

Monday 23 April 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Apr 23: Existing home sales (Mar)
- April 24
 - CB consumer confidence (Apr)
 - New home sales (Apr)
 - S&P/Case-Shiller Home Price Index (Feb)
- April 26
 - Jobless claims (weekly)
 - Durable goods orders (Mar)
- Apr 27
 - GDP (Q1 2018)
 - Employment cost index (Q1)
 - UM cons/r sentiment (May)

EUROZONE

- Apr 23: Eurozone PMIs (Apr)
- April 24: DE: IFO business climate (Apr)
- April 26: ECB policy meeting
- April 27
 - DE: U/E rate (Apr)
 - ESI (Apr)

UK

- Apr 27: Q1 GDP

GREECE

- April 27: ESI (Apr)

SEE

BULGARIA

- April 26: Gross external debt (Feb)

ROMANIA

- April 23: T-Bonds auction
- April 26: T-Bonds auction

SERBIA

- April 24: 4.5% 2023 T-Bonds auction
- April 27: Real wages (Feb)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US Treasury yields remained in an upward trend in European trade on Monday while German Bunds continued to follow suit in spite of deteriorated euro area growth indicators in the last couple of months and persistently subdued inflationary pressures. In FX markets, the USD was firmer favored by higher US Treasury yields. Looking at this week's calendar, focus is on euro area April PMIs today, the ECB meeting on Thursday and the release of the US and UK GDP number for Q1, both on Friday.

GREECE: The Eurogroup that will convene on 27 April will discuss among others the Greek holistic growth strategy and the debt relief mechanism. The institutions are expected to return to Athens around 12-16 May with a view to reaching a staff level agreement ahead of the 24 May Eurogroup. According to press reports, the Greek government is examining the issuance of a 10-year government bond towards the end of May, or if market conditions are unfavourable then, towards the end of June. Banks reportedly intend to call on 1,000 businesses with debts from €50 thousand to €2 million to two or more credit institutions to settle their debts through the out-of-court workout mechanism.

SOUTH EASTERN EUROPE

BULGARIA: The main SOFIX equity index finished 0.72% lower on a weekly basis at 658.44 points on Friday. Elsewhere, external government bonds ended little changed last week, while yields of local government bonds increased across the board.

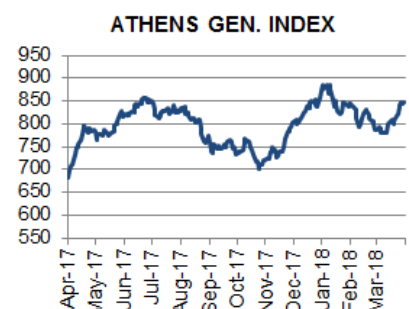
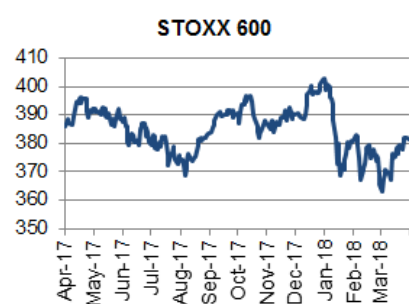
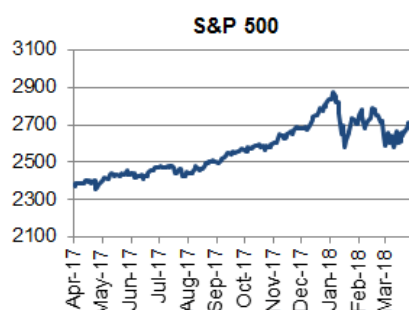
SERBIA: Despite this month's unexpected monetary policy rate cut, the EUR/RSD has remained bound within a tight range over recent weeks.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasury yields remained in an upward trend in European trade on Monday as a result of a higher oil prices, subdued geopolitical tensions, the absence of protectionist rhetoric over the last few sessions, the recent recovery in global equity markets and IMF optimism over the US growth prospects following last week's updated World Economic Outlook. Somewhat easing geopolitical jitters following pledges by North Korea's leader Kim Jong Un on Sunday—ahead of the planned summits with South Korea and the US—to immediately suspend nuclear and missile tests and instead pursue economic growth and peace, have also had an impact. Long-dated paper underperformed with the 10-yr UST yield rising to 2.982% earlier today, the highest since January 2014 and 3bps higher compared to Friday's settlement, with the 2/10-yr yield curve undertaking some further steepening reaching the widest since 6 April. In spite of deteriorated euro area growth indicators in the last couple of months and persistently subdued inflationary pressures, the yield of 10-yr Bund continued to follow the rising trend of USTs hitting a one-month high of 0.634% earlier today, 3.5bps higher on the day. On the flipside, EMU periphery sovereign bonds continued to consolidate partially assisted by a one notch upgrade by DBRS to Portugal's Long-Term Foreign and Local Currency – Issuer Ratings from "BBB low" to "BBB". In FX markets, the USD was firmer favored by higher UST yields with the DXY index gaining 0.2% and 1.2% on a daily and weekly basis respectively. The EUR/USD dropped to a two-week low of 1.2246 earlier today while the GBP/USD was hovering around 1.4000 at the time of writing, not much changed on the day but 2% weaker compared to a fresh post-Brexit peak hit early last week amid decreased expectations for a May rate hike following recent dovish comments by BoE Governor Mark Carney. Looking at this week's calendar, focus is on euro area April PMIs today, the ECB meeting on Thursday and the release of the US and UK GDP number for Q1, both on Friday.

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GREECE

The Eurogroup that will convene on 27 April will discuss among others the Greek holistic growth strategy and the debt relief mechanism. With regard to the holistic growth strategy, the institutions have reportedly sent a 30-pages long document to the Greek government with their comments that reportedly focus on public sector reforms, combating tax evasion and the privatisations programme for which they request clearer revenue targets and timetable. With regard to the debt relief mechanism, the views of Germany and the IMF have reportedly been partly bridged with the Fund accepting the adoption of the potential debt relief measures after the expiration of the ESM programme and conditional on its successful completion. It has also reportedly been agreed that the monitoring of compliance with the conditionality by Greece will be carried out by the ESM, which will also have the final say regarding the return of the SNP/ANFA profits. Meanwhile, the institutions are expected to return to Athens around 12-16 May with a view to reaching a staff level agreement ahead of the 24 May Eurogroup. In other news, according to press reports, the Greek government is examining the issuance of a 10-year government bond towards the end of May, or if market conditions are unfavourable then, towards the end of June, after the 21 June Eurogroup. In other news, banks reportedly intend to call on 1,000 businesses with debts from €50 thousand to €2 million to two or more credit institutions to settle their debts through the out-of-court workout mechanism. It is worth noting that to date, out of 5,232 businesses that entered the platform and met the criteria set by the law, 804 submitted a final application and out of those only 30 have managed to reach a settlement.

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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

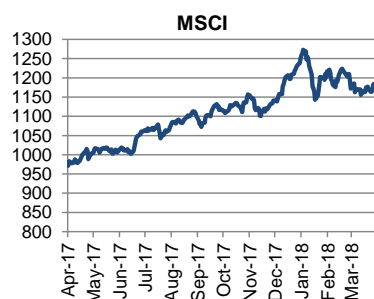
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: 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-

Latest economic & market developments in the CESEE region

BULGARIA

The main SOFIX equity index finished 0.72% lower on a weekly basis at 658.44 points on Friday. The trading volume was unusually low at €941k, with Thursday's session registering just €45k in turnover, the lowest daily volume since February 2017. Elsewhere, external government bonds ended little changed last week, with the yields of paper of 2023 and 2024 tenor posing as the largest movers, recording 1.1 and 1.4 bps rises, respectively. Elsewhere, the yields of local government bonds increased across the board last week, with that of the 8-year benchmark leading the way with a 4.15 bps increase, followed by that of 6 year paper which registered a 1.95 bps advance.

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SERBIA

Despite this month's unexpected monetary policy rate cut, the EUR/RSD has remained bound within a tight range of 118.00-118.25 over recent weeks. At the same time, the National Bank of Serbia continues to intervene in the FX market in order to halt a further appreciation of the dinar which strengthened in recent months on improving domestic macroeconomic fundamentals. In more detail, NBS bought has €680mn and most of it between 118.20 -30 so far this year, suggesting very limited scope for the pair to move sustainably below 118.00 in the near future.

In other news, referring to the European Commission progress report President Aleksandar Vucic said that the biggest improvement was in the field of economy. Serbia continued to report Q1 fiscal surpluses for the third year in a row. He added that Serbia does not need any big loans anymore, and before the end of the year the government plans to repay another \$700 million for loans. Furthermore, he noted that the public debt remains on a downtrend and is envisioned to fall under 52% until the end of the year.

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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	2670.14	-0.9%	-0.1%	EUR/USD	1.224	-0.4%	2.0%	UST - 10yr	2.99	3	59	GOLD	1329	-0.5%	2.0%
Nikkei 225	22088.04	-0.3%	-3.0%	GBP/USD	1.399	-0.1%	3.5%	Bund-10yr	0.64	5	21	BRENT CRUDE	74	-0.6%	10.1%
STOXX 600	381.19	-0.2%	-2.1%	USD/JPY	108.03	-0.3%	4.3%	JGB - 10yr	0.07	1	2	LMEX	3457	0.0%	1.1%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.33	0	-19
1-week	2.44	0	-17
1-month	2.62	0	-23
3-month	2.87	0	-25
6-month	3.07	0	-17

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.74	0	-54
5Y RSD	4.11	1	-13
7Y RSD	4.54	0	-64

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.59	3	60
USD Nov-24	-17.25	44	-1732

CDS

	Last	ΔDbps	ΔYTD bps
5-year	109	1	-9
10-year	150	1	-12

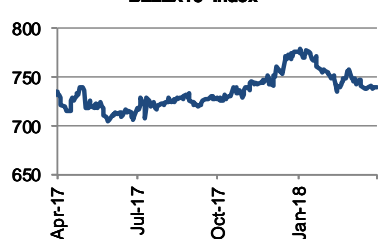
STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.9	0.05%	-2.62%

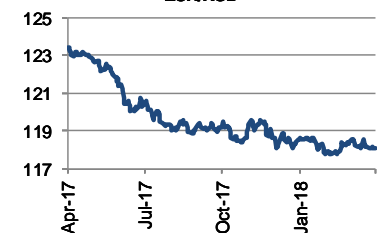
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.11	-0.37%	0.68%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.64	16	55
1-month	2.16	10	29
3-month	2.22	9	17
6-month	2.49	3	22
12-month	2.6	1	28

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.33	0	-5
5Y RON	4.12	0	34
10Y RON	4.51	0	19

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	#N/A	N/A
USD Jan-24	3.93	3	93

CDS

	Last	ΔDbps	ΔYTD bps
5-year	86	0	-4
10-year	131	0	-3

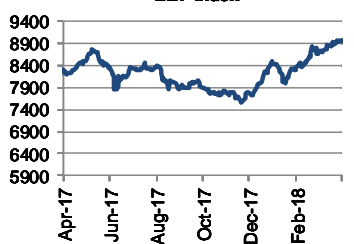
STOCKS

	Last	ΔD	ΔYTD
BET	8951.6	0.35%	15.45%

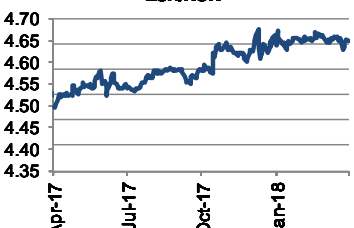
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6569	0.02%	0.17%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	1	-2
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	-0.04	-1	2
5Y BGN	0.20	1	6
10Y BGN	1.08	-1	11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.16	-7	23
EUR Sep-24	0.79	-13	21

CDS

	Last	ΔDbps	ΔYTD bps
5-year	63	0	-33
10-year	103	0	-39

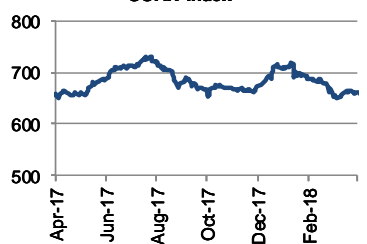
STOCKS

	Last	ΔD	ΔYTD
SOFIX	660.0	0.24%	-2.57%

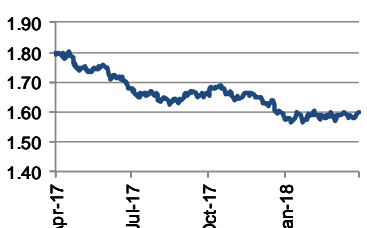
FOREX

	0	ΔD	ΔYTD
USD/BGN	1.5979	-0.39%	1.97%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:00 EST

Monday 23 April 2018

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