

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- May 7: Consumer credit (Mar)
- May 8: Fed's Powell speaks at IMF/SNB Conference
- May 10
 - CPI (Apr)
 - Initial jobless claims (May 5)
- May 11: UM consumer confidence (May)

EUROZONE

- May 5: DE: Industrial orders (Mar)
- May 6
 - DE: Industrial production (Mar)
 - DE: Trade balance (Mar)
- May 10: ECB publishes Economic Bulletin

UK

- May 10
 - Industrial production (Mar)
 - Trade balance (Mar)
 - BoE MPC meeting
 - BoE Inflation Report

SEE

BULGARIA

- May 9
 - Industrial production (Mar)
 - Retail sales (Mar)
- May 11: Trade balance (Mar)

ROMANIA

- May 7
 - T-bonds auction
 - MPC announcement
- May 9: Net wages (Mar)
- May 10: Trade balance (Mar)
- May 11: Industrial production/sales (Mar)

SERBIA

- May 7: PPI index (Apr)
- May 8: T-bonds auction
- May 10: MPC announcement
- May 11: HICP (Apr)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD retained a firm tone in European trade on Tuesday supported by market optimism over a US Q2 GDP growth rebound following a recent string of positive data pertaining to Q2. Meanwhile, core government bonds were little changed on the day in spite of persistently elevated oil prices. The US President said in a Twitter post that he will announce at 1800GMT today his decision on the Iran nuclear deal. Headlines regarding Italian politics lure market attention after the latest developments raised the risk of snap elections to be held in July or in autumn under the current voting system.

GREECE: The Parliamentary Budget Office released yesterday its Q1 2018 Report where it estimates that GDP growth for 2018 will be close to 2%yoY while on the fiscal front Q1 2018 general government cash data indicate that the annual primary balance target of 3.5% of GDP is within reach. Talking at an event, ESM President Klaus Regling reportedly stated among others that "if with our partners, the European institutions, we come to the conclusion that the terms have been fulfilled, the program can be completed and a last loan disbursement can be realised".

SOUTH EASTERN EUROPE

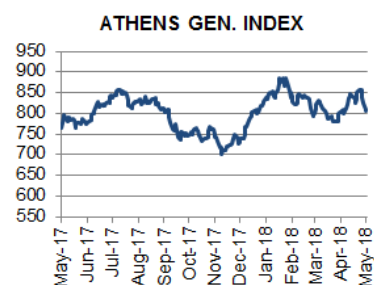
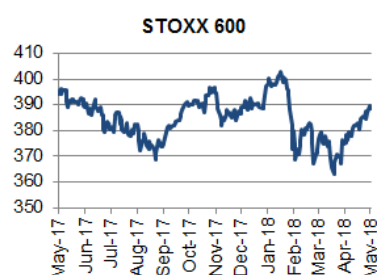
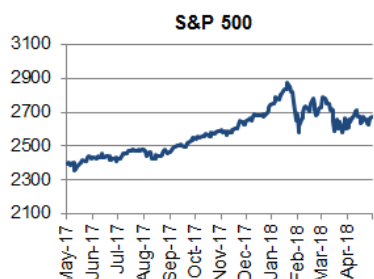
BULGARIA: The blue chip index SOFIX shed -0.81% over the previous week, while local and foreign currency government bonds ended little changed across all maturities.

ROMANIA: The Central Bank decided yesterday to increase the key policy rate by another 25bps to 2.50% and to maintain MRRs for both FX and RON denominated liabilities at 8% in an unanimously endorsed by board members decision.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

The USD retained a firm tone in European trade on Tuesday supported by market optimism over a US Q2 GDP growth rebound following a recent string of positive data pertaining to Q2. The DXY index was hovering around Monday's fresh four-month high of 92.974 in early European trade with the EUR/USD standing within distance from yesterday's fresh year-to-date low of 1.1896 following last week's weaker than expected inflation and Q1 GDP data from the Eurozone that increased the possibility of extension or tapering beyond September 2018. Meanwhile, core government bonds were little changed on the day in spite of persistently elevated oil prices. Brent crude was standing close to \$75.27/br at the time of writing, not far from Monday's new 3 ½ year high of \$76.34/br amid mounting supply jitters. Venezuela has lowered oil production much more than the oil output cut agreement envisioned while the US President said in a Twitter post that he will announce at 1800GMT today his decision on the Iran nuclear deal. At this stage, it is reportedly unclear whether the US will extend sanctions relief granted to Iran under the 2015 nuclear deal or withdraw from the deal and re-impose US sanctions lifted in early 2016. Turning to EMU periphery sovereign bonds, the majority of yield premiums vs. their German peers were wider on the day. Headlines regarding Italian politics lure market attention after the latest developments raised the risk of snap elections to be held in July or in autumn under the current voting system. Such a development would entail a high risk that the inconclusive outcome from the 4 March poll be repeated. Today, Fed Chair Jerome Powell is expected to speak in Zurich at a SNB and IMF conference on the international monetary system (9:15 CET).

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GREECE

The Parliamentary Budget Office released yesterday its Q1 2018 Report where it estimates that GDP growth for 2018 will be close to 2%yoy while on the fiscal front Q1 2018 general government cash data indicate that the annual primary balance target of 3.5% of GDP is within reach. According to the report these projections are subject to the completion of the fourth and final programme review whereas downside risks stem primarily from the external environment (possible resurgence of the refugee crisis, a possible slowdown in the global economy, a possible turmoil in the international financial markets). Meanwhile, talking at an event, ESM President Klaus Regling reportedly stated among others that "if with our partners, the European institutions, we come to the conclusion that the terms have been fulfilled, the program can be completed and a last loan disbursement can be realised". In that case, he added, the European Finance Ministers could consider granting further debt relief to Greece in the form of e.g. longer maturities, while a nominal debt haircut was and remains off the table.

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Tuesday 08 May 2018

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

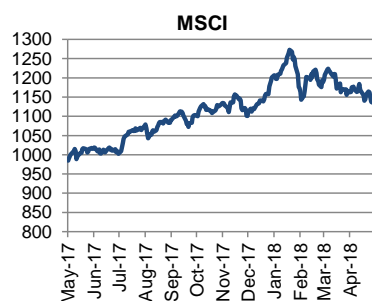
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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+

Latest economic & market developments in the CESEE region

BULGARIA

The blue chip index SOFIX shed -0.81% over the previous week, finishing at 652.88 points, on overall volume of € 1.4mn. External government bonds ended little changed across all maturities, with yield increases ranging from 1bp to 3 bps. Local-currency sovereign bonds also marked only modest movements, between -1.7 bps and 1.9 bps.

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ROMANIA

The Central Bank (NBR) decided yesterday to increase the key policy rate (KPR) by another 25 bps to 2.50% and to maintain MRRs for both FX and RON denominated liabilities at 8% in an unanimously endorsed by board members decision. The move was broadly in line with a market consensus. In the press-conference held after the meeting, the NBR Governor stated that the new inflation forecast - due to be released later today - reconfirmed that consumer prices would return close to the upper bound of the NBR's target band interval (2.5+1%) by year-end. In addition, he argued that the impact from the previous adopted tightening measures over the past few months was still ongoing and that the inflation targeting regime should take into account financial stability. Finally, he added that borrowing costs would be kept in check responding indirectly to the ruling PSD party leader's - Liviu Dragnea - criticism that interest rate hikes are driving inflation higher. The NBR decision came in the aftermath of headline inflation reaching a new five year high in March, in a move further above the upper bound of the NBR's target interval (2.5+1%). In more detail, headline CPI jumped to 5.0% YoY in March up from +4.7% YoY in February and compared to 4.3% YoY in January. The adjusted Core CPI (excluding administered and volatile prices, alcohol and tobacco) index also increased over the same month, to 3.0% YoY from 2.9% YoY in February, marking the highest level since June 2013, in an illustration of underlying demand side pressures.

Including the last increase, NBR has delivered three 25bps rate hikes so far this year, having surprised market expectations in the previous meeting in early April staying put on its monetary policy. Nevertheless, the Central Bank announced and held in mid-April a one week tenor deposit tender for banks for the first time since Jan2011. The liquidity absorbing operation, a de-facto tightening tool, had mopped out RON18.7bn from the money market at a rate of 2.55%. At that time, we had thought that this move would be enough to buy some more time for NBR to assess the situation and deliver more KPR hikes later in the year. In the wake of yesterday's decision, we see room for one more hike by the end of the year, provided that there is no other unexpected supply side shock.

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Tuesday 08 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	2672.63	0.3%	0.0%	EUR/USD	1.1886	-0.3%	-1.0%	UST - 10yr	2.95	0	54	GOLD	1312	-0.2%	0.7%
Nikkei 225	22508.69	0.2%	-1.1%	GBP/USD	1.3499	-0.4%	-0.2%	Bund-10yr	0.53	0	10	BRENT CRUDE	75	-1.2%	12.6%
STOXX 600	388.70	-0.2%	-0.1%	USD/JPY	109.03	0.1%	3.4%	JGB - 10yr	0.05	1	1	LMEX	3339	1.4%	-2.3%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	0	-18
1-week	2.41	-3	-20
1-month	2.60	-3	-25
3-month	2.84	-5	-28
6-month	3.06	-2	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.55	0	-73
5Y RSD	4.12	3	-12
7Y RSD	4.54	0	-64

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.95	-4	95
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

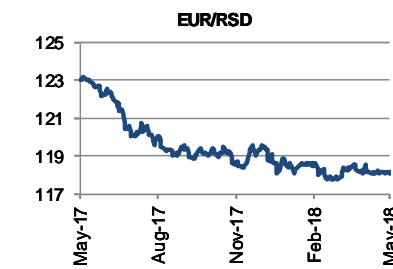
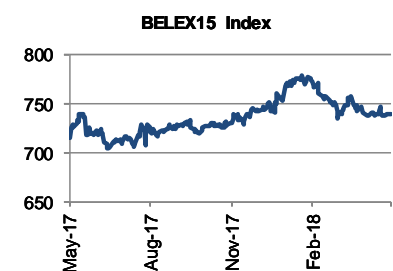
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-6
10-year	160	0	-2

STOCKS

	Last	ΔD	ΔYTD
BELEX15	734.7	-0.64%	-3.30%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.11	-0.14%	0.68%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.65	13	156
1-month	2.65	14	78
3-month	2.68	14	63
6-month	2.8	17	53
12-month	2.86	13	54

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.63	0	25
5Y RON	4.29	0	51
10Y RON	4.67	0	36

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A N/A	3
USD Jan-24	4.21	#N/A N/A	121

CDS

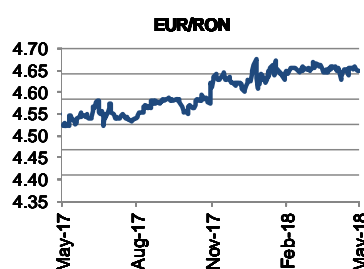
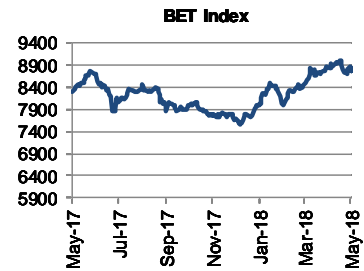
	Last	ΔDbps	ΔYTD bps
5-year	90	1	0
10-year	133	1	0

STOCKS

	Last	ΔD	ΔYTD
BET	8761.9	-0.99%	13.00%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6553	0.04%	0.20%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	2	-2
3-month	-0.21	0	-3
6-month	-0.08	0	-3
12-month	0.25	1	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	0	1
5Y BGN	0.19	0	5
10Y BGN	1.06	0	10

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.14	0	21
EUR Sep-24	0.77	11	19

CDS

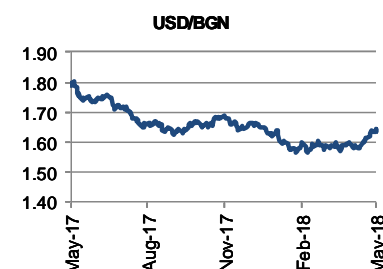
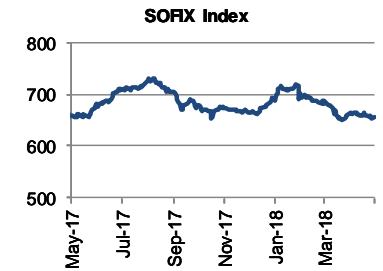
	Last	ΔDbps	ΔYTD bps
5-year	69	0	-27
10-year	111	1	-31

STOCKS

	Last	ΔD	ΔYTD
SOFIX	656.1	0.49%	-3.16%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6454	-0.61%	-0.97%



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

Data updated as of 11:35 EEST

Tuesday 08 May 2018

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