



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, April 06, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Apr 3
 - ISM manufacturing (Mar)
 - Car sales (Mar)
- Apr 4
 - Trade balance (Feb)
 - Industrial orders (Feb)
- Apr 5
 - ADP employment change (Mar)
 - ISM non-manufacturing (Mar)
 - FOMC minutes (Mar 14-15)
- Apr 6: Initial jobless claims (weekly)
- Apr 7
 - NFP (Mar)
 - U/E rate (Mar)
 - Average hourly earnings (Mar)

EUROZONE

- Apr 3: PMI manuf (Mar)
- Apr 5: PMI services (Mar)
- Apr 6: ECB minutes (Mar 9)

GREECE

- Apr 3: PMI manuf (Mar)
- Apr 6: U/E rate (Jan)

SEE

ROMANIA

- Apr 3
 - ILO U/E rate (Feb)
 - T-bonds auction
 - Intern/I reserves (Mar)
 - PPI (Feb)
- Apr 4: Retail sales (Feb)
- Apr 5: MPC meeting
- Apr 6: T-bonds auction
- Apr 7
 - Net wages (Feb)
 - GDP (Q4, f)
 - S&P rating review

SERBIA

- Apr 3
 - Industrial production (Feb)
 - Retail sales (Feb)
 - Trade balance (Feb)
 - 4.5% 2020 T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GREECE: Deliberations held in Brussels on Tuesday between Greek officials and the institutions reportedly led to convergence on key issues that could pave the way for significant progress in Malta. A preliminary agreement bridging the views of Greece and the IMF was reportedly achieved and if this agreement gains the political support of all sides involved it will be presented at the April 7 Eurogroup in order to open the way for a staff-level agreement. According to the Report on Operational Targets for Non-Performing Exposures (NPEs) released yesterday by the Bank of Greece, at end-December 2016, the stock of NPEs decreased by 1.2% compared to end-September 2016 and reached €106.3 billion or 44.8% of total exposures.

SOUTH EASTERN EUROPE

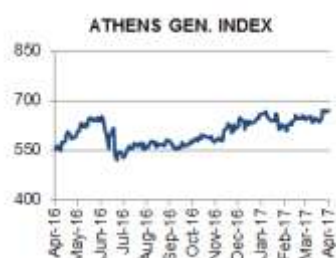
CESEE MARKETS: Emerging market assets broadly remained under pressure earlier today amid waning risk appetite.

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April 6, 2017

Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GREECE

In the context of the 2nd programme review the Greek Ministers of Finance and Labour as well as the Alternate Minister of Finance held discussions on Tuesday in Brussels with representatives of the institutions including Eurogroup President Jeroen Dijsselbloem, Commissioner for Economic and Financial Affairs Pierre Moscovici, ECB Executive Board Member Benoit Coeure and IMF European Department Director Poul Thomsen (the latter via teleconference). According to EC spokesperson Annika Breidthardt the discussions led to convergence on key issues that could pave the way for significant progress in Malta. Other European sources reportedly claimed that a preliminary agreement bridging the views of Greece and the IMF was achieved on Tuesday and that if this agreement gains the political support of all sides involved – the IMF has reportedly not yet approved it – it will be presented at the April 7 Eurogroup in order to open the way for a staff-level agreement. Based on press reports the said deal foresees a one-off reduction in pensions by 1% of GDP in 2019 and a one-off reduction in the tax-free threshold to €5,900 (from €8,363 currently) in 2020. If, however, the primary surplus target of 3.5% of GDP for 2018 is not attained – as the IMF believes – then the tax-free threshold reduction will also take place in 2019. Another teleconference between the Greek Minister and Alternate Minister of Finance and the institutions later today or early tomorrow may reportedly take place with the aim to finalise the details of the framework agreement before tomorrow's Eurogroup. It is understood that the issue will also be discussed today at a meeting between the Eurogroup President and the German Minister of Finance Wolfgang Schaeuble. Meanwhile, the negotiations regarding the 2nd programme review were part of the agenda of the meeting between the Greek PM Alexis Tsipras and the European Council President Donald Tusk in Athens yesterday. At that meeting the Greek PM suggested that an EU summit would be required if no agreement is achieved at the April 7 Eurogroup. Later in the day, however, he stated that a summit would probably not be necessary after all. In other news, according to the Report on Operational Targets for Non-Performing Exposures (NPEs) released yesterday by the Bank of Greece, at end-December 2016, the stock of NPEs decreased by 1.2% compared to end-September 2016 and reached €106.3 billion or 44.8% of total exposures. This is the third subsequent quarter that a reduction in the stock of NPEs is noted, and the first quarter since the beginning of the crisis recording a reduction in the NPE ratio.

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April 6, 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

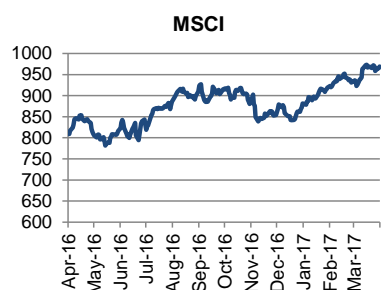
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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 broadly remained under pressure earlier today amid waning risk appetite. Mounting uncertainty over whether US President Trump will be able to implement stimulus plans has lately weighed on high-yield assets. Meanwhile, the FOMC March 14-15 meeting minutes, released yesterday, added to downside pressures on the prospect of a Fed balance sheet reduction this year, sooner than previously expected by market participants, which, if realized, may have an impact on global liquidity. Downbeat data from China also weighed on investor sentiment. Market caution also prevails ahead of a 2-day meeting between the US President and his Chinese counterpart Xi Jinping that is scheduled to start today.

Trailing losses in major global bourses, emerging stock markets also fell earlier on Thursday, with the MSCI EM index sliding by 0.7% compared to the prior session's settlement. Most CESEE stock markets also fell, though their declines were rather contained compared to global peers. In support of the aforementioned, Poland's main WIG index declined by ca 0.6% in European trade, marking the largest drop in the region. On the flipside, main indices in Hungary, Bulgaria and Ukraine stood in a modestly positive territory at the time of writing.

In FX markets, most regional currencies weakened as the US dollar retained a firm tone. The Turkish lira marked the highest losses in the region, with the USD/TRY hitting a 3-week peak near 3.7285 in late Asian trade, before pulling back towards 3.7105 in European markets. Bucking the negative trend in the CEE space, the Czech crown firmed amid recently mounting market speculation that the Central Bank may scrap a cap on the currency that has been in place for approximately 3 ½ years.

In other news, the Central Bank of Romania (NBR) stayed put on its monetary policy, in line with market expectations at its MPC meeting yesterday. In more detail, the NBR held the key policy rate unchanged at the current record low level of 1.75% and maintained the existing levels of minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions. Meanwhile, Governor Mugur Isarescu expressed belief yesterday that inflation will likely remain significantly below the Central Bank's 1.5-3.5% target in the coming months and probably move above the lower margin towards year-end. Similarly, the National Bank of Poland also vindicated market consensus leaving the benchmark interest rate at the lifetime trough of 1.50%.

Looking into tomorrow's calendar in the CESEE region, Romania's Q4 GDP data is due for release, while an S&P review on the country's sovereign credit ratings also takes centre stage. That said, focus is mostly on global developments and data releases, such as the US non-farm payrolls for March and the meetings between the US and Chinese Presidents.

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April 6, 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	2352.95	-0.3%	5.1%	EUR/USD	1.0664	0.0%	1.4%	UST - 10yr	2.34	1	-10	GOLD	1254	-0.1%	8.8%
Nikkei 225	18597.06	-1.4%	-2.7%	GBP/USD	1.247	-0.1%	0.9%	Bund-10yr	0.26	0	5	BRENT CRUDE	54	0.2%	-4.2%
STOXX 600	378.35	-0.5%	4.7%	USD/JPY	110.81	-0.1%	5.6%	JGB - 10yr	0.06	-1	1	LMEX	2872	1.6%	8.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-1
1-week	3.17	0	0
1-month	3.34	0	-1
3-month	3.51	0	4
6-month	3.69	0	3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.30	31	22
5Y RSD	5.34	0	-1
7Y RSD	5.63	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.80	-4	-53
USD Nov-24	6.44	0	3

CDS

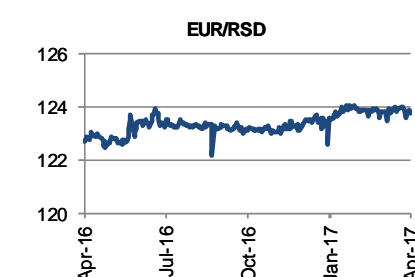
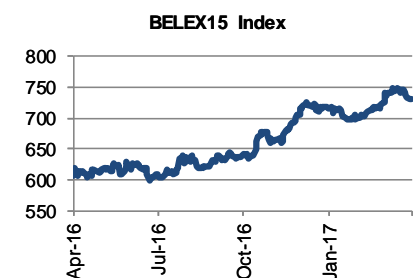
	Last	ΔDbps	ΔYTD bps
5-year	189	13	-18
10-year	244	14	-11

STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.3	-0.16%	1.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.82	-0.05%	-0.29%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	0	-10
1-month	0.61	0	-15
3-month	0.86	0	-4
6-month	1.06	0	-5
12-month	1.25	0	0

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.58	-1	-4
5Y RON	2.52	-1	0
10Y RON	3.54	-1	-11

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.98	0	-16
USD Jan-24	3.37	0	-48

CDS

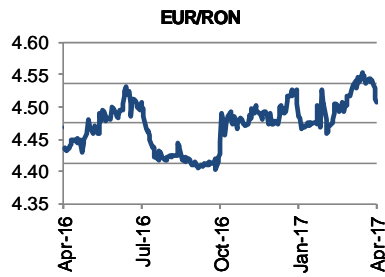
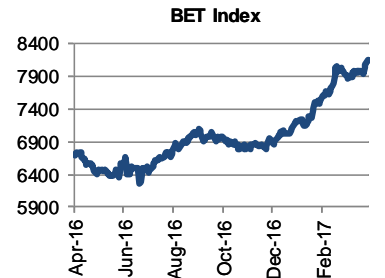
	Last	ΔDbps	ΔYTD bps
5-year	99	0	-10
10-year	150	7	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8200.2	-0.02%	15.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5256	0.06%	0.30%



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	0.05	0	-3
12-month	0.43	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.03	-2	-12
5Y BGN	0.36	-2	-15
10Y BGN	1.65	0	-26

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.59	0	-27
EUR Sep-24	1.39	-9	-29

CDS

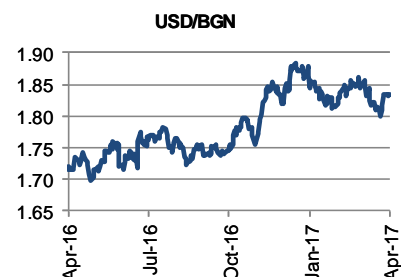
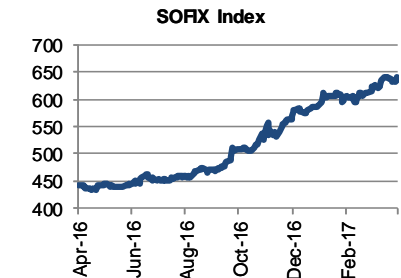
	Last	ΔDbps	ΔYTD bps
5-year	115	1	-37
10-year	173	16	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	644.6	0.44%	9.92%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8348	-0.03%	1.29%



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

Data updated as of 12:10 EEST

April 6, 2017

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