



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday 16 April 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Apr 16
  - Empire State Index (Apr)
  - Retail sales (Mar)
  - NAHB index (Apr)
- April 17
  - Housing starts (Mar)
  - Housing permits (Mar)
  - Industrial production (Mar)
- Apr 18: Fed's Beige Book
- Apr 19
  - Initial jobless claims (14 Apr)
  - Philadelphia Fed Index (Apr)

##### EUROZONE

- Apr 17: German ZEW Index (Apr)
- April 18: Euro area CPI final (Mar)

##### UK

- Apr 17
  - Claimant count change (Mar)
  - Average earnings (Feb)
  - Unemployment rate (Feb)
- Apr 18: CPI (Mar)
- Apr 19: Retail sales (Mar)

##### GREECE

- April 20: Current account balance (Feb)

##### SEE

##### BULGARIA

- April 16
  - CPI (Mar)
  - U/E rate (Mar)
- April 19: Current account deficit (Feb)

##### ROMANIA

- April 16
  - T-Bonds auction
  - MPC meeting minutes
- April 19: T-Bonds auction

##### SERBIA

- April 16: T-Bonds auction
- April 19: Current account balance (Feb)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Appetite for risk taking appeared to be holding up well in early trade on Monday, denting the safe-haven appeal of core government bonds. Favored by higher German Bunds yields, yield premiums of EMU periphery sovereign bonds narrowed with the 10-yr SPGB-Bund yield spread falling to a one-week low of 71bps earlier today after Moody's upgraded Spain's rating by one notch to Baa1 with outlook stable on Friday. In FX markets, the USD was weaker against major currency peers with the GBP/USD standing close to Friday's 2 ½ month-peak of 1.4296 in the absence of negative Brexit news. The Spring Meetings of the IMF and the World Bank Group starts today in Washington.

**GREECE:** According to press reports, the German FinMin Olaf Scholz continues his predecessor's policy on Greece having stated that "Until the summer we expect the final review of the institutions on the implementation of the prior actions and the sustainability of the Greek debt. Athens must present a credible programme that guarantees growth prospects. And then we will discuss together the next steps (about the possible debt relief)". Greek Minister of Energy George Stathakis said that the divestment of the Public Power Corporation (PPC) lignite fired capacity units will be completed by the end of the year and that as regards DEPA, any potential obstacles to competition and conflicts of interest will soon be lifted opening the way for the examination of the alternative options for the exploitation of the 65% stake of the HRADF in the company.

### SOUTH EASTERN EUROPE

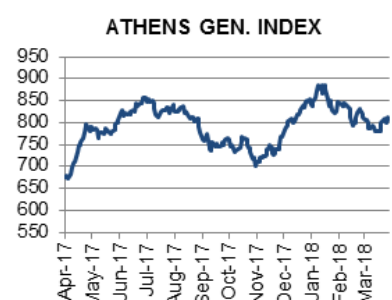
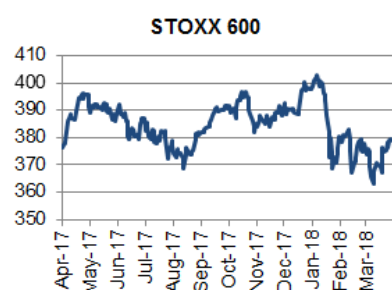
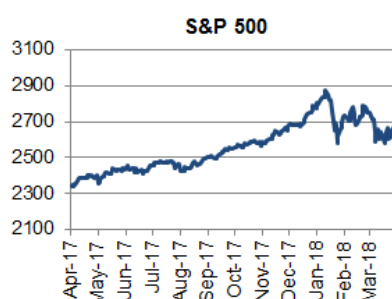
**BULGARIA:** The blue chip SOFIX index extended its recent gains last week, while external and local-currency government bonds ended the week little changed.

**SERBIA:** The Central Bank unexpectedly cut the key policy rate for the second time this year as inflation eased further over recent months, in a decision which appeared to have a rather limited impact on the FX market.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Appetite for risk taking appeared to be holding up well in early trade on Monday. The strike against Syrian President Bashar al-Assad's forces by the US, the UK and France in retaliation for a suspected poison gas attack in Douma in early April had been limited in scale and is not expected to escalate into a wider conflict after US President Donald Trump declared mission accomplished. In addition, trade tensions between the US and China did not show signs of further escalation after both China's President Xi Jinping and the US President adopted conciliatory tones last week fueling market hopes for a compromise that could avert a trade war. Equity markets' improved performance dented the safe-haven appeal of core government bonds. US Treasury yields moved higher across the curve with the 10-yr yield rising to 2.864% earlier today, the highest since March 27. German bund yields followed suit with the 10-yr paper yielding levels around 0.54% at the time of writing, the highest in three weeks in spite of a recent string of weaker than expected euro area hard data which suggested a modest slowdown in domestic economic activity. Favored by higher German Bund yields, yield premiums of EMU periphery sovereign bonds narrowed with the 10-yr SPGB-Bund yield spread falling to a one-week low of 71bps earlier today after Moody's upgraded Spain's rating by one notch to Baa1 with outlook stable on Friday, as expected, marking the third ratings upgrade for the country this year. In FX markets, the USD was weaker against major currency peers with the DXY index standing 0.2% lower on the day. The EUR/USD was hovering around 1.2360/65 at the time of writing, 0.3% firmer compared to the settlement in the prior session while the GBP/USD was standing close to Friday's  $2\frac{1}{2}$  month-peak of 1.4296 in the absence of negative Brexit news. Looking at this week's calendar, key data releases include US retail sales (Monday), US housing starts and industrial production (both on Tuesday) while around 15 FOMC members are scheduled to speak. The Fed's Beige Book is due on Wednesday while the Spring Meetings of the IMF and the World Bank Group will start today in Washington.

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### GREECE

The Greek FinMin met on Friday in Berlin his German counterpart Olaf Scholz with whom he discussed matters of European policy as well as Greece's post-programme growth strategy and potential debt relief. According to press reports, the German FinMin continues his predecessor's policy on Greece having stated that "Until the summer we expect the final review of the institutions on the implementation of the prior actions and the sustainability of the Greek debt. Athens must present a credible programme that guarantees growth prospects. And then we will discuss together the next steps (about the possible debt relief)". Meanwhile, in an interview, Greek Minister of Energy George Stathakis said that the divestment of the Public Power Corporation (PPC) lignite fired capacity units will be completed by the end of the year. In spite of the EU's decarbonisation strategy which renders such units more expensive, the Minister appeared optimistic that investors' interest will be strong whereas he expressed the view that the unions' and local communities' reactions to the divestment will be manageable. As regards DEPA, George Stathakis said that any potential obstacles to competition and conflicts of interest will soon be lifted opening the way for the examination of the alternative options for the exploitation of the 65% stake of the HRADF in the company.

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## 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

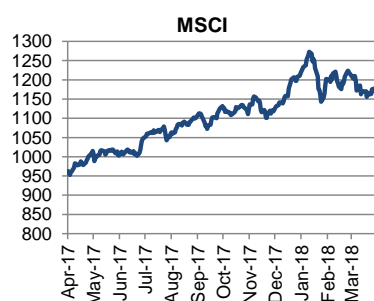
ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

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

The blue chip SOFIX index extended its recent gains last week, finishing 0.64% higher at 663.22 points on a weekly basis on Friday. The overall trading volume was thin with the weekly turnover at only €1.3mn in view of the Orthodox Easter holidays. Meanwhile, external government bonds ended the week little changed, with the only noticeable changes being respective declines of 1.3 bps and 0.9 bps in the yields of paper maturing in 2023 and 2024. Local currency bond yields also experienced drops last week, led by the 10 year tenor that saw its yield falling by 7 bps, followed by the 8 year tenor with a more modest 3.7 bps decrease.

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### SERBIA

Serbia's central bank cut the key policy rate for the second time this year as inflation eased further over recent months, with the headline consumer index falling below the lower bound of the 3.0% +/-1.5% tolerance target band. In more detail, CPI slowed to 1.4%YoY in March, the lowest level since 2016. Against this backdrop, NBS felt comfortable to deliver a fresh rate cut and lower the key policy rate from 3.25% to 3.00%. Although it was rather unexpected by markets, the MPC's latest decision appeared to have a limited impact on the FX market. For most of the week, the EUR/RSD traded around 118.05/25 – 118.15/35 with a move towards 118.20/40 after the surprise rate cut proving short-lived.

In other news, the World Bank changed its projections of Serbia's growth, from 3.5% to 3.0% for 2018. The Bank also pencils in a modest acceleration in real GDP growth in 2019 and 2020, to 3.5% and 4.0%, respectively. For the whole Balkan region World Bank envisions economic activity at a rate of 3.2% in 2018 and 3.5% in 2019, placing Serbia's projection on the region's average.

Separately, the local head office of Societe Generale Bank refrained of giving any comments over recent market rumors concerning the strategic decision of the group to sell its operations in Central and Eastern Europe.

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Monday 16 April 2018

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2656.30	-0.3%	-0.6%
Nikkei 225	21835.53	0.3%	-4.1%
STOXX 600	379.07	0.0%	-2.6%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.2339	0.1%	2.8%
GBP/USD	1.4252	0.1%	5.4%
USD/JPY	107.25	0.1%	5.1%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.85	3	45
Bund-10yr	0.55	4	12
JGB - 10yr	0.05	1	0

Commodities

	Last	ΔD	ΔYTD
GOLD	1343	-0.2%	3.1%
BRENT CRUDE	71	-1.7%	6.7%
LMEX	3316	-0.3%	-3.0%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.33	0	-19
1-week	2.45	0	-16
1-month	2.63	0	-22
3-month	2.87	0	-25
6-month	3.06	0	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.82	0	-46
5Y RSD	4.12	2	-12
7Y RSD	4.54	0	-64

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.46	0	46
USD Nov-24	-7.55	-22	-761

CDS

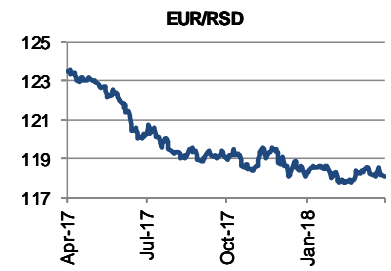
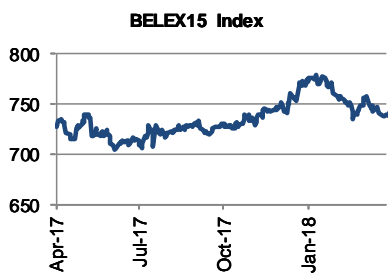
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	150	0	-12

STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.5	0.17%	-2.68%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.21	-0.01%	0.59%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.4	0	31
1-month	1.6	0	-27
3-month	2.07	0	2
6-month	2.41	0	14
12-month	2.53	0	21

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.09	0	-29
5Y RON	3.94	0	16
10Y RON	4.44	0	12

RO Eurobonds

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

CDS

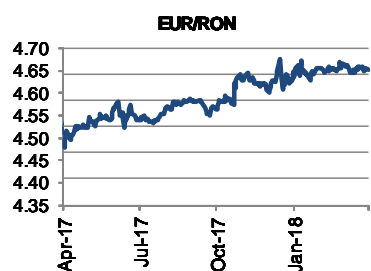
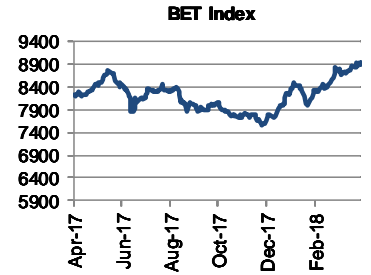
	Last	ΔDbps	ΔYTD bps
5-year	87	-1	-3
10-year	132	-1	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8922.8	0.58%	15.08%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6579	0.06%	0.15%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	0	-3
3-month	-0.20	0	-3
6-month	-0.07	0	-2
12-month	0.24	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.03	1	3
5Y BGN	0.20	3	6
10Y BGN	1.09	-1	12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.13	6	21
EUR Sep-24	0.77	-6	19

CDS

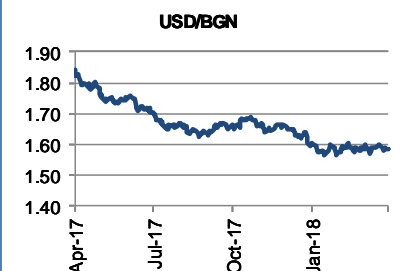
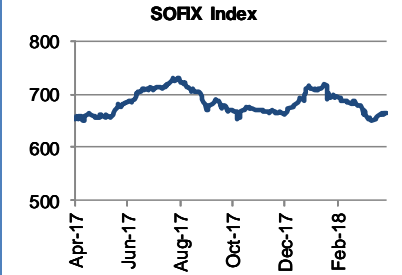
	Last	ΔDbps	ΔYTD bps
5-year	64	0	-32
10-year	106	0	-35

STOCKS

	Last	ΔD	ΔYTD
SOFIX	663.8	0.08%	-2.02%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5851	0.07%	2.79%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:45 EST

Monday 16 April 2018

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