

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- May 23
 - New home sales (Apr)
 - FOMC meeting minutes
- May 24
 - Initial jobless claims (May 19)
 - Existing home sales (Apr)
- May 25
 - Durable goods orders (Apr)
 - UM consumer sentiment (May)

EUROZONE

- May 23
 - PMI manufacturing (May, prel.)
 - PMI services (May, prel.)
- May 24
 - German Gfk consumer confidence (Jun)
 - French business climate INSEE (May)
- May 25: German IFO business climate (May)

UK

- May 23: CPI (Apr)
- May 24: Retail sales (Apr)
- May 25: Q1 GDP (2nd estimate)

GREECE

- May 21: Current account (Mar)

SEE

ROMANIA

- May 21: T-bonds auction
- May 24: T-bonds auction

SERBIA

- May 22: T-bonds auction
- May 25: Real Gross Wages (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity markets witnessed a rival in risk appetite in early European trade on Monday favored by improved US/China trade relations over the weekend. As a result, the USD extended recent gains with the DXY index moving above the 94.00 handle earlier today for the first time since mid-December 2017. Elsewhere, core bond yields were lower on the day while EMU periphery sovereign bonds remained under pressure amid worries over broader euro area systemic jitters on the back of expectations for a deterioration in the outlook of Italy's public finances. Looking at this week's calendar, focus is on EMU preliminary PMIs for May on Wednesday for an update on the euro area's growth outlook.

GREECE: The Greek government and the institutions reached a staff level agreement (SLA) on Saturday, which is to be ratified at the 24 May Eurogroup. The Greek authorities will have to pass legislation and implement agreed measures in advance of the 21 June Eurogroup. According to the Bank of Greece, in the first quarter of 2018, the current account showed a deficit of €2.8 billion, up by €53 million year-on-year. This is attributable to a decline in the services surplus (mainly) and the secondary income account surplus. By contrast, the goods balance and the primary income account improved.

SOUTH EASTERN EUROPE

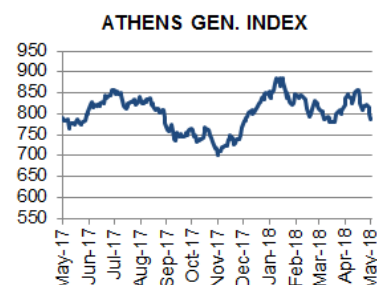
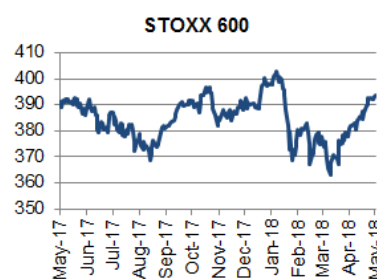
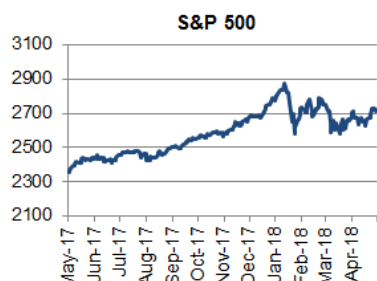
SERBIA: The EUR/RSD remained bound within the tight range of 118.00 -118.50, where it has been confined since February.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets witnessed a rival in risk appetite in early European trade on Monday favored by improved US/China trade relations over the weekend. In a joint statement released on Saturday following the conclusion of intensive consultations on trade issues in Washington, the US and China pledged not to engage in a trade war against each other while executing a framework for addressing trade imbalances in the future. Both sides specifically vowed to take effective measures to substantially decrease the US trade deficit in goods with China including meaningful increases in US agriculture and energy exports. As a result, the USD extended recent gains with the DXY index moving above 94.00 earlier today for the first time since mid-December 2017. Against this background, the EUR/USD hit a fresh 2018 low of 1.1715 mainly pressured by market uncertainty over whether the Q1 GDP soft patch in the euro area has been derived from temporary factors as well as political developments in Italy. The leaders of the Five Star Movement and the League are expected to meet President Sergio Mattarella later today to present the candidate for Prime Minister and the coalition agreement that has raised market concerns about the sustainability of Italy's public debt and Italy's commitment to EU membership and participation in the euro area. Elsewhere, core bond yields were lower with the 10-yr German Bund yield falling by 8.5bps on the day and the US counterpart yielding levels c. 5bps lower from Friday's 3.13% seven-year intraday peak. On the flipside, EMU periphery sovereign bonds remained under pressure amid worries over broader euro area systemic jitters on the back of expectations for a deterioration in the outlook of Italy's public finances.

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GREECE

The Greek government and the institutions reached a staff level agreement (SLA) on Saturday, which is to be ratified at the 24 May Eurogroup. According to press, the SLA pertains to: 1) the 2018-2022 Medium Term Fiscal Strategy, which will comprise the pension cuts as of 1 January 2019 and the reduction of the tax free threshold as of 1 January 2020, 2) the gradual adjustment of real estate zonal values and subsequent changes in the ENFIA tax rates in a revenue neutral way, 3) the representativeness mechanism in sectoral collective agreements and the mediation and arbitration procedures in the labour market, 4) the privatisation of DEPA and the divestiture of the PPC lignite-fired units, 5) the inclusion to the out-of-court workout mechanism of debts generated until 31 December 2017 (instead of 31 December 2016) and the simplification of the application procedure. The Greek authorities will have to pass legislation and implement agreed measures in advance of the 21 June Eurogroup. In other news, according to the Bank of Greece, in the first quarter of 2018, the current account showed a deficit of €2.8 billion, up by €53 million year-on-year. This is attributable to a decline in the services surplus (mainly) and the secondary income account surplus. By contrast, the goods balance and the primary income account improved. The deficit of the balance of goods declined due to an improvement in the oil balance, as oil exports rose by 16.1% at current prices while imports increased by only 3% at current prices. As regards the non-oil balance of goods, the relevant exports rose by 14.4%, i.e. faster than the growth rate of the corresponding imports (8.7% at current prices). Nevertheless, the rise in imports in absolute terms was stronger than the rise in exports, which resulted in a higher deficit. The decline in the services surplus is mainly attributable to a deterioration in the other services balance. The travel balance did not change considerably while the transport balance deteriorated slightly. Lastly, the surpluses in the primary and secondary income accounts showed a small increase and decrease, respectively.

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Monday 21 May 2018

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

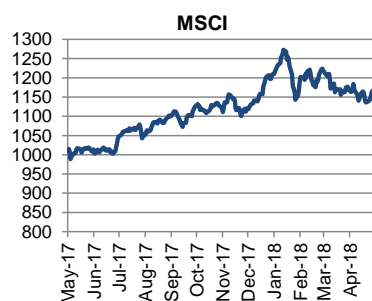
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* 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



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

SERBIA*

The EUR/RSD remained bound within the tight range of 118.00 -118.50, where it has been confined since February. The National Bank of Serbia continued to intervene in the FX markets in order to halt the pair's moves below the lower bound of the said range, deterring investors from establishing new bullish dinar positions. Only last week, the Central Bank bought €90mn aimed at mitigating appreciating pressures on the RSD.

In other news, Serbia already has at its disposal most of the funds required for the redemption of a € 1bn billion first issued in 2013, which expires in December 2018. Ana Ivkovic, General Director of the Directorate for Economic Research and Statistics, reportedly said that upon maturity of the 2018 USD-denominated debt, the share of FX-denominated public debt as a percent of total public debt would fall to 24%, from 31.2% currently. At the same time, the corresponding ration of RSD-denominated public debt would increase from 25% to 30%.

At the Western Balkans Summit in Sofia, Serbia and European Investment Bank (EIB) reportedly signed a Memorandum of Understanding and Financial Support for €1bn in investments in Serbia in key infrastructural connectivity, digitalization, rural development, energy safety and city traffic. Separately, the European Investment Fund signed agreements on guarantees for a total amount of €180mn with Credit Agricole Bank Serbia and UniCredit Bank Serbia for support to SMEs.

* We would like to thank Zoran Korac from Eurobank AD Beograd for his invaluable contribution in today's issue.

Monday 21 May 2018

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

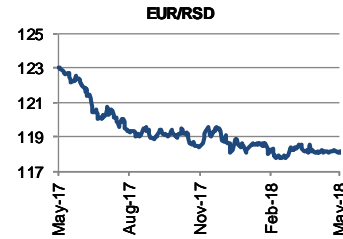
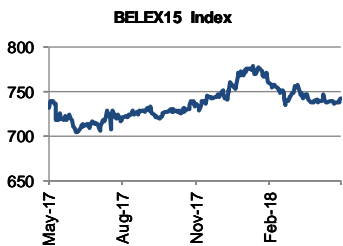
	Last	ΔDbps	ΔYTD bps
5-year	111	1	-7
10-year	160	1	-2

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

ROBOR	Last	ΔDbps	ΔYTD bps
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

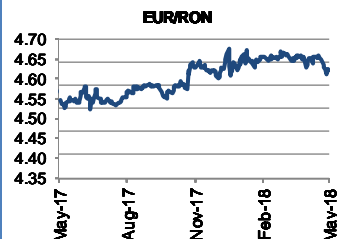
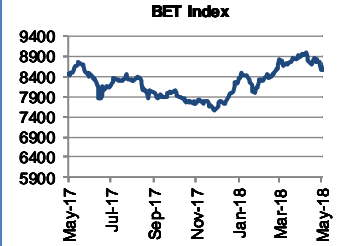
	Last	ΔDbps	ΔYTD bps
5-year	92	1	2
10-year	136	1	3

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

SOFIBOR	Last	ΔDbps	ΔYTD bps
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

(yields)	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

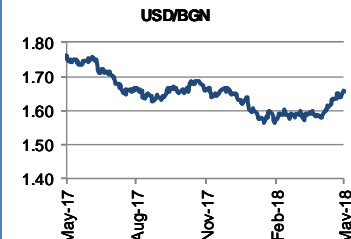
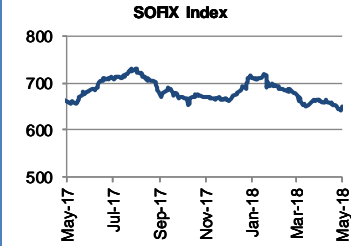
	Last	ΔDbps	ΔYTD bps
5-year	72	1	-24
10-year	113	1	-28

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 14:00 EEST

Monday 21 May 2018

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