average of initial claims and continuing claims dropped to fresh multi-year lows. Meanwhile, geopolitical jitters continued to underpin oil prices with Brent crude marking a fresh 3 ½ year high of \$80.5/br on Thursday before retreating modestly to levels around \$79.5/br today, remaining c. 19% higher year-to-date. The 10-yr US yield marked a fresh 7-year high close to 3.13% earlier today taking the 2/10-yr spread above 54bps for the first time in the last four weeks, reflecting the market's view that the Fed will not necessarily follow a faster pace of rate tightening. Supported by higher US Treasury yields, the DXY index was standing not far from Wednesday's 2018 peak and around 1% firmer on a weekly basis. Against this background, the EUR/USD was hovering slightly above 1.1800 at the time of writing, not far from the recent 2018 low of 1.1760. Adding to market concerns over whether the Q1 GDP slowdown in the euro area will prove temporary, the government programme for a coalition government in Italy consisting of the M5S and the League that was approved by the two party leaders, has raised fears over possible violations of the EU budget deficit ceiling and high tensions with Brussels on multiple fronts (i.e., migration, Russia sanctions). Such concerns were also reflected in the widening trend of EMU sovereign debt spreads over the last few sessions. Unsurprisingly, Italy was among the main underperformers with the 10-yr BTP/Bund yield spread rising close to 153bps, the widest since early January.

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### GREECE

According to press reports the Greek government and the institutions agreed yesterday in the context of the 4<sup>th</sup> review the amendments to the household insolvency law (Law 3869/2010) in order to filter out non-admissible petitions and speed up the processing of cases. Among others, debtors who file for protection under this law (or have done so in the past) will be required to waive their right to banking secrecy to enable creditors participating in the proceedings to access relevant information. Meanwhile, an official from the Ministry of Finance has reportedly stated that a staff level agreement (SLA) will likely be reached this weekend and then be ratified at the 24 May Eurogroup. Among others, he also reportedly said that in the new Medium Term Fiscal Strategy to be submitted in June, Greece will likely revise its estimation for 2018 GDP growth to 2% or 2.1% down from the 2.5% envisioned in the 2018 State Budget. As regards the IMF, its Communications Director Gerry Rice stated yesterday at a press briefing that if an agreement is reached very soon the IMF Board could make financing available to Greece adding that good progress has been made on policies but debt relief is the issue that still remains to be resolved. On the same wavelength, addressing the Greek Parliament, the IMF's representative to Greece Michalis Psalidopoulos stressed that European partners must present their proposals for debt relief by the 24 May Eurogroup otherwise the IMF will not be able to participate financially in the programme. In any case, the Fund will remain involved as a technical advisor.

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## Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
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	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

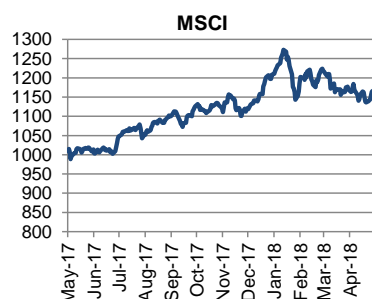
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.0
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-5.7	-4.7
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.00	3.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



L-T ccy	Credit Ratings		
	Moody's S&P	Fitch	
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba3	BB+	BB+

### CYPRUS

Overall, tourist arrivals increased by +19.5% YoY in Jan-April 2018 (683,581 vs. 572,024). Tourist arrivals from Poland (+76.3% YoY), Finland (+75.0% YoY) and Sweden (+62.6% YoY) recorded a hefty increase. Tourist arrivals from traditional markets such as Israel (+17.2% YoY), Germany (+22.2% YoY) and UK (+13.9% YoY) fared very well in Jan-April. In contrast, tourist arrivals from niche markets such as Russia (-0.6% YoY) were weak. Although it is too soon to tell, tourism revenues expanded also robustly by +11.1% YoY in January-February 2018 to €91.1mn, up from €82.0mn compared to the same month last year. However, the corresponding statistics for expenditure per person are on a declining trend. The expenditure per person for January – February 2018 reached €513,89 compared to €566,22 in the corresponding period of the previous year, recording a decrease of 9,2%. In fact, the expenditure per person/per day for the period of January – February 2018 compared to the period of January – February 2017 also recorded a decrease of 12,2% (from €64,34 to €56,47). Overall, the tourism industry is poised for another year of records in 2018 contributing to the GDP growth rebound of the Cypriot economy.

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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	2723.84	0.1%	1.9%	EUR/USD	1.1803	0.0%	-1.7%	UST - 10yr	3.10	0	69	GOLD	1291	0.0%	-1.0%
Nikkei 225	22838.37	0.5%	0.3%	GBP/USD	1.3508	0.1%	-0.1%	Bund-10yr	0.62	2	20	BRENT CRUDE	80	0.8%	19.5%
STOXX 600	394.59	0.4%	1.4%	USD/JPY	110.72	-0.3%	1.8%	JGB - 10yr	0.06	1	2	LMEX	3336	0.2%	-2.4%

SERBIA

BELIBOR			
	Last	ΔDbps	ΔYTD bps
T/N	2.28	0	-24
1-week	2.41	0	-20
1-month	2.58	-1	-27
3-month	2.86	0	-26
6-month	3.06	0	-18

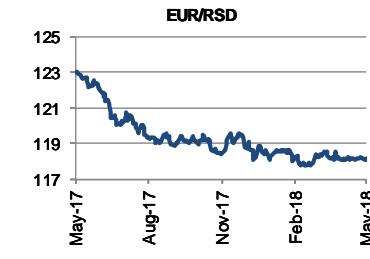
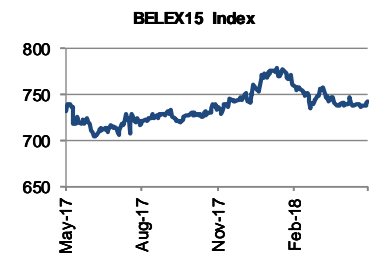
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.52	0	-76
5Y RSD	4.08	-4	-16
7Y RSD	4.49	-5	-69

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.00	2	101
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	111	1	-7
10-year	160	1	-2

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	744.2	0.31%	-2.05%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.12	-0.05%	0.66%



ROMANIA

Money Market			
	Last	ΔDbps	ΔYTD bps
ROBOR	2.4	-2	131
O/N	2.4	-2	131
1-month	2.68	-2	81
3-month	2.74	0	69
6-month	2.88	0	61
12-month	2.98	0	66

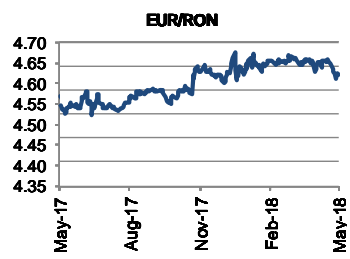
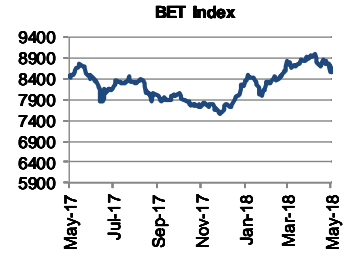
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.83	0	45
5Y RON	4.37	0	59
10Y RON	4.79	0	48

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	0	-6
USD Jan-24	4.21	4	121

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	92	1	2
10-year	136	1	3

STOCKS			
	Last	ΔD	ΔYTD
BET	8561.1	-0.18%	10.41%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6336	0.27%	0.67%



BULGARIA

Money Market			
	Last	ΔDbps	ΔYTD bps
SOFIBOR	0.01	0	1
LEONIA	0.01	0	1
1-month	-0.29	0	-3
3-month	-0.21	0	-3
6-month	-0.08	0	-3
12-month	0.24	0	-8

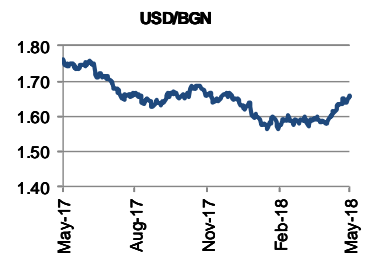
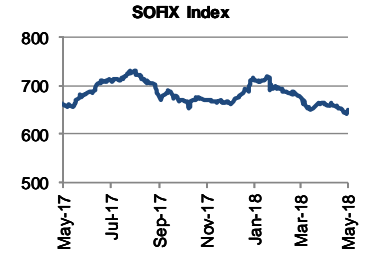
BG Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	0	2
5Y BGN	0.21	0	6
10Y BGN	1.09	0	12

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.12	1	19
EUR Sep-24	0.76	10	18

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	72	1	-24
10-year	113	1	-28

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	650.0	1.15%	-4.05%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.6572	-0.04%	-1.68%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 17:30 EEST of previous session

Friday 18 May 2018

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