

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
- April 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: US Treasury yields remained on a steady but gradual upward trend on Thursday amid heightened supply jitters and market expectations for a gradual increase in Fed interest rates. German Bunds followed suit while EMU sovereign debt spreads narrowed. In FX markets, the USD remained range bound and the GBP weakened against most of major currency peers after UK March inflation data came in weaker than expected. In other news, crude oil hit the highest level since November 2014, on newswires reports suggesting that top oil exporter Saudi Arabia would be happy to seek crude oil price rise to \$80 or even \$100/barrel.

GREECE: The Washington Group is expected to convene tomorrow on the sidelines of the IMF/World Bank Spring Meetings, to discuss the mechanism that will link Greece's GDP growth with potential debt relief. German newspaper Süddeutsche Zeitung reported that according to a European official an overall agreement in May is considered unlikely with the negotiations slipping into June and thus possibly leading to the extension of the programme itself. The Governor of the Bank of Greece Yiannis Stournaras said that the ECB should maintain its waiver on Greek government bonds continuing to accept them as collateral even if they are still below investment grade after the end of the ESM programme. The HRADF launched yesterday an international public tender process for the sale of a majority stake (no less than 50.1%) in the share capital of HELPE.

SOUTH EASTERN EUROPE

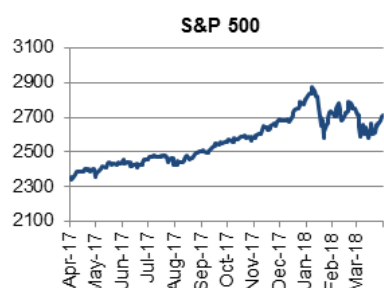
CESEE MARKETS: Emerging market assets broadly kicked off the day on a positive footing amid global growth optimism and somewhat easing concerns over geopolitical jitters and trade tensions. Turkish President Tayyip Erdogan announced yesterday that early presidential and parliamentary elections would be held on June 24 this year.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasury yields remained on a steady but gradual upward trend on Thursday amid heightened supply jitters. In its April 2018 edition of Fiscal Monitor, the IMF projects a rise in the US general government gross debt-to-GDP ratio from 107.8% in 2017 to 116.9% in 2023 with the US being the sole advanced economy where this measure is expected to increase over the five-year horizon. Market expectations for a gradual increase in Fed interest rates continued to have an impact, supported by a recent string of firmer than expected US data and the Fed's latest Beige Book released yesterday which suggested that, though concerned about US administration's tariffs, businesses "remained positive" about the US growth outlook. The 2-yr US yield hit a fresh multi-year high close to 2.44% while the 10-yr paper was yielding levels slightly below 2.89% at the time of writing, 1.8bps higher on the day. German Bund yields followed suit with the 10-yr Bund yield rising to a one-month high of 0.56% earlier today, shrugging off a downward revision in euro area March headline inflation to 1.3%YoY from 1.4% initially reported. Favored by higher Bund yields, EMU sovereign debt spreads narrowed with the 10-yr BTP-Bund spread dropping to 118bps, the lowest since September 2016. In FX markets, the USD remained range bound while the GBP weakened against most of major currency peers after UK March inflation unexpectedly fell to 2.5%YoY in March from 2.7%YoY in February, raising uncertainty over the BoE's policy deliberations after the next policy meeting in May where a 25bps rate hike is widely expected. In other news, crude oil was 1.3% higher on the day and 2.6% firmer so far this year rising to \$74.44/barrel in early European trade, the highest since November 2014, on newswires reports suggesting that top oil exporter Saudi Arabia would be happy to seek crude oil price rise to \$80 or even \$100/barrel.

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GREECE

The Washington Group (comprised of the Finance Ministers of Germany, France, Italy and Spain, the President of the ESM, the Head of the IMF European Department, the ECB's mission chief in Greece, the EU Director-General for Economic and Financial Affairs and the Eurogroup President) is expected to convene tomorrow on the sidelines of the IMF/World Bank Spring Meetings, to discuss the mechanism that will link Greece's GDP growth with potential debt relief. It is noted that the IMF has revised upwards its projection for the primary surplus of 2018 at 2.86% of GDP (from 2.22% in October 2017), which may help talks although it is still below the programme target of 3.5% of GDP. Meanwhile, German newspaper Süddeutsche Zeitung reported that according to a European official an overall agreement in May is considered unlikely with the negotiations slipping into June and thus possibly leading to the extension of the programme itself. In other news, the Governor of the Bank of Greece Yiannis Stournaras said during a speech at the London School of Economics that the ECB should maintain its waiver on Greek government bonds continuing to accept them as collateral even if they are still below investment grade after the end of the ESM programme as this would reduce the cost of funding for Greek banks both from the ECB and through repo transactions. He also projected that GDP will grow 2.0%YoY in 2018. On the privatisations front, the Hellenic Republic of Assets and Participations (HRADF) launched yesterday an international public tender process for the sale of a majority stake (no less than 50.1%) in the share capital of Hellenic Petroleum S.A. (HELPE). The tender process will be conducted in two phases, a pre-qualification phase and a binding offers phase and investors are invited to submit their expression of interest no later than 18 May 2018.

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Thursday 19 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

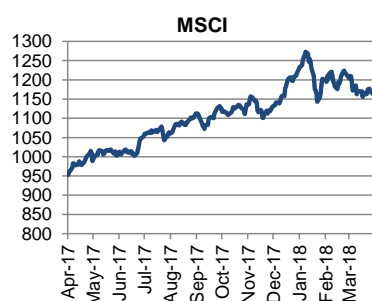
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets broadly kicked off the day on a positive footing amid global growth optimism and somewhat easing concerns over geopolitical jitters and trade tensions. In this context, the MSCI Emerging Markets index firmed 0.8% on the day in morning European trade on Thursday, following yesterday's gains of 1% that also came on the back of China's unexpected Central Bank decision to cut banks' reserve requirements. Moreover, the ongoing rally in commodities provided an additional lift to related shares. The majority of stock indices in the CESEE region also traded in the black earlier on Thursday. However, underperformed other emerging market peers. Turkey's BIST 100, which jumped by 3% on the day on Wednesday in the aftermath of the announcement of early elections, stood in a marginally positive territory in European trade as yesterday's rally appeared to be running out of steam.

President Tayyip Erdogan announced yesterday that early presidential and parliamentary elections would be held on June 24 this year, earlier than initially scheduled for November 2019, citing geopolitical tensions in Syria as well as macroeconomic issues and large investments that necessitate a swiftly switch to an executive presidency that comes into effect after the polls. Recall that, voters approved in April last year a referendum backed by the ruling AKP and the MHP on eighteen constitutional amendments which effectively replace the existing parliamentary system into an executive presidency. Some of the amendments had come immediately into effect in the wake of last year's plebiscite. But, some others, including the strengthening of the Presidential authority as well as the abolishment of the Prime Minister's post, are due to come into effect with the next presidential elections, which have now been brought forward to June this year.

The news somewhat eased worries over a prolongation of political uncertainty providing support to local financial assets. Against this backdrop, the Turkish lira also rallied yesterday firming by ca 2.2% on the day in a move that marked its best daily performance in more than a year. However, the currency gave back a small part of those gains earlier today on profit taking. Along these lines, the USD/TRY hovered around levels of 4.0330 having slightly pulled back from Wednesday's 2-week trough of 4.0025. The pair currently stands 4% lower from a record peak of 4.1920 hit about a week earlier amid increased concerns over the lack of a more aggressive Central Bank monetary policy response despite elevated, double-digit inflation, the lira's sharp weakness so far this year and escalating geopolitical tensions in Syria as well as high external vulnerabilities.

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Thursday 19 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	2708.64	0.1%	1.3%	EUR/USD	1.2393	0.2%	3.2%	UST - 10yr	2.88	1	48	GOLD	1354	0.3%	3.9%
Nikkei 225	22191.18	0.1%	-2.5%	GBP/USD	1.4208	0.0%	5.1%	Bund-10yr	0.56	3	13	BRENT CRUDE	74	1.0%	10.9%
STOXX 600	381.89	0.0%	-1.9%	USD/JPY	107.3	-0.1%	5.0%	JGB - 10yr	0.04	1	0	LMEX	3494	3.3%	2.2%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	0	-18
1-week	2.46	1	-15
1-month	2.63	1	-22
3-month	2.87	0	-25
6-month	3.08	1	-16

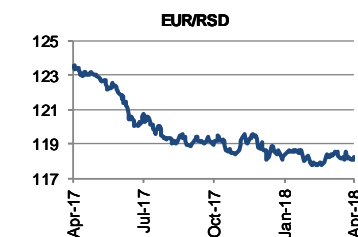
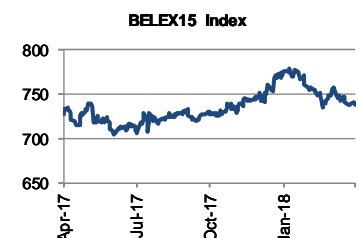
RS Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RSD	3.73	-1	-55
5Y RSD	4.09	0	-15
7Y RSD	4.54	-1	-64

RS Eurobonds	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.46	-1	47
USD Nov-24	-14.49	-487	-1454

CDS	Last	ΔDbps	ΔYTD bps
5-year	108	-1	-10
10-year	150	0	-12

STOCKS	Last	ΔD	ΔYTD
BELEX15	737.4	-0.43%	-2.95%

FOREX	Last	ΔD	ΔYTD
EUR/RSD	118.40	-0.18%	0.43%



ROMANIA

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.55	0	46
1-month	2.03	0	16
3-month	2.13	0	8
6-month	2.46	0	19
12-month	2.58	0	26

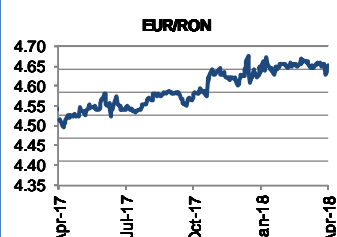
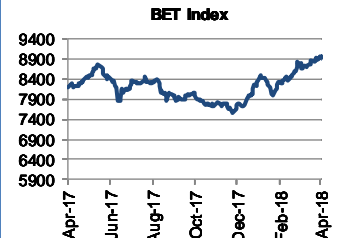
RO Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RON	3.15	0	-23
5Y RON	3.96	0	18
10Y RON	4.40	0	9

RO Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	0	-8
USD Jan-24	3.82	1	82

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

STOCKS	Last	ΔD	ΔYTD
BET	8950.4	0.19%	15.43%

FOREX	Last	ΔD	ΔYTD
EUR/RON	4.6582	-0.12%	0.14%



BULGARIA

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

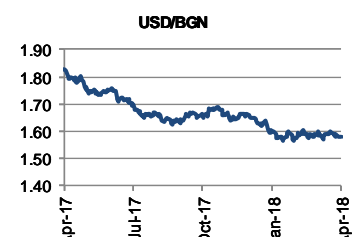
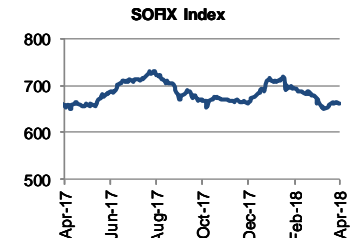
BG Local Bonds	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	1	2
5Y BGN	0.17	0	3
10Y BGN	1.03	0	7

BG Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.13	1	20
EUR Sep-24	0.77	-6	19

CDS	Last	ΔDbps	ΔYTD bps
5-year	63	0	-33
10-year	104	-1	-38

STOCKS	Last	ΔD	ΔYTD
SOFIX	660.9	0.06%	-2.45%

FOREX	Last	ΔD	ΔYTD
USD/BGN	1.5781	0.16%	3.25%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:50 EST

Thursday 19 April 2018

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