



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, April 07, 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: The Eurogroup is convening today in Malta and will discuss, among others, "the main outstanding issues that need to be solved in order to reach an agreement on the overall policy package that would allow the second review of the programme to be completed". Upon arrival to today's Eurogroup, its President Jeroen Dijsselbloem, who had met yesterday with German FinMin Wolfgang Schaeuble and earlier today with Greek FinMin Euclid Tsakalotos, expressed optimism and stated that results have been achieved during the past few days. According to the Travel & Tourism Competitiveness Report 2017 published by the World Economic Forum, Greece improved its ranking by 7 notches since 2015, reaching the 24th place among 136 countries.

SOUTH EASTERN EUROPE

ROMANIA: The Q4 GDP reading was adjusted upwards by 0.1ppts to 4.9% YoY in seasonally adjusted terms.

CESEE MARKETS: Emerging market assets broadly remained under pressure earlier on Friday as the risk-off mood continued amid rising geopolitical jitters. In FX markets, the Czech Central Bank announced yesterday its decision to scrap a cap on the crown.

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April 7, 2017

Latest world economic & market developments

GREECE

The Eurogroup is convening today in Malta and will discuss, among others, “the main outstanding issues that need to be solved in order to reach an agreement on the overall policy package that would allow the second review of the programme to be completed. These include labour market and energy sector reforms and the rebalancing of Greece’s public finances over the medium term, i.e. in 2018 and beyond”. According to press reports, the remaining differences between Greece and the institutions stem from the fact that the IMF projects the primary surplus for 2018 at 2.5% of GDP, below the 3.5% target, and thus reportedly requests the implementation of certain measures earlier than initially planned. In any case, it is understood that today’s Eurogroup will clarify the contentious issues at hand and what is expected in order for the institutions’ mission heads to return to Athens and collaborate with the Greek authorities to reach a staff-level agreement. Upon arrival to the Eurogroup, its President Jeroen Dijsselbloem, who had met yesterday with German FinMin Wolfgang Schaeuble and earlier today with Greek FinMin Euclid Tsakalotos, expressed optimism and stated that results have been achieved during the past few days. Meanwhile, according to press reports, German FinMin claimed that most of the ground in the 2nd review has been covered but the deal will need a few more days to close. He reportedly added that today’s goal should be for the official lenders to agree on a common set of figures for Greece. In other news, according to the Travel & Tourism Competitiveness Report 2017 published by the World Economic Forum, Greece improved its ranking by 7 notches since 2015, reaching the 24th place among 136 countries.

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Source: Reuters, Bloomberg, Eurobank Research

April 7, 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

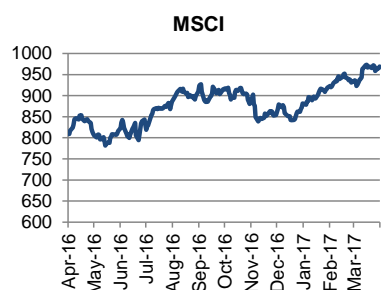
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

ROMANIA

The National Institute of Statistics adjusted upwards the Q4 reading by 0.1ppts so that GDP expanded by +1.4% QoQ/+4.9% YoY in seasonally adjusted terms and +4.8% YoY in unadjusted terms. The stronger than expected print, which came in above a market median forecast of +1.0% QoQ/+4.3% YoY, compares to +0.5% QoQ/ +4.4% YoY in Q3-2016 and +1.6% QoQ/+5.8% YoY in Q2-2016, up from +0.9% QoQ/+4.2% YoY in Q4-2015. The FY2016 real GDP growth estimate remained unchanged at +4.8%, up from 3.9% in FY2015. However, important reallocations within individual demand components were made. Final consumption appeared to make an even stronger contribution to GDP growth according to the second revision vs. the initial estimate (+5.2 ppts vs. +4.9 ppts). On the negative side, the contribution of gross fixed capital formation turned out negative (-0.8ppts vs. 0.0ppts), but was offset by the hefty contribution of inventories (1.1ppts vs. 0.7ppts). Finally, net exports had a slightly less negative contribution in the second revision (-0.7ppts vs. -0.8ppts).

Overall, the Romanian economy outperformed regional peers for a fourth consecutive year. It is evident that growth is largely driven by private consumption, financed by an overly expansionary fiscal policy, and leads to a revival of macroeconomic imbalances. Hence, the economy is driven close to, if not above, its potential growth rate at the expense of pushing government finances off consolidation track and deteriorating the external position. The CA deficit jumped to -2.4% of GDP in 2016, up from only 1.1% in 2015 and 0.4% in 2014. Looking ahead, a soft landing scenario is the most likely outcome in 2017. The incoming government, which has already vowed in the budget of 2017 to provide additional stimulus on top of that provided in the past year, will most probably need to adopt a more conservative stance in order to bring the projected fiscal deficit below 3% and this is expected to have a decelerating impact on the economy at some point in the 2H.

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CESEE MARKETS

Emerging market assets remained broadly under pressure earlier on Friday as the risk-off mood continued amid rising geopolitical jitters following US airstrikes in Syria. In the CESEE region, most main stock indices stood in a modestly negative territory in early European trade. Similarly, most regional currencies and government bonds weakened. In FX markets, the Turkish lira led the decline, with the USD/TRY hitting a new 3-week peak near 3.7430 in Asian trade, before pulling back towards 3.7185 later in the session. Elsewhere, the Czech crown retained a firm tone earlier today, after the Central Bank (CNB) vindicated market talk, officially scrapping yesterday a cap of 27 crowns to the euro that has been in place for approximately 3 ½ years and expired at the end of March. In more detail, the CNB announced in the wake of its extraordinary meeting on 6 April 2017, its decision "to discontinue the use of the exchange rate as an additional instrument for easing the monetary conditions" as "the conditions for sustainable fulfilment of the 2% inflation target in the future had been met". Along these lines, the EUR/CZK hovered around levels of 26.590 earlier on Friday, remaining within distance from yesterday's 3 ½ year 26.554 trough. Looking into the remainder of the day, an S&P review on Romania's sovereign credit ratings takes centre stage in the CESEE space. Globally, focus primarily lies on the US non-farm payrolls for March due for release later in the day.

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April 7, 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	2351.80	0.0%	5.0%	EUR/USD	1.0659	0.0%	1.3%	UST - 10yr	2.34	0	-11	GOLD	1253	-0.2%	8.8%
Nikkei 225	18597.06	-1.4%	-2.7%	GBP/USD	1.2477	0.0%	1.0%	Bund-10yr	0.26	0	5	BRENT CRUDE	55	0.9%	-3.5%
STOXX 600	379.89	-0.1%	5.1%	USD/JPY	110.83	-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	3.15	-2	-2
1-month	3.34	0	-1
3-month	3.53	2	6
6-month	3.72	3	6

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	-3	-52
USD Nov-24	6.44	0	3

CDS

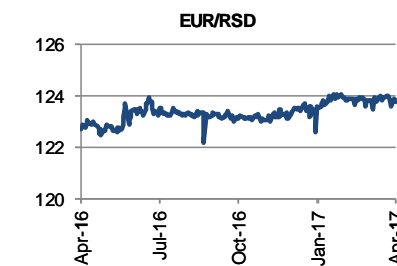
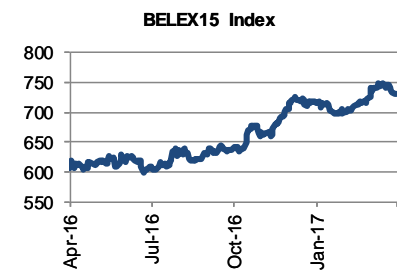
	Last	ΔDbps	ΔYTD bps
5-year	189	13	-18
10-year	244	14	-11

STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.5	-0.14%	1.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.83	-0.06%	-0.30%



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	1.57	-1	-5
5Y RON	2.50	-2	-2
10Y RON	3.52	-3	-13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.98	0	-16
USD Jan-24	3.36	-1	-49

CDS

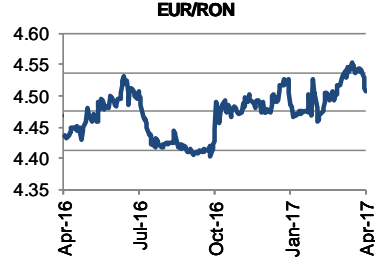
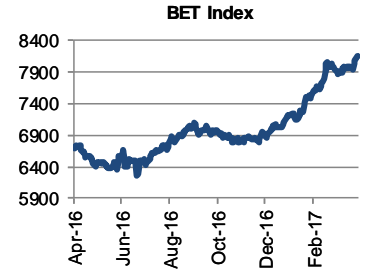
	Last	ΔDbps	ΔYTD bps
5-year	99	0	-10
10-year	150	7	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8189.8	-0.15%	15.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5253	0.07%	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	0.04	-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

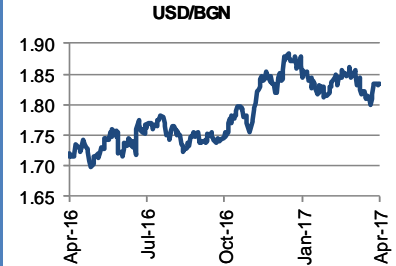
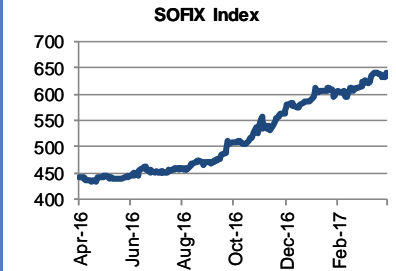
	Last	ΔDbps	ΔYTD bps
5-year	115	1	-37
10-year	173	16	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	644.0	0.35%	9.82%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8349	-0.04%	1.28%



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

Data updated as of 17:10 EEST of previous session

April 7, 2017

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