



# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday 20 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:** Equity markets' positive momentum that prevailed over the last few sessions vanished yesterday amid market concerns about waning demand for mobile-phone handsets. Favored by renewed risk aversion, US Treasuries gained some ground. In FX markets, the USD was little changed on the day while the GBP was weaker across the board following comments by BoE Governor Mark Carney which raised uncertainty over the prospect of a rate hike at the MPC's next meeting on 10 May. The EUR/CHF extended recent gains hitting the highest level since January 2015.

**GREECE:** Eurogroup President Mario Centeno rebuffed speculation regarding a potential credit line for Greece after the programme expires while EU Commissioner Pierre Moscovici spoke about a post-programme arrangement that supports the continued implementation in the coming years of the adopted reforms, as well as the pursuit of sound fiscal policies. The consortium composed of the companies "Snam S.p.A.", "Enagás Internacional S.L.U." and "Fluxys S.A.", was nominated preferred investor for the acquisition of a 66% stake in DESFA having offered an amount equal to EUR535 million. According to ELSTAT the overall turnover index in industry in February 2018, recorded an increase of 3.1%YoY and a decrease of 3.2%MoM.

### SOUTH EASTERN EUROPE

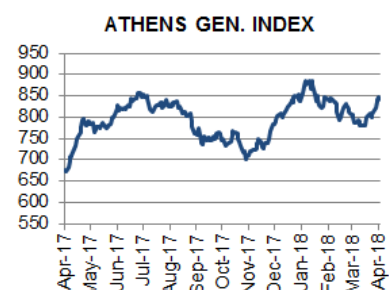
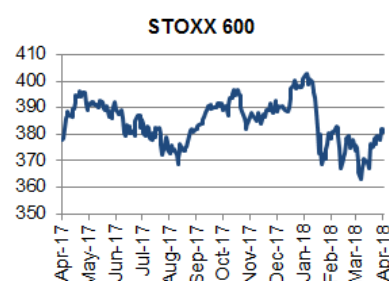
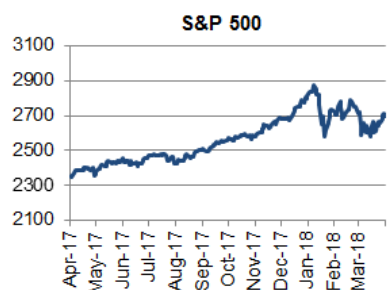
**CESEE MARKETS:** Emerging market assets gave back part of their recent gains in morning trade on Friday, as technology shares fell on worries over smartphone demand and revived inflation concerns, in view of the recent rally in commodity prices, which pushed UST bond yields higher.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Equity markets' positive momentum that prevailed over the last few sessions vanished yesterday with major US equity markets closing slightly lower amid renewed market concerns about waning demand for mobile-phone handsets following a disappointing sales forecast from a Taiwan semiconductor company which is the main chip supplier for mobile phones. However, on a weekly basis, the majority of global equity markets were higher favored by abating geopolitical tensions, rising optimism that a global trade war will likely be averted, expectations of hefty Q1 earnings results from S&P companies and the IMF's updated Work Outlook report which conveyed a positive global growth outlook for the next two years. Favored by equity markets' lackluster performance, US Treasuries gained some ground. The 10-yr US yield was hovering around 2.915% at the time of writing in early European trade, having retreated from Thursday's 2.934% one-month high, albeit still c. 8.7bps higher so far this week following a string of positive US data and renewed supply jitters. Along these lines, the 10-yr German Bund yield was up c. 8.6bps on a weekly basis, the highest weekly rise since early February in spite of disappointing euro area data released in the last few sessions including a downward revision in the March CPI figure and a higher than expected drop in German ZEW investor sentiment for April to the lowest level in more than five years. In FX markets, the GBP was weaker across the board following comments by BoE Governor Mark Carney which raised uncertainty over the prospect of a rate hike at the MPC's next meeting on 10 May. The GBP/USD retreated to levels close to 1.4030 today after hitting a post-Brexit referendum high of 1.4376 earlier this week while the EUR/GBP marked a three week high close to 0.88%. Elsewhere, the EUR/CHF extended recent gains hitting an intraday peak of 1.2005 earlier today, the highest since January 2015 when the SNB abandoned the currency floor.

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### GREECE

The Washington Group is expected to discuss today on the sidelines of the IMF/World Bank Spring Meetings, the mechanism that will link Greece's GDP growth with potential debt relief but according to a number of officials, no decisions are likely to be made before June 2018. Meanwhile, responding to speculation about a potential credit line after the programme expires in Aug 2018, the Eurogroup President Mario Centeno clarified that "there are still decisions to take on the continuation of this process, but those are framed around the debt mechanisms (...) for the medium and the longer term and around the typical surveillance that Portugal, Ireland and other programme countries also had". On the subject, EU Commissioner Pierre Moscovici stated yesterday: "we will need to agree a post-programme arrangement that supports the continued implementation in the coming years of the adopted reforms, as well as the pursuit of sound fiscal policies – but which is not a new programme in disguise." In other news, the consortium composed of the companies "Snam S.p.A.", "Enagás Internacional S.L.U." and "Fluxys S.A.", was nominated preferred investor for the acquisition of a 66% stake in "Hellenic Gas Transmission System Operator S.A." (DESFA), i.e. 31% from HRADF and 35% from "Hellenic Petroleum S.A." (HELPE) having offered an amount equal to EUR 535 million. On the economic news front, according to the Hellenic Statistical Authority (ELSTAT) the overall turnover index in industry in February 2018, recorded an increase of 3.1%YoY and a decrease of 3.2%MoM. The average overall turnover index in industry for the 12-month period from March 2017 to February 2018 increased by 9.6%, compared with the corresponding index of the 12-month period from March 2016 to February 2017.

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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

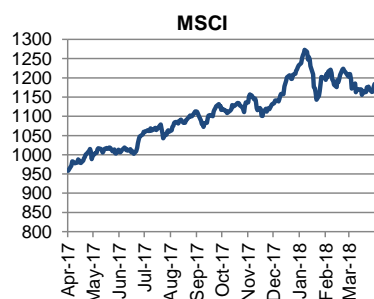
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

| 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-   |

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Emerging market assets gave back part of their recent gains in morning trade on Friday, as technology shares fell on worries over smartphone demand and revived inflation concerns, in view of the recent rally in commodity prices, which pushed UST bond yields higher. Meanwhile a firmer US dollar weighed on currencies. As a result, the MSCI Emerging Markets index snapped a 3-session rising streak to register a 1.2% daily decline in European trade today in a move that erased fully gains recorded earlier this week. That said, declines in CESEE bourses were modest with Turkey's and Hungary's main indices leading the down-move, each marking a ca 0.5% drop. On the flipside, those in Poland and Ukraine bucked the negative trend to stand in a marginally positive territory at the time of writing.

In FX markets, the Turkish lira hovered around levels of 4.0405/\$ at the time of writing, slightly firmer on the day and not too far from a 2-week 4.0050/\$ high hit intraday a couple of sessions earlier. The currency extended this week gains recorded since reaching a lifetime trough near 4.1935/\$ on April 11 after the announcement of snap general and presidential elections by President Tayyip Erdogan on Wednesday. In this context, Turkish assets were supported by somewhat eased worries over a prolongation of political uncertainty and mitigated fiscal easing concerns as increased government spending aimed at supporting the domestic economy will likely be lifted earlier than anticipated before, in view of the early polls which are now scheduled for June 24<sup>th</sup>. This reduces the period of any uncertainty to two months rather than 1.5 years as was the case before when elections were due to be held on November 2019. Meanwhile, expectations for a Central Bank rate hike as soon as next week have intensified of late as the government will likely seek to ensure stability in financial markets ahead of the elections.

Today's calendar of macroeconomic developments and events in the CESEE region is relatively light for the remainder of the day, with a sovereign rating review by S&P on Ukraine's debt amongst those worth noting. Looking further ahead, focus turns to next week's Central Bank meetings in Turkey and Hungary. With the latter broadly anticipated to stay put on its accommodative monetary policy, investor attention will likely centre around the former. Note that market talk for an interest rate hike has intensified since the announcement of early elections by Turkish President Tayyip Erdogan.

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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       | 2693.13  | -0.6% | 0.7%  | EUR/USD | 1.2326 | -0.2% | 2.7%             | UST - 10yr | 2.92 | 1     | 51          | GOLD        | 1341 | -0.3% | 2.9%  |
| Nikkei 225    | 22162.24 | -0.1% | -2.6% | GBP/USD | 1.4046 | -0.3% | 3.9%             | Bund-10yr  | 0.60 | 0     | 17          | BRENT CRUDE | 74   | -0.3% | 10.0% |
| STOXX 600     | 380.78   | -0.3% | -2.2% | USD/JPY | 107.57 | -0.2% | 4.8%             | JGB - 10yr | 0.06 | 2     | 1           | LMEX        | 3459 | -1.0% | 1.2%  |

SERBIA

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N     | 2.34 | 0     | -18      |
| 1-week  | 2.45 | -1    | -16      |
| 1-month | 2.63 | 0     | -22      |
| 3-month | 2.88 | 1     | -24      |
| 6-month | 3.07 | -1    | -17      |

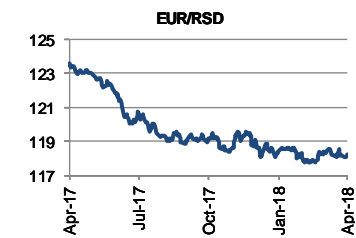
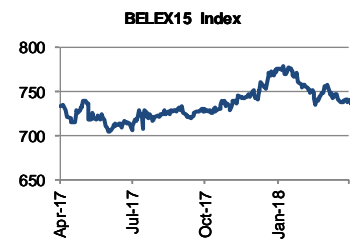
| RS Local Bonds | Last | ΔDbps | ΔYTD bps |
|----------------|------|-------|----------|
| 3Y RSD         | 3.74 | 0     | -54      |
| 5Y RSD         | 4.09 | -3    | -15      |
| 7Y RSD         | 4.54 | 2     | -64      |

| RS Eurobonds | Last   | ΔDbps | ΔYTD bps |
|--------------|--------|-------|----------|
| USD Feb-20   | 3.49   | 0     | 50       |
| USD Nov-24   | -17.88 | -222  | -1793    |

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

| STOCKS  | Last  | ΔD     | ΔYTD   |
|---------|-------|--------|--------|
| BELEX15 | 739.1 | -0.09% | -2.72% |

| FOREX   | Last   | ΔD    | ΔYTD  |
|---------|--------|-------|-------|
| EUR/RSD | 118.13 | 0.00% | 0.66% |



ROMANIA

| ROBOR    | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N      | 1.48 | 0     | 39       |
| 1-month  | 2.06 | 4     | 19       |
| 3-month  | 2.13 | 1     | 8        |
| 6-month  | 2.46 | 0     | 19       |
| 12-month | 2.59 | 1     | 27       |

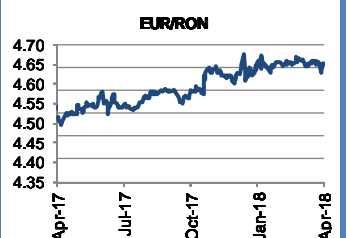
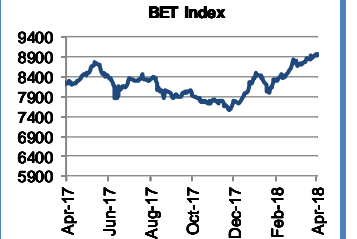
| RO Local Bonds | Last | ΔDbps | ΔYTD bps |
|----------------|------|-------|----------|
| 3Y RON         | 3.24 | 0     | -15      |
| 5Y RON         | 4.02 | 0     | 24       |
| 10Y RON        | 4.44 | 0     | 13       |

| RO Eurobonds | Last | ΔDbps | ΔYTD bps |
|--------------|------|-------|----------|
| EUR Oct-25   | 1.52 | #N/A  | N/A      |
| USD Jan-24   | 3.86 | 1     | 86       |

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

| STOCKS | Last   | ΔD     | ΔYTD   |
|--------|--------|--------|--------|
| BET    | 8940.8 | -0.13% | 15.31% |

| FOREX   | Last   | ΔD     | ΔYTD  |
|---------|--------|--------|-------|
| EUR/RON | 4.6605 | -0.05% | 0.09% |



BULGARIA

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

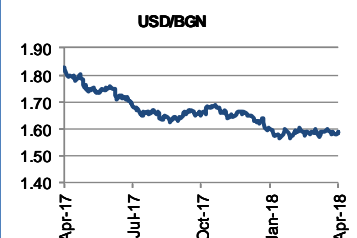
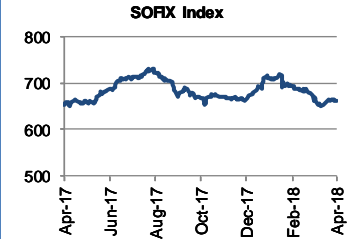
| BG Local Bonds | Last  | ΔDbps | ΔYTD bps |
|----------------|-------|-------|----------|
| 3Y BGN         | -0.04 | 1     | 3        |
| 5Y BGN         | 0.19  | 1     | 4        |
| 10Y BGN        | 1.04  | 0     | 7        |

| BG Eurobonds | Last | ΔDbps | ΔYTD bps |
|--------------|------|-------|----------|
| EUR Mar-22   | 0.14 | 0     | 22       |
| EUR Sep-24   | 0.76 | -27   | 19       |

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

| STOCKS | Last  | ΔD    | ΔYTD   |
|--------|-------|-------|--------|
| SOFIX  | 662.8 | 0.00% | -2.16% |

| FOREX   | Last   | ΔD     | ΔYTD  |
|---------|--------|--------|-------|
| USD/BGN | 1.5869 | -0.16% | 2.68% |



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:00 EST

Friday 20 April 2018

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