

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: European equity markets opened higher on Tuesday, tracking gains in Wall Street overnight, amid less concern about the potential of retaliation from Russia to the US-led missile strikes in Syria. Market expectations for a hefty increase in Q1 earnings from S&P 500 companies and a rebound in US March retail sales, also favored risk sentiment. Wall Street's positive performance overnight and the US President's announcement that he intends to nominate Richard Clarida, a professor at Columbia University, as Vice Chairman of the Federal Reserve pushed US bond yields higher across the curve. In FX markets, the USD weakened across the board pressured by improved risk appetite and market uncertainty about the US administration's view on the currency.

GREECE: According to press reports, all four systemic banks (Eurobank, Alpha, NBG, Piraeus) performed well in the SSM stress tests and it is expected that they will pass the simulation exercise under both the baseline and adverse scenarios. The financial offers for the acquisition of 66% of the share capital of DESFA were unsealed yesterday and a further improved offer was requested by the highest bidder. The balance of travel services in Greece (Bank of Greece final data) increased on an annual basis by €1,523 mn or 13,6% in 2017. Travel receipts grew by 10.8 YoY% (+€1,423 mn) while travel payments dropped by -5.0 YoY% (+€101.0 mn).

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded mixed in morning trade on Tuesday, in the wake of Chinese macroeconomic data releases that painted a mixed picture of the world's second largest economy. However, risk appetite showed signs of improvement amid optimism about the Q1 US corporate earnings reports and somewhat easing geopolitical worries. In FX markets, the Romanian leu traded slightly weaker in morning European trade, having however hit a 2-month high of 4.6330/€ earlier in Asia amid tighter liquidity conditions after an unexpected Central Bank (NBR) deposit tender.

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Latest world economic & market developments

GLOBAL MARKETS

European equity markets opened higher on Tuesday, tracking gains in Wall Street overnight, amid less concern about the potential of retaliation from Russia to the US-led missile strikes in Syria. Market expectations for a hefty increase in Q1 earnings from S&P 500 companies and a 0.6% mom rebound in US March retail sales mainly thanks to a hefty increase in purchases of motor vehicles and other big-ticket items, also favored risk sentiment. Wall Street's positive performance overnight and the US President's announcement that he intends to nominate Richard Clarida, a professor at Columbia University, as Vice Chairman of the Federal Reserve pushed US bond yields higher across the curve. Assuming confirmation by the US Senate, the appointment of Richard Clarida is expected to add another hawkish voice in the Fed's Board of Governors following his warning back in December that investors may be "a little too relaxed" about the threat of higher inflation. US short-dated notes have underperformed longer dated paper so far this week with the 2/10-yr yield spread narrowing to a multi-year low of c. 45.5bps. In FX markets, the USD weakened across the board pressured by improved risk appetite and market uncertainty about the US administration's view on the currency after the US President accused China and Russia earlier this week of devaluing their currencies. The EUR/USD bounced to a three-week high of 1.2412 earlier today before retreating modestly to levels around 1.2395/98 in European trade while the GBP/USD hit a fresh post-UK referendum high of 1.4376 in the absence of negative Brexit related news and expectations for a BoE rate hike in May. A number of FOMC officials are scheduled to speak today including Philly Fed President Patrick Harker, Chicago Fed President Charles Evans and San Francisco Fed President John Williams.

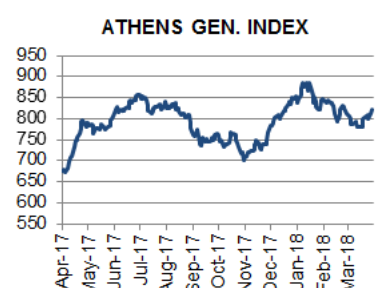
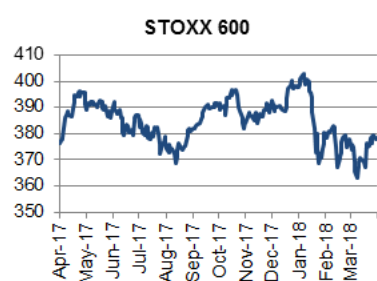
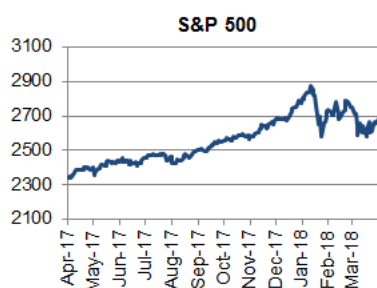
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GREECE

According to press reports, all four systemic banks (Eurobank, Alpha, NBG, Piraeus) performed well in the SSM stress tests and it is expected that they will pass the simulation exercise under both the baseline and adverse scenarios. The management teams of the four systemic banks will reportedly meet SSM officials tomorrow in Frankfurt to discuss the stress tests' results and their strategy to tackle high NPLs and strengthen their capital base in the long-term. In other news, the financial offers for the acquisition of 66% of the share capital of DESFA were unsealed yesterday. According to the terms of the tender process, it was requested from the Consortium of Snam S.p.A., Enagás Internacional S.L.U. and Fluxys S.A., which submitted the higher improved offer, to submit a further improved offer, which will be assessed at a subsequent meeting of HRADF's Board of Directors and by the appropriate corporate bodies of HELPE. On the economic data front, the balance of travel services in Greece (Bank of Greece final data) increased on an annual basis by €1,523 mn or 13.6% in 2017. Travel receipts grew by 10.8 YoY% (+€1,423 mn) while travel payments dropped by -5.0 YoY% (+€101.0 mn). The rebound of travel receipts came from an increase in the number of visitors by 7.4 YoY% (ca +2.1 mn people) and from an increase in the average expenditure per trip by 3.1 YoY% (+€15.0).

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Source: Reuters, Bloomberg, Eurobank Research

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets traded mixed in morning trade on Tuesday, in the wake of Chinese macroeconomic data releases that painted a mixed picture of the world's second largest economy. However, risk appetite showed signs of improvement amid optimism about the Q1 US corporate earnings reports and somewhat easing geopolitical worries. China's real GDP grew by 6.8%YoY in Q1 2018, in line with a market median forecast and growth recorded a quarter earlier. Retail sales beat investor expectations coming in at 10.1%YoY in March and bringing the year-to-date annual pace of increase to 9.8%. On the flipside, industrial production growth decelerated more than anticipated, coming in at 6.0%YoY in March vs. 6.3%YoY expected.

In FX markets, the Romanian leu traded slightly weaker in morning European trade, having however hit a 2-month high of 4.6330/€ earlier in Asia amid tighter liquidity conditions after an unexpected Central Bank (NBR) deposit tender. In more detail, the NBR announced and held yesterday a one week tenor deposit tender for banks for the first time since January 2011. The liquidity absorbing operation, mopped out RON18.7bn from the money market at a rate of 2.55%. Interbank rates and secondary market yields increased in response. The unanticipated by market participants operation also pushed domestic bond yields higher. Indicatively, the overnight deposit rate climbed to a four month high of 1.55% and the yield of the 2-year benchmark paper rose by 30bps to 2.78%.

The NBR move came in the aftermath of headline inflation reaching a new 5-year high of 5.0% YoY in March, well above the upper bound of the NBR's target interval (2.5+1%). We have long pointed out that Romania is an outlier in the region in terms of inflation metrics. The rising trend of core and headline CPI indices over recent months is proving uneven across the region allowing for different degrees of freedom in the respective Central Banks' monetary policies. The majority of those Central Banks maintain their cautiously accommodative stance. On the other hand, NBR has already delivered two rate hikes of 25bps each in the first two months of the year, which pushed the key policy rate to 2.25%, while confounding market expectations for a further increase in the last meeting deciding to hold its horses. As inflationary pressures have intensified lately two more rate hikes appear rather unavoidable in our view in the coming months. However, the liquidity absorbing operation, a de-facto monetary policy tightening tool, could most probably be considered as a substitute for further rate hikes, thus buying the Central Bank more time to assess the situation.

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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

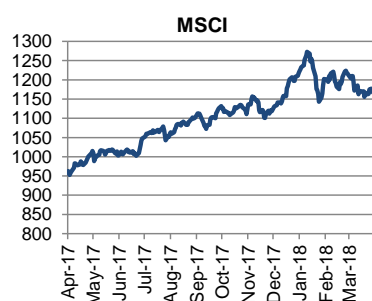
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

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

Tuesday 17 April 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	2677.84	0.8%	0.2%	EUR/USD	1.2406	0.2%	3.3%	UST - 10yr	2.84	1	44	GOLD	1348	0.2%	3.5%
Nikkei 225	21847.59	0.1%	-4.0%	GBP/USD	1.437	0.2%	6.3%	Bund-10yr	0.53	1	11	BRENT CRUDE	72	0.5%	7.3%
STOXX 600	378.25	0.1%	-2.8%	USD/JPY	106.96	0.1%	5.4%	JGB - 10yr	0.04	0	0	LMEX	3387	2.1%	-0.9%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	1	-18
1-week	2.46	1	-15
1-month	2.63	0	-22
3-month	2.87	0	-25
6-month	3.07	1	-17

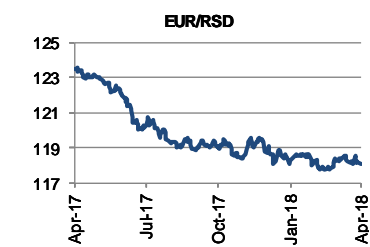
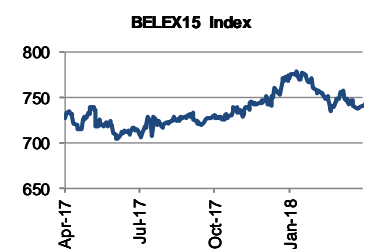
RS Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RSD	3.83	0	-45
5Y RSD	4.11	0	-14
7Y RSD	4.54	0	-64

RS Eurobonds	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.45	0	46
USD Nov-24	-8.77	-77	-881

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

STOCKS	Last	ΔD	ΔYTD
BELEX15	741.2	0.24%	-2.45%

FOREX	Last	ΔD	ΔYTD
EUR/RSD	118.36	0.21%	0.47%



ROMANIA

Money Market	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	1.91	0	82
1-month	1.98	0	11
3-month	2.13	0	8
6-month	2.46	0	19
12-month	2.57	0	25

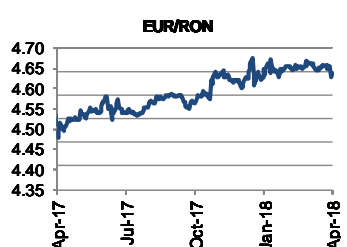
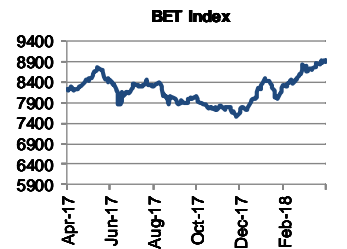
RO Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RON	3.17	0	-22
5Y RON	4.00	0	22
10Y RON	4.49	0	17

RO Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	#N/A	N/A
USD Jan-24	3.81	1	82

CDS	Last	ΔDbps	ΔYTD bps
5-year	86	0	-4
10-year	131	0	-2

STOCKS	Last	ΔD	ΔYTD
BET	8921.6	0.20%	15.06%

FOREX	Last	ΔD	ΔYTD
EUR/RON	4.6476	-0.20%	0.37%



BULGARIA

Money Market	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	1
1-month	-0.29	-1	-3
3-month	-0.20	0	-3
6-month	-0.07	0	-2
12-month	0.24	0	-8

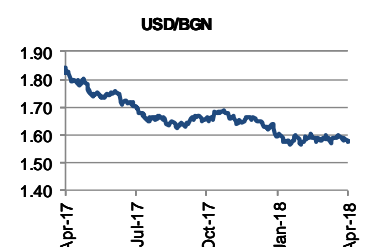
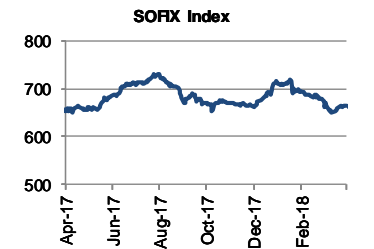
BG Local Bonds	Last	ΔDbps	ΔYTD bps
(yields)			
3Y BGN	-0.04	1	3
5Y BGN	0.19	0	5
10Y BGN	1.04	0	7

BG Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.13	0	21
EUR Sep-24	0.77	-1	19

CDS	Last	ΔDbps	ΔYTD bps
5-year	64	0	-32
10-year	106	0	-36

STOCKS	Last	ΔD	ΔYTD
SOFIX	663.2	0.04%	-2.10%

FOREX	Last	ΔD	ΔYTD
USD/BGN	1.5765	0.22%	3.36%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:15 EST

Tuesday 17 April 2018

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