



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday 27 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: In line with market expectations, the ECB retained its monetary policy stance and kept unchanged the forward guidance on interest rates, QE and reinvestment at yesterday's meeting. In the press conference, President Mario Draghi acknowledged that "the latest economic indicators suggest some moderation in the pace of growth since the start of the year" and clarified that this may be mostly driven by several adverse temporary factors. However, he expressed uncertainty over whether much of this slowdown is more supply or demand driven and warned that risks related to global factors including increased protectionism have become more prominent. The ECB President's tone was interpreted as dovish pushing lower the EUR and German Bund yields.

GREECE: Today's Eurogroup will discuss progress in the 4th programme review, Greece's comprehensive growth strategy and the growth adjustment mechanism. Earlier this morning German Finance Minister Olaf Scholz reportedly stated that Greece is now in a much better position than a few years ago. In an interview yesterday, the Greek Finance Minister Euclid Tsakalotos said that the post-programme monitoring will likely involve 3 or 4 visits annually by the institutions. ESM President Klaus Regling stated in an interview that should Greece opt for a more generous debt relief then it should accept a more rigorous post-programme monitoring. According to press, the ECB intends to lift the waiver on Greek government bonds if the country exits the ESM programme without a precautionary credit line, as was the case in Cyprus in 2016.

SOUTH EASTERN EUROPE

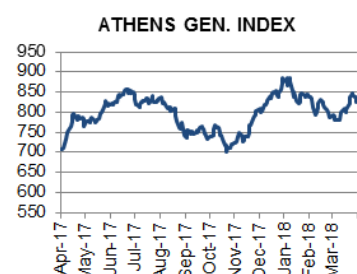
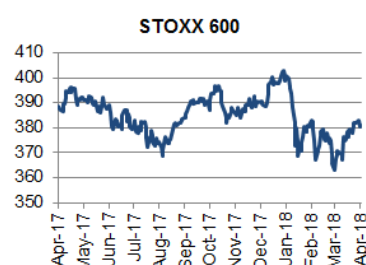
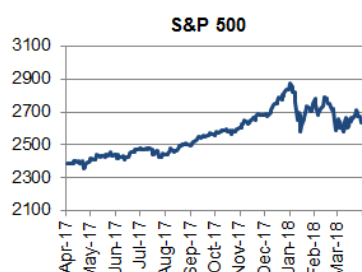
BULGARIA: The Minister of Finance said that Bulgaria will apply for ERM2 entry by the end of June.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the ECB retained its monetary policy stance and kept unchanged the forward guidance on interest rates, QE and reinvestment at yesterday's meeting. In the press conference, President Mario Draghi acknowledged that "the latest economic indicators suggest some moderation in the pace of growth since the start of the year" and clarified that this may be mostly driven by several adverse temporary factors. Appearing not overly concerned, the ECB President noted that risks surrounding the euro area growth outlook remain broadly balanced and the Central Bank retains its assessment that, overall, growth is expected to remain solid and broad-based. However, he expressed uncertainty over whether much of this slowdown is more supply or demand driven and warned that risks related to global factors including increased protectionism have become more prominent. The ECB President did not provide any hints on the timing of the next policy move. He revealed that the Governing Council "did not discuss monetary policy per se" but instead, focused on analyzing the features of the economic slowdown. The ECB President's tone was interpreted as dovish pushing the EUR/USD to a 3 ½ month low of 1.2065 earlier today following a short-lived spike to 1.2210 on Thursday during the ECB press conference. Elsewhere, the 10-yr Bund yield moved lower hovering around 0.574% in early European trade, some 2bps lower on the day and c. 8bps lower from this week's six-week high taking the spread against its US counterpart to a new multi-year peak of 240bps. Looking at today's calendar, focus is on Q1 GDP data from both the US and the UK while from the Eurozone we expect the ECB's Survey of Professional Forecasters and the economic sentiment indicator for April.

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GREECE

Today's Eurogroup will discuss progress in the 4th programme review, Greece's comprehensive growth strategy and the growth adjustment mechanism. As regards the first, according to press reports, so far only 20 out of the 88 prior actions have been completed, which implies that any remaining prior actions at the end of the programme in August, will have to be included in Greece's post-programme growth strategy. Earlier this morning German Finance Minister Olaf Scholz reportedly stated that Greece is now in a much better position than a few years ago. Meanwhile, in an interview yesterday, the Greek Finance Minister Euclid Tsakalotos said that the post-programme monitoring will likely involve 3 or 4 visits annually by the institutions, i.e. more than the usual 2 visits foreseen for countries that exit economic adjustment programmes. On this wavelength, ESM President Klaus Regling stated in an interview that should Greece opt for a more generous debt relief then it should accept a more rigorous post-programme monitoring. As regards the IMF, he argued that its participation in the programme would provide credibility not only to European constituents but also to the financial markets. In other news, according to press, the ECB intends to lift the waiver on Greek government bonds if the country exits the ESM programme without a precautionary credit line, as was the case in Cyprus in 2016.

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Latest economic & market developments in the CESEE region

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

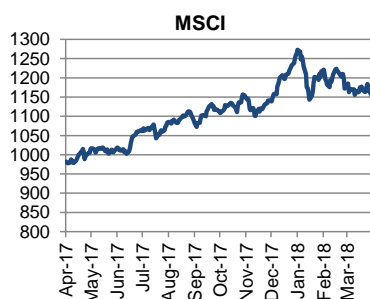
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

* 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	Ba3	BB+	BB+

BULGARIA

The Minister of Finance, Vladislav Goranov, said in an interview that Bulgaria will apply for ERM2 by the end of June adding that there is public consensus on the necessity of Bulgaria's entry in the ERM2 and that there is no reason to postpone this step. The Minister also said that the current environment is more favourable for Euro Area enlargement as risks to the European economy are lower and its recovery is more advanced than the last time it allowed new members, i.e. the Baltic States. Finally, he pointed out that the government is ready to make the additional reforms or financial system adjustments, if required by the ECB, but will reject any attempts on the part of other EA members to treat Bulgaria unequally.

Recent market talk has focused on the probability of Bulgaria's joining the ERM2 mechanism. Joining the ERM2 mechanism for a period of at least two years is a formal prerequisite for Euroarea membership. In mid-June 2017, the incoming government of GERB had vowed to accelerate the application to ERM2 on top of the efforts by the caretaker government before the elections of late March 2017. According to press reports, Prime Minister Borissov had received support from both Chancellor Merkel and President Macron to go ahead with ERM2 application membership. Currently, Bulgaria fulfills most of the nominal convergence criteria for Euroarea entry. Real convergence criteria are not satisfied, although officially these are not part of the evaluation procedure. The living standards and productivity are the lowest in EU-28. The country is still subject to the Cooperation and Verification mechanism, which was set up in 2007 to monitor progress in the fields of judicial reform, corruption and organized crime. Factoring in the fast GDP growth trajectory in 2015-2018, GDP per capita in PPS terms will have only climbed to 50% in 2018. Finally, IMF in its latest Article IV report sees GDP growth moderating to 2.75% over the medium term, reflecting capacity constraints and unfavorable demographics.

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Friday 27 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	2658.82	0.7%	-0.6%	EUR/USD	1.2102	-0.5%	0.8%	UST - 10yr	2.99	-3	59	GOLD	1316	-0.6%	1.0%
Nikkei 225	22319.61	0.5%	-2.0%	GBP/USD	1.3914	-0.1%	2.9%	Bund-10yr	0.59	-4	17	BRENT CRUDE	75	0.8%	11.5%
STOXX 600	383.70	0.9%	-1.4%	USD/JPY	109.34	0.1%	3.1%	JGB - 10yr	0.06	-1	1	LMEX	3352	0.0%	-1.9%

SERBIA

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	2.32	0	-20
1-week	2.43	-1	-18
1-month	2.61	-2	-24
3-month	2.87	-2	-25
6-month	3.06	-1	-18

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

	Last	ΔDbps	ΔYTD bps
RS Eurobonds			
USD Feb-20	3.74	0	75
USD Nov-24	-124.50	-9924	-12472

	Last	ΔDbps	ΔYTD bps
CDS			
5-year	120	2	2
10-year	168	2	6

	Last	ΔD	ΔYTD
STOCKS			
BELEX15	740.6	-0.81%	-2.53%

	Last	ΔD	ΔYTD
FOREX			
EUR/RSD	118.11	0.05%	0.68%

ROMANIA

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.57	5	148
1-month	2.47	3	60
3-month	2.46	4	41
6-month	2.57	3	30
12-month	2.68	3	36

	Last	ΔDbps	ΔYTD bps
RO Local Bonds			
3Y RON	3.51	0	13
5Y RON	4.22	0	44
10Y RON	4.58	0	27

	Last	ΔDbps	ΔYTD bps
RO Eurobonds			
EUR Oct-25	1.56	3	-4
USD Jan-24	4.07	-1	107

	Last	ΔDbps	ΔYTD bps
CDS			
5-year	87	0	-3
10-year	131	0	-2

	Last	ΔD	ΔYTD
STOCKS			
BET	8906.4	-1.11%	14.87%

	Last	ΔD	ΔYTD
FOREX			
EUR/RON	4.6613	-0.34%	0.08%

BULGARIA

	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	-1	-2
12-month	0.23	0	-9

	Last	ΔDbps	ΔYTD bps
BG Local Bonds			
(yields)			
3Y BGN	-0.05	-1	1
5Y BGN	0.20	-1	6
10Y BGN	1.06	0	10

	Last	ΔDbps	ΔYTD bps
BG Eurobonds			
EUR Mar-22	0.17	-8	24
EUR Sep-24	0.80	-13	22

	Last	ΔDbps	ΔYTD bps
CDS			
5-year	61	0	-35
10-year	102	1	-39

	Last	ΔD	ΔYTD
STOCKS			
SOFIX	660.4	-0.41%	-2.52%

	Last	ΔD	ΔYTD
FOREX			
USD/BGN	1.6162	-0.48%	0.82%

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 16:40 EST of previous session

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