



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday 30 April 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- April 30
  - Personal income & spending (Mar)
  - Core PCE price index (Mar)
  - Pending home sales (Mar)
  - Chicago PMI (Apr)
- May 1
  - ISM manuf. (Apr)
  - Auto sales (Apr)
- May 2
  - ADP employment change (Apr)
  - Fed interest rates
- May 3
  - Jobless claims (weekly)
  - Trade balance (Mar)
  - ISM non-manuf. (Apr)
  - Factory orders (Mar)
- May 4: Non-farm payrolls (Apr)

##### EUROZONE

- Apr 30
  - M3 money supply (Feb)
  - DE: CPI (Mar)
- May 2
  - GDP (p, Q1)
  - U/E rate (Mar)
  - PMI manuf. (Apr, final)
- May 3: CPI (Mar, p)

##### UK

- May 1: PMI manuf. (Mar)
- May 3: PMI services (Mar)

##### GREECE

- Apr 30: Retail sales (Feb)
- May 2: PMI manufacturing (Apr)

##### SEE

##### BULGARIA

- April 30: Budget (Mar)

##### ROMANIA

- May 2
  - ILO U/E rate (Mar)
  - International reserves (Apr)
- May 4: Retail sales (Mar)

##### SERBIA

- Apr 30
  - Industrial production (Mar)
  - GDP (Q1, p)
  - Trade balance (Mar)
  - Retail sales (Mar)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** According to the advance estimate, US Q1 2018 GDP slowed to 2.1%qoq saar compared to 2.9% in Q4 2017, albeit higher than 2.0% expected. Looking ahead, the soft patch in Q1 is likely to prove transitory as business investment growth remains solid and private consumption is expected to benefit in the quarters ahead from an ongoing improvement in labor market conditions, a pickup in wage growth and an additional impulse from tax cuts. The FOMC convenes this week (1-2 May) where the target range for the federal funds rate is expected to remain unchanged at 1.50%-1.75% and officials to point to the temporary nature of the Q1 slowdown. In the UK, following last week's sharper than expected Q1 GDP slowdown, focus this week is on the preliminary PMI figures for April for guidance on the direction of the economy and the timing of the next BoE rate hike.

**GREECE:** The 27 April Eurogroup discussed the progress in the implementation of the 4<sup>th</sup> review prior actions and decided the return of the institutions to Athens on 14 May with a view to achieving a Staff Level Agreement at the 24 May Eurogroup. Greece expressed its intention to not request a successor programme while the European Commission submitted its proposal for 'enhanced surveillance'. In April 2018 the economic sentiment indicator rebounded to 103.6 points, up by 3.8 points compared to March 2018.

### SOUTH EASTERN EUROPE

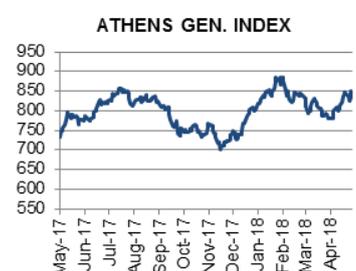
**SERBIA:** The EUR/RSD remained bound within a tight range of 118.0 – 118.25 last week, with several interventions from the National bank of Serbia halting any upside momentum for the dinar.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

According to the advance estimate, US Q1 2018 GDP slowed to 2.1%qoq saar compared to 2.9% in Q4 2017, albeit higher than 2.0% expected. Trade and net exports contributed positively while the main driver behind the slowdown in economic activity was growth in final sales to domestic purchases (GDP less trade and inventories), a good indicator of domestic demand, which dropped to 1.6%qoq saar from 4.5% in the prior quarter. Looking ahead, the soft patch in Q1 is likely to prove transitory as business investment growth remains solid and private consumption is expected to benefit in the quarters ahead from an ongoing improvement in labor market conditions, a pickup in wage growth and an additional impulse from tax cuts. The FOMC convenes this week (1-2 May) where the target range for the federal funds rate is expected to remain unchanged at 1.50%-1.75%. FOMC officials are expected to point to the temporary nature of the Q1 slowdown and reiterate in the accompanying statement that economic conditions are anticipated to “evolve in a manner than will warrant further gradual increases in the federal funds rate”. The statement is also expected to reflect the committee’s increased confidence that inflation will move up in the coming months and stabilize around the 2% target medium-term. Overall, the FOMC meeting is not anticipated to have a market impact as the tone of the statement is unlikely to change while there will not be a new dot plot, economic projections or a press conference. In terms of US data, key releases this week include the March PCE report (today), the ISM manufacturing index for April (Tuesday) and the April non-farm payrolls report (Friday), which is expected to reveal a drop in the unemployment rate to a fresh multi-year low of 4.0%. In the Eurozone, we expect the Q1 GDP flash estimate (Wednesday) and the preliminary inflation figure for March (Thursday). In the UK, following last week’s sharper than expected Q1 GDP slowdown to 0.1%qoq, the lowest since late 2012, focus this week is on the preliminary PMI figures for April for guidance on the direction of the economy and the timing of the next BoE rate hike.

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### GREECE

The 27 April Eurogroup discussed the progress in the implementation of the 4th review prior actions and decided the return of the institutions to Athens on 14 May with a view to achieving a Staff Level Agreement at the 24 May Eurogroup. The Greek Finance Minister presented Greece’s post-programme growth strategy that aims at boosting the country’s long-term growth potential and enhancing the investment climate. According to press, however, the institutions have a number of reservations related to the programme, particularly as regards its provisions for the labour market. The Eurogroup did not discuss the debt strategy reportedly on the grounds that more technical and political work is needed. Nevertheless, the ECB Member of the Executive Board Benoit Coeuré reportedly stated that the more front-loaded and automatic debt relief measures are, the more useful they will be when Greece returns to financing itself fully from the financial markets. As regards the post-programme monitoring framework, the Eurogroup took note of the European Commission’s ‘enhanced surveillance’ proposal, under EU Regulation 472/2013 as well as of the Greek government’s intention to not request a successor arrangement for the current programme (i.e. an Enhanced Conditions Credit Line, ECCL). Finally, it was noted that on the basis of a successful May review, the Eurogroup will decide in June all the elements of the exit of Greece from the programme by August. On the economic data front, in April 2018 the economic sentiment indicator rebounded to 103.6 points, up by 3.8MoM. An improvement in expectations was recorded in all sectors, namely industry +2.1, services +5.9, consumer +4.0, retail trade +8.2 and construction +0.3.

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## Latest economic & market developments in the CESEE region

### SERBIA

The EUR/RSD remained bound within a tight range of 118.0 – 118.25 last week, with several interventions from the National bank of Serbia halting any upside momentum for the dinar. In other news, Prime Minister Ana Brnabić said recently that there has been an increase in FDI in Serbia by 21.8%, reaching €436.9mn in the first two months of 2018, adding that this corresponds to an annual increase of ca €80mn. Over the same period, the country's public debt, as a percent of GDP, was reduced to 59.4% from 71.9% at the end of 2016. Jorgovanka Tabakovic, incumbent Governor of National bank of Serbia, is near the end of her tenure which expires in just three months. She is reportedly willing to renew her mandate for 6 years. President Vucic has praised the Governor's work and has signaled he is more than happy to see her renew her mandate in the current post.

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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

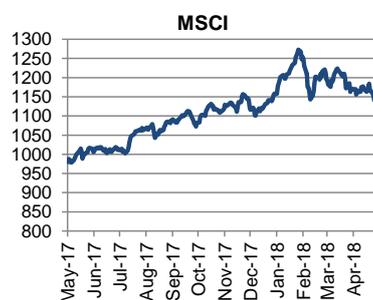
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

\* 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
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	Ba3	BB+

Monday 30 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	2669.91	0.1%	-0.1%	EUR/USD	1.2117	-0.1%	0.9%	UST - 10yr	2.96	1	56	GOLD	1318	-0.4%	1.1%
Nikkei 225	22467.87	0.7%	-1.3%	GBP/USD	1.3754	-0.2%	1.7%	Bund-10yr	0.58	1	15	BRENT CRUDE	74	-1.0%	10.5%
STOXX 600	384.37	-0.1%	-1.2%	USD/JPY	109.26	-0.2%	3.1%	JGB - 10yr	0.06	-1	1	LMEX	3288	-2.1%	-3.8%

#### SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	0	-18
1-week	2.44	0	-17
1-month	2.63	0	-22
3-month	2.87	0	-25
6-month	3.07	0	-17

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.73	0	-55
5Y RSD	4.11	0	-13
7Y RSD	4.54	0	-64

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.73	0	74
USD Nov-24	-143.69	-1936	-14373

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	107	0	-11
10-year	155	0	-7

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	737.5	-0.42%	-2.94%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.06	0.06%	0.72%



#### ROMANIA

##### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.65	0	156
1-month	2.44	0	57
3-month	2.45	0	40
6-month	2.58	0	31
12-month	2.67	0	35

##### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.51	0	13
5Y RON	4.20	0	42
10Y RON	4.56	0	25

##### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	#N/A	N/A
USD Jan-24	4.07	0	107

#### CDS

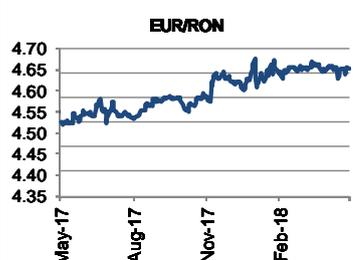
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	131	0	-3

#### STOCKS

	Last	ΔD	ΔYTD
BET	8812.1	0.36%	13.65%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6579	0.13%	0.15%



#### BULGARIA

##### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	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

##### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.08	-2	-1
5Y BGN	0.19	0	5
10Y BGN	1.06	0	10

##### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.15	0	22
EUR Sep-24	0.78	0	20

#### CDS

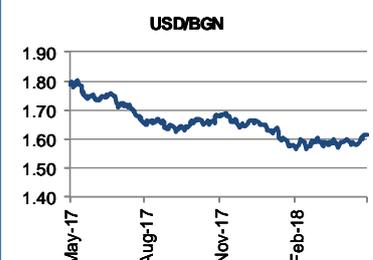
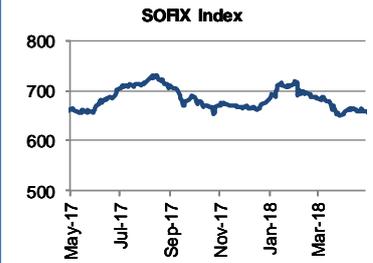
	Last	ΔDbps	ΔYTD bps
5-year	61	0	-35
10-year	103	0	-39

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	658.5	0.04%	-2.80%

#### FOREX

	0	ΔD	ΔYTD
USD/BGN	1.6142	-0.11%	0.94%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:25 EST

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