



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 07 May 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- May 9:
 - PPI Final Demand (Apr)
 - Trade Balance (Mar)
 - Initial Jobless Claims (May 4)
 - Wholesale Inventories (Mar, F)
- May 10:
 - CPI (Apr)
 - Monthly Budget Statement

EUROZONE

- May 06:
 - Markit Services and Composite PMI (Apr, F)
 - Sentix Investor Confidence (May)
 - Retail Sales (Mar)
- May 07:
 - Commission Economic Forecasts
 - Industrial Orders (Germany, Mar)
- May 08: Industrial Production (Germany, Mar)

GREECE

- May 09: Unemployment Rate (Feb)
- May 10:
 - CPI (Apr)
 - Industrial Output (Mar)

SEE

BULGARIA:

- May 10:
 - Industrial Production (Mar)
 - Retail Sales (Mar)

ROMANIA:

- May 06: Retail Sales (Mar)
- May 10: Trade Balance (Mar)

SERBIA

- May 09: MPC Meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian equity markets recovered part of Monday's losses in today's session, but European bourses opened lower amid renewed uncertainty over the outcome of the US/China trade talks. In spite of the US President's tariff threats, Chinese Foreign Minister Spokesman Geng Shuang commented on Monday that the Chinese delegation is preparing to travel to the US for trade talks later this week, as was initially planned. Meanwhile, core government bonds remained well supported and, in FX markets, most of major currency pairs remained within recent trading ranges. Looking at today's calendar, focus is on the EU Commission's Spring 2019 European Economic Forecast, with investors expected to pay attention on the updated fiscal forecasts for France and Italy.

GREECE: Discussions between the Greek government and the institutions that began yesterday in the context of the 3rd EPPS review reportedly focused on the fiscal trajectory up to 2022 and how the projected fiscal space may be used. The agenda today includes among others the progress in the clearance of state arrears, the Bog and HFSF schemes for the reduction of NPLs, privatisations and reforms that are still pending. Meanwhile, the Greek government submitted to Parliament yesterday a bill for the settlement of tax and social security debts that have been created up to 31 December 2018 and foresees among others the payment of such debts in up to 120 installments.

SOUTH EASTERN EUROPE

TURKEY: Inflation print surprised to the downside in April.

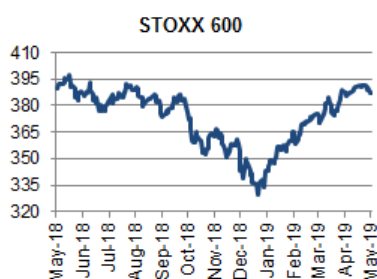
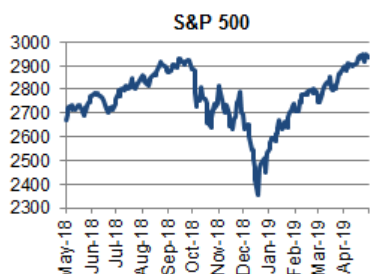
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Tuesday 07 May 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian equity markets recovered part of Monday's losses in today's session but European bourses opened lower amid renewed uncertainty over the outcome of the US/China trade talks. Citing slow progress in US/China trade negotiations and Chinese officials' "attempt to renegotiate", US President Donald Trump tweeted on Sunday that he plans to raise the 10% tariff to 25% on \$200bn of Chinese imports on Friday, 10 May and may also impose a 25% tariff "shortly" on a further \$325bn of imports from China. In spite of the US President's tariff threats, Chinese Foreign Minister Spokesman Geng Shuang commented on Monday that the Chinese delegation is preparing to travel to the US for trade talks later this week, as was initially planned. Overall, this week's trade negotiations will be critical for whether Donald Trump's tariff threat is a negotiation tactic to pressure China for further concessions or the trigger for a new escalation in the US/China trade war. Meanwhile, core government bonds remained well supported with the 10-yr UST yield marking a multi-session low close to 2.47% earlier today, before rebounding near 2.50% later in European trade, little changed compared to Monday's close, but below last week's peak near 2.58%. In FX markets, most of major currency pairs remained within recent trading ranges with the EUR/USD standing close to the 1.1200 handle at the time of writing, nearly unchanged from Monday's settlement. Elsewhere, the AUD moved higher recording a one-week high of 0.7048 against the USD earlier today, supported by the RBA's decision at its monetary policy meeting to keep its cash rate stable at 1.50%, confounding some investors' expectations for a rate cut following a drop in Q1 CPI inflation to 1.3%YoY, the lowest in nearly three years, from 1.8%YoY in the previous quarter. Looking at today's calendar, focus is on the EU Commission's Spring 2019 European Economic Forecast, with investors expected to pay attention on the updated fiscal forecasts for France and Italy.

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GREECE

Discussions between the Greek government and the institutions that began yesterday in the context of the 3rd EPPS review reportedly focused on the fiscal trajectory up to 2022 and how the projected fiscal space may be used. According to press, European Commission sources have unofficially expressed concerns about the impact of the high taxation and the under-execution of the public investment programme in order to achieve the over-performance in the primary surplus as well as on recent court rulings regarding the reversal of past pension and wage cuts. The agenda today includes among others the progress in the clearance of state arrears, the Bog and HFSF schemes for the reduction of NPLs, privatisations and reforms that are still pending. Meanwhile, the Greek government submitted to Parliament yesterday a bill for the settlement of tax and social security debts that have been created up to 31 December 2018. The bill foresees among others the payment of such debts in up to 120 installments and a minimum installment of €50 for self-employed and employers and €30 for those insured to the former Agricultural Insurance Organisation (OGA).

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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

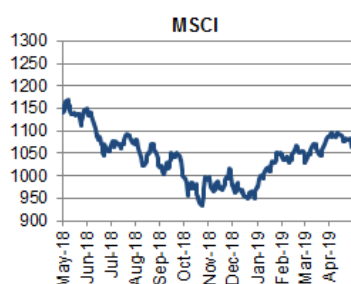
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.5
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	Ba2	BBB-	BB+

Latest economic & market developments in the CESEE region

TURKEY

Headline inflation declined to 19.5% YoY in April down from 19.7% YoY in March compared to 20.3% YoY in December coming significantly below analysts' consensus expectations (Actual: +1.7% MoM vs Bloomberg: +2.4% MoM). Despite the monthly decline (-3.7% MoM) of the volatile fruit & vegetables component, food & non-alcoholic beverages prices (+1.4% MoM/+31.9% YoY in April) were still the main contributor (7.3ppts on an annual basis) in the March reading. Rising world energy prices, renewed domestic currency depreciation pressures, tax hikes in tobacco products and seasonality were also reflected in the groups of furnishing & household equipment (2.7% MoM/27.6% YoY), miscellaneous goods and services (1.9% MoM/27.5% YoY), health (0.5% MoM/19.8% YoY), hotels, cafes and restaurants (1.1% MoM/19.6% YoY) and alcoholic beverages & tobacco (6.8% MoM/9.7% YoY) prices.

Despite the supply side shock, headline and core inflation metrics are still on a downward trend. Headline inflation has retreated from its historic highs in recent months ending at 20.3% YoY in December down from 21.6% YoY in November and 25.2% YoY in October. Despite lira depreciation pressures, core inflation (which excludes food, alcohol, tobacco, energy and gold prices) eased further to 16.3% YoY in April vs. 17.5% YoY in March down from 19.5% YoY in December vs. 20.7% YoY in November. Looking ahead, weak domestic demand dynamics and favorable base-effects in the food prices segment are expected to support the disinflation process in the 2H-2019. However, the Central Bank of Turkey (CBRT) has maintained unchanged the year end headline inflation at 14.6% YoY in 2019 in its recently published inflation report, even though it revised some of its fundamental drivers (the annual year-end 2019 food inflation forecast up to 16% from 13%, and the average Brent oil price forecast up to USD67.2/bbl. from USD63.1/bbl.) On the other hand, markets' concerns over the predictability & efficiency of the government policy and renewed tensions with the US due to the S-400 missile purchases from Russia coupled with investors' concerns over the Central Bank independence have put the lira under pressure again, thus increasing the disinflation process downside risks. In turn, CBRT is widely expected to remain on hold at least until the end of 1H-2018, having tightened by 1025bps cumulatively in FY2018, factoring in the 75bps hike delivered in April2018. At the time of writing, the lira traded around 6.01/\$ at multi-month lows compared to 5.16/\$ in late January, against an all-time low of 6.86/\$ in August of 2018.

Despite the recent improvement, the economic environment remains recessionary and the inflation outlook challenging. GDP contracted by -3.0% YoY in Q4-2018 sharply down from 1.8% YoY in Q3-2018, 5.3% YoY in Q2-2018 and 7.4% YoY in Q1-2018, bringing the FY2018 performance at only 2.6%. The aforementioned growth performance -significantly below the government target of 3.8% is unfavorable and disproportionate compared to 7.4% in FY2017, one year ago, which was the highest since 2013. However, there are some timid signs of a rebound in Q1-2019 with the recent announcements of leading indicators such as industrial production, PMI and economic sentiment pointing to a bottoming out of economic activity. Industrial production, on a seasonally and calendar adjusted basis, was in positive territory for a second consecutive month for the first time since July, expanding by 1.3% MoM up from 1.0% MoM in January. The annual pace of contraction has retreated to -5.1% YoY in February, slightly better than the market consensus of -5.3% YoY- and the -7.4% YoY reading in January. Unemployment has climbed by 3.9ppts to 14.7% in January, at the highest level since 2009. Non-farm unemployment appears even higher, standing at 16.8% while youth unemployment in particular is considered worryingly high at 26.7%.

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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	2932.47	-0.4%	17.0%	EUR/USD	1.1215	0.1%	-2.2%	UST - 10yr	2.49	2	-20	GOLD	1282	0.1%	0.0%
Nikkei 225	21923.72	-1.5%	9.5%	GBP/USD	1.3128	0.2%	2.9%	Bund-10yr	0.01	1	-23	BRENT CRUDE	71	-0.2%	32.2%
STOXX 600	386.76	0.0%	14.5%	USD/JPY	110.67	0.1%	-0.9%	JGB - 10yr	-0.05	-1	-5	LME X	2901	0.6%	3.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-15
1-week	2.39	0	-17
1-month	2.61	1	-12
3-month	2.97	0	-6
6-month	3.09	0	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.14	-1	7
5Y RSD	3.76	0	26
7Y RSD	4.02	0	-14

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.29	0	-70

CDS

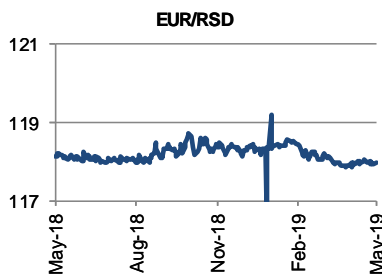
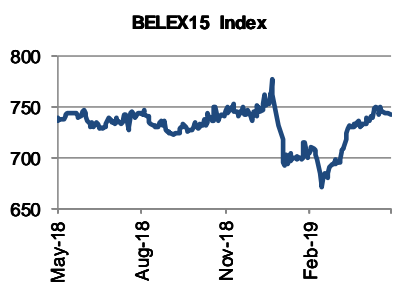
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-15
10-year	148	0	-14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.6	-0.07%	-2.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.09	-0.10%	0.13%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.73	0	164
1-month	3.14	0	127
3-month	3.3	0	125
6-month	3.4	0	113
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.75	0	-28
5Y RON	4.40	0	6
10Y RON	4.95	0	14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.38	-	-16
USD Jan-24	3.31	#N/A	N/A
			-93

CDS

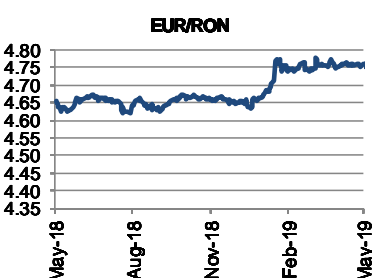
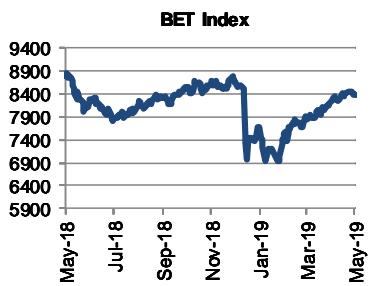
	Last	ΔDbps	ΔYTD bps
5-year	90	0	0
10-year	134	1	1

STOCKS

	Last	ΔD	ΔYTD
BET	8392.1	0.14%	13.66%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.759	-0.08%	-2.20%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	8	3
3-month	-0.14	9	4
6-month	-0.02	10	3
12-month	0.36	14	4

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.21	-1	-16
5Y BGN	0.01	0	-10
10Y BGN	0.45	0	-30

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.11	0	-7
EUR Sep-24	0.18	0	-31

CDS

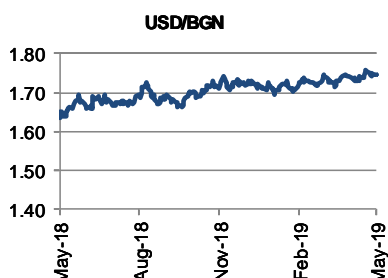
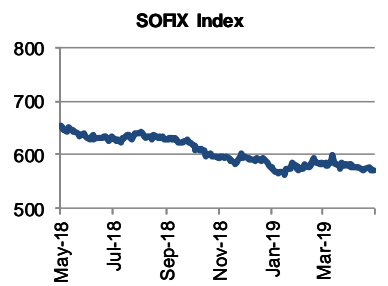
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-16
10-year	128	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	571.3	0.00%	-3.90%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7442	0.11%	-2.22%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 09:45 EEST

Tuesday 07 May 2019

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