

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday 13 April 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Apr 10: PPI (March)
- April 11
  - CPI (March)
  - Minutes of the 20/21 March FOMC meeting
- Apr 12: Initial jobless claims (Apr 7)
- Apr 13: UM consumer sentiment (Apr)

##### EUROZONE

- Apr 9: German exports (Feb)
- April 10
  - France's industrial production (Feb)
  - Italy's industrial production (Feb)
- April 12
  - Eurozone's industrial production (Feb)
  - France's CPI (Mar)
  - Accounts of the 8 March ECB meeting

##### UK

- Apr 11: Industrial production (Feb)

##### GREECE

- Apr 12: Unemployment rate (Jan)
- Apr 13: CPI (Mar)

##### SEE

##### BULGARIA

- April 10
  - Retail Sales (Feb)
  - Industrial Production (Feb)
- April 12: Trade Balance (Feb)

##### ROMANIA

- April 10: Trade Balance (Feb)
- April 11:
  - Net Wages (Feb)
  - NBR meeting minutes
- April 12: Industrial Production & Sales (Feb)
- April 13: Current Account (Feb)

##### SERBIA

- April 10: PPI index (Mar)
- April 12:
  - NBS policy meeting
  - CPI Index (Mar)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking their lead from Wall Street's positive performance overnight, European bourses were modestly higher in early trade on Friday on easing worries over global trade tensions and market relief that a US military strike against Syrian President Bashar al-Assad's forces may not be imminent. Weighed down by global equity markets' improved performance, US Treasuries and German Bunds lost ground while in FX markets, the DXY index was little changed on the day. Looking at today's calendar, Moody's will release its updated ratings for Spain and Ireland while on the data front, the main release is the UM consumer sentiment for April.

**GREECE:** The Euroworking Group that convened yesterday focused on Greece's post-programme growth strategy, the proposed French debt relief mechanism and the progress in the 4th review prior actions. The Washington Group also met yesterday in Brussels to discuss among others the conditions for the activation of the IMF's programme for Greece. The Greek Finance Minister Euclid Tsakalotos is scheduled to meet today in Berlin his German counterpart Olaf Scholz to discuss European policy matters but also Greece's post-programme growth strategy and the prospects of debt relief. According to the Hellenic Statistical Authority, the seasonally adjusted unemployment rate in January 2018 was 20.6% compared to the upward revised 23.2% in January 2017 and 20.8% in December 2017.

### SOUTH EASTERN EUROPE

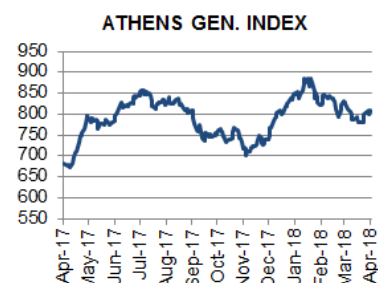
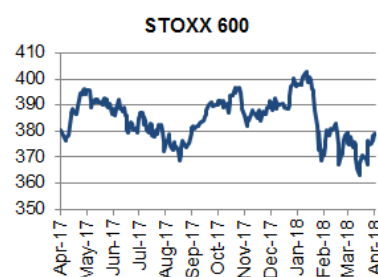
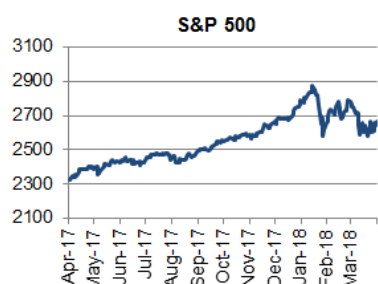
**SERBIA:** In a rather unexpected move, the MPC cut the key policy rate by 25bps to a new record low of 3.00% at its meeting yesterday, confounding our expectations and a consensus forecast for the Central Bank (NBS) to stay put on its monetary policy.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from Wall Street's positive performance overnight, European bourses were modestly higher in early trade on Friday on market relief that a US military strike against Syrian President Bashar al-Assad's forces may not be imminent following relevant suggestions from US President Donald Trump. Easing worries over global trade tensions have also had an impact after the US President reportedly expressed optimism about a deal with China and indicated that talks are progressing toward the successful renegotiation of NAFTA. In addition to the above, the US President reportedly asked his advisors to explore re-joining the Trans Pacific Partnership (TPP). Furthermore, the earnings season for S&P 500 companies begins today with investors expecting —according to Thomson Reuters— a rise in quarterly profit of 18.4%YoY, the highest in seven years. Elsewhere, US Treasuries weakened with the 10-yr yield rising to as high as 2.84% at some point on Thursday, the highest in two weeks, before retreating modestly to levels around 2.83% in early European trade today. German Bunds followed suit with the 10-yr yield regaining the 0.50% threshold hovering around 0.52%, at the time of writing, c. 2.5bps higher on a weekly basis. In FX markets, the DXY index was little changed on the day with the EUR/USD standing close to 1.2330/35 at the time of writing, virtually unchanged on the day and below Thursday's peak of 1.2395 after the ECB accounts of the March policy meeting revealed concerns over the potential negative impact of the EUR's appreciation. Moody's will release its updated ratings for Spain and Ireland today while on the data front, the main release is the UM consumer sentiment for April.

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### GREECE

The Euroworking Group that convened yesterday focused on Greece's post-programme growth strategy, the proposed French debt relief mechanism and the progress in the 4<sup>th</sup> review prior actions where it was pointed out that Greece must accelerate the implementation pace in order to meet the 21 June Eurogroup target for an overall agreement. Meanwhile according to press reports, the Washington Group also met yesterday in Brussels to discuss among others the conditions for the activation of the IMF's programme for Greece. A number of European countries including Germany reportedly argue in favour of linking debt relief to specific conditionality, emphasising on not backtracking from realised reforms, attaining the agreed primary surplus targets and continuing reforms and privatisations. They also suggest that the debt relief mechanism should not be automatic but should be activated subject to a decision by the ESM Board of Directors. Another group of countries including France, Italy, Spain and Portugal as well as the IMF reportedly claim that the debt relief mechanism should be independent and automatic. Other areas of disaccord between European institutions and the IMF reportedly include the primary surplus targets beyond 2023 and the forecasts for interest rates in the coming years. In other news, the Greek Finance Minister Euclid Tsakalotos is scheduled to meet today in Berlin his German counterpart Olaf Scholz to discuss European policy matters but also Greece's post-programme growth strategy and the prospects of debt relief. On the economic data front, according to the Hellenic Statistical Authority, the seasonally adjusted unemployment rate in January 2018 was 20.6% compared to the upward revised 23.2% in January 2017 and 20.8% in December 2017.

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## Latest economic & market developments in the CESEE region

### SERBIA

In a rather unexpected move, the MPC cut the key policy rate by 25bps to a new record low of 3.00% at its meeting yesterday, confounding our expectations and a consensus forecast for the Central Bank (NBS) to stay put on its monetary policy. At the same time, the NBS Executive Board also decided to narrow the interest rate corridor from  $\pm 1.5$  to  $\pm 1.25$  percentage points, thus maintaining the deposit facility rate unchanged. The Committee's latest decision to reduce the key policy rate by 25bps follows a similar move in March and marks the second cut so far this year. Behind its decision, NBS cited weak inflationary pressures, anchored inflation expectations and a stronger than earlier anticipated slowdown in inflation over the last three months. Additionally, the MPC highlighted that the move will provide additional support to credit activity and economic growth.

As also mentioned in the accompanying statement, headline CPI eased to 1.4%YoY in March, reaching the lowest level in 1 ½ years and sliding below the lowest bound of the  $3.0 \pm 1.5\%$  tolerance band that has been held since late 2016. Simultaneously, the corresponding core index (CPI excluding the prices of food, energy, alcohol and cigarettes) also decelerated in March, to a new record low of 0.8%YoY. Notwithstanding the aforementioned it is also worth noting the dinar's strength over recent months, which hit 3 ½ year highs just below 118.00/€ a few weeks ago, which provides some indirect tightening effect on monetary conditions. Against this backdrop, the MPC noted that it anticipates inflation to stay around the current level in the months ahead and move closer to the target midpoint in 2019 on the back of strengthening domestic demand dynamics.

Nonetheless, the MPC reiterated several risks in the said statement, mostly external, such as "developments in the international financial market and movements of global primary commodity prices" as well as uncertainty of the future path of major Central Banks' monetary policies. That said, the Committee highlighted once again the domestic economy's resilience in the event of an adverse impact from these factors.

Looking ahead, our baseline scenario is for the MPC to stay put on its monetary policy until year-end, as the recent retreat in inflation is mostly driven by temporary factors – namely, base effects – and is expected to eventually move higher as domestic demand dynamics improve further, labour market conditions remain tight and some fiscal loosening takes place in 2018, while external risks linger.

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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

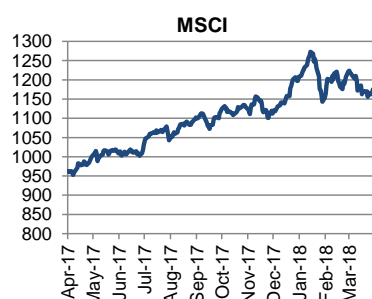
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

\* 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	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	B1	BB+	BB-

## GLOBAL MARKETS

## Stock markets

	Last	ΔD	ΔYTD
S&P 500	2663.99	0.8%	-0.4%
Nikkei 225	21778.74	0.5%	-4.3%
STOXX 600	379.02	0.1%	-2.6%

## FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.234	0.1%	2.8%
GBP/USD	1.4272	0.3%	5.6%
USD/JPY	107.66	-0.3%	4.7%

## Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.83	0	43
Bund-10yr	0.53	2	10
JGB - 10yr	0.04	0	-1

## Commodities

	Last	ΔD	ΔYTD
GOLD	1340	0.4%	2.8%
BRENT CRUDE	72	0.0%	7.7%
LMEX	3326	-0.8%	-2.7%

## SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.38	1	-14
1-week	2.50	0	-11
1-month	2.67	1	-18
3-month	2.91	1	-21
6-month	3.10	2	-14

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.83	0	-45
5Y RSD	4.14	2	-10
7Y RSD	4.52	-2	-66

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.44	0	45
USD Nov-24	-6.38	3	-644

## CDS

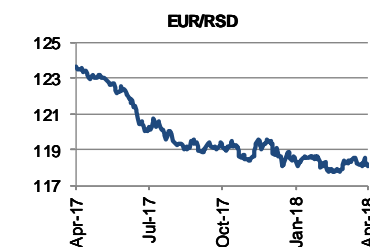
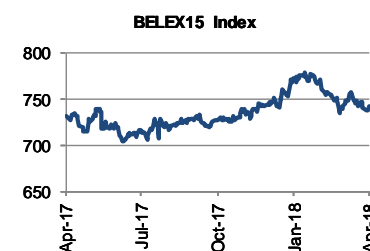
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	150	0	-12

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.7	0.48%	-2.38%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.27	-0.07%	0.54%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.39	0	30
1-month	1.6	0	-27
3-month	2.07	0	2
6-month	2.42	0	15
12-month	2.53	0	21

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.13	0	-25
5Y RON	3.96	0	18
10Y RON	4.45	0	13

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	0	-8
USD Jan-24	3.80	0	80

## CDS

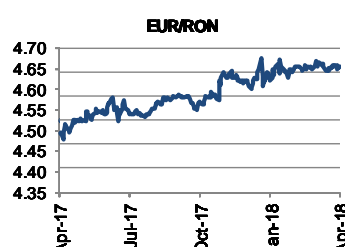
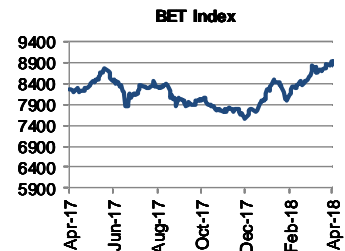
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	132	0	-1

## STOCKS

	Last	ΔD	ΔYTD
BET	8915.9	-0.14%	14.99%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6616	-0.03%	0.07%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	1	-3
3-month	-0.21	0	-3
6-month	-0.07	0	-2
12-month	0.24	0	-8

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	-1	1
5Y BGN	0.17	0	3
10Y BGN	1.02	0	6

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.13	0	21
EUR Sep-24	0.77	-1	20

## CDS

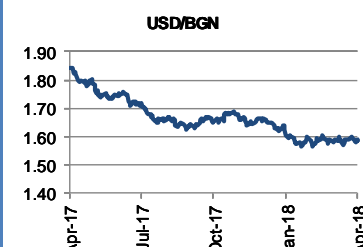
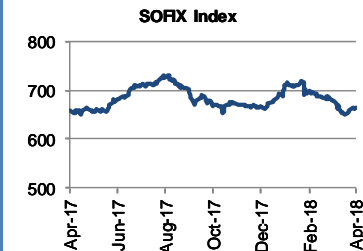
	Last	ΔDbps	ΔYTD bps
5-year	65	0	-32
10-year	106	0	-35

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	662.8	0.27%	-2.16%

## FOREX

	0	ΔD	ΔYTD
USD/BGN	1.585	0.11%	2.80%



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

Data updated as of 10:50 EST

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