

### 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:** In its updated World Economic Outlook report, the IMF foresees the current global economic upswing to continue in the next two years warning though that risks prevail threatening to derail growth prematurely in the next several quarters. Looking beyond the next couple of years, the IMF was more pessimistic expecting global growth to slow. In spite of the Fund's skeptical assessment on long-term global growth prospects, major European equities were in positive territory in early trade, while US sovereign bond yields were higher and the DXY index was slightly firmer on the day following yesterday's positive US data. Looking at today's calendar, we expect the final release of Eurozone inflation data and UK CPI, both for March, ahead of the Fed's Beige Book.

**GREECE:** In its World Economic Outlook (WEO), April 2018 released yesterday the IMF revised downwards its projections for Greece's GDP annual growth to 2.0% for 2018 and 1.8% for 2019 (from 2.6% in 2018 and 1.9% in 2019 in WEO, October 2017) whereas unemployment was revised to 19.8% in 2018 and 18.0% in 2019 (from 20.7% and 19.5% respectively in WEO October 2017)./The Ministry of Finance published the preliminary State Budget Execution for January-March 2018. The State Budget balance for the January-March 2018 period registered a surplus of EUR0.40 billion, versus a 2018 Budget targeted deficit of EUR0.82 billion for the respective period. The State Budget Primary Balance registered a surplus of EUR2.32 billion versus a 2018 Budget targeted surplus of EUR1.09 billion.

### SOUTH EASTERN EUROPE

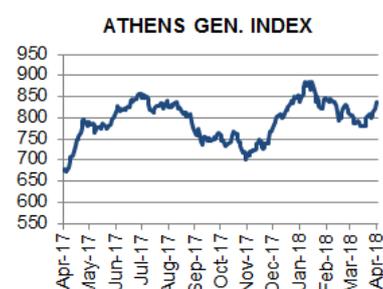
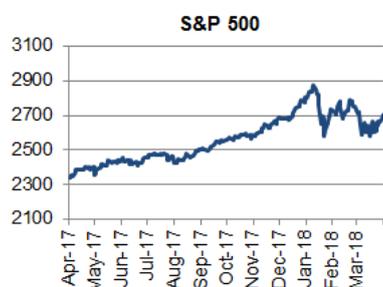
**CYPRUS:** Despite the intense restructuring efforts of the banks on their portfolios, the ratio of non-performing exposures still remains at relatively high levels.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In its updated World Economic Outlook report released yesterday, the IMF foresees the current global economic upswing that began around mid-2016 to continue in the next two years with global growth reaching 3.9% in both 2018 and 2019 from 3.7% in 2017, unchanged relative to the January 2018 forecast and 0.2% higher compared to the October 2017 projection. However, the IMF cautioned that risks prevail threatening to derail growth prematurely in the next several quarters including the prospect of trade restrictions and retaliation, the prospect of monetary policy tightening sooner than expected, geopolitics and the renewed popularity of nationalistic policies. Looking beyond the next couple of years, the IMF was more pessimistic expecting global growth to slow as, among others, the US fiscal stimulus subsides, China's transition to gradual slowdown resumes and financial conditions tighten as output gaps close and CBs tighten monetary policy. In spite of the IMF's skeptical assessment on long-term global growth prospects, major European equities were in positive territory in early trade, tracking Wall Street's gains overnight, amid expectations for a hefty increase in Q1 earnings from S&P 500 companies, less concerned about the potential of retaliation from Russia to the US-led missile strikes and optimism that the US and China could compromise and avert a trade war. Meanwhile, US Treasury yields were higher on the day following yesterday's positive US industrial production and housing starts data, both for March. The 2-yr yield marked a fresh multi-year high close to 2.41% earlier today while the 10-yr paper was yielding levels around 2.84% at the time of writing, c. 2bps higher on the day. In FX markets, the DXY index was 0.1% firmer on a daily basis with the EUR/USD pulling back 0.4% from Tuesday's three-week peak of 1.2413. Meanwhile, the GBP/USD was 0.1% weaker on the day after marking a multi-month high of 1.4376 on Tuesday following positive UK employment data which added to the view for a BoE rate hike at the next policy meeting on 10 May. Looking at today's calendar, we expect the final release of Eurozone inflation data and UK CPI, both for March, ahead of the Fed's Beige Book.

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### GREECE

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Wednesday 18 April 2018

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

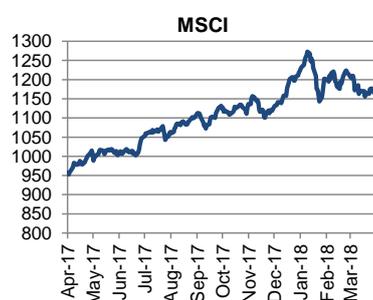
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	B1	BB+	BB-

## Latest economic & market developments in the CESEE region

### CYPRUS

Despite the intense restructuring efforts of the banks on their portfolios, the ratio of non-performing exposures still remains at relatively high levels. According to the data released by the Central Bank of Cyprus, the stock of non-performing exposures (NPEs) declined by €3.2bn in FY2017 compared to €2.9bn in FY2016, bringing the stock of NPEs down by 24.5% in the period between December 2014 – June 2017. The decline in NPEs reflects three main factors: increased repayments, the migration of successful restructurings to performing exposures after the completion of the observance period plus write-offs and settlements through immovable property exchange. At the same time, total exposures (performing plus non-performing) decreased by €3.3bn (from €50.4bn in 2016 to €47.1bn in 2017), resulting in the ratio of NPEs to total facilities decline to 43.7% in December 2017 compared to 47.2% in December 2016, 45.8% in December 2015 and 47.8% in December 2014.

Based on the EBA conservative definition a restructured NPE is still classified as an NPE for a probation period of at least 12 months, even if it is serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified in NPEs (€8.5bn out of €12.8bn in Dec2017). Meanwhile the provisions coverage ratio stood at 46.8% in December 2017-marginally lower than 46.9% in September 2017-but significantly higher than 41.6% in December 2016 and 37.5% in December 2015. The aforementioned development illustrates the increase in provisions reflecting the SSM directions to the domestic banks. At the end of the fourth quarter of 2017, out of the 23,621 accumulated applications for restructuring, agreements with the borrowers had been concluded in 3,556 cases (15%), 19,029 cases (80.6%) had been carried forward to be examined in the next quarter while 1,036 cases (4.4%) had been rejected either by the bank or the borrower.

Overall, the NPE ratio remains extremely high and, as of September 2017, the ratio in Cyprus is the second highest in the Euro Area behind Greece. It is important to note that the stock of NPEs is even larger when measured relative to the size of the economy. The NPEs as a percentage of GDP stood at 107.1% in December 2017 down from 130.7% in December 2016, compared to 150.3% in December 2014.

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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	2706.39	1.1%	1.2%	EUR/USD	1.2364	0.0%	3.0%	UST - 10yr	2.83	0	43	GOLD	1346	-0.1%	3.3%
Nikkei 225	22158.20	1.4%	-2.7%	GBP/USD	1.4276	-0.1%	5.6%	Bund-10yr	0.51	0	8	BRENT CRUDE	72	0.7%	7.8%
STOXX 600	380.99	0.1%	-2.1%	USD/JPY	107.3	-0.3%	5.0%	JGB - 10yr	0.04	-1	-1	LMEX	3382	-0.1%	-1.1%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	0	-18
1-week	2.45	-1	-16
1-month	2.62	-1	-23
3-month	2.87	0	-25
6-month	3.07	0	-17

RS Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RSD	3.83	0	-45
5Y RSD	4.09	-1	-15
7Y RSD	4.54	0	-64

RS Eurobonds	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.47	0	47
USD Nov-24	-9.19	-31	-926

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

STOCKS	Last	ΔD	ΔYTD
BELEX15	740.0	-0.08%	-2.61%

FOREX	Last	ΔD	ΔYTD
EUR/RSD	118.21	-0.05%	0.59%



ROMANIA

Money Market	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	1.9	0	81
1-month	2.07	0	20
3-month	2.13	0	8
6-month	2.46	0	19
12-month	2.58	0	26

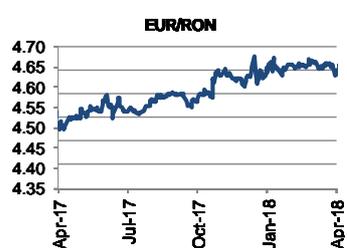
RO Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RON	3.14	0	-25
5Y RON	3.98	0	20
10Y RON	4.43	0	12

RO Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	#N/A	N/A
USD Jan-24	3.81	0	81

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

STOCKS	Last	ΔD	ΔYTD
BET	8938.9	0.14%	15.29%

FOREX	Last	ΔD	ΔYTD
EUR/RON	4.6506	-0.11%	0.31%



BULGARIA

Money Market	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	1
1-month	-0.29	0	-3
3-month	-0.21	0	-3
6-month	-0.07	0	-2
12-month	0.24	0	-8

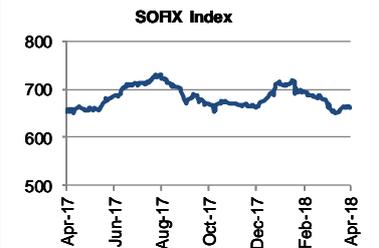
BG Local Bonds	Last	ΔDbps	ΔYTD bps
(yields)			
3Y BGN	-0.06	-1	1
5Y BGN	0.17	-2	3
10Y BGN	1.04	0	7

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

CDS	Last	ΔDbps	ΔYTD bps
5-year	64	0	-33
10-year	105	0	-36

STOCKS	Last	ΔD	ΔYTD
SOFIX	661.4	0.02%	-2.37%

FOREX	Last	ΔD	ΔYTD
USD/BGN	1.5818	-0.03%	3.01%



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

Data updated as of 10:50 EST

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