

Wednesday 08 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:** Taking their cue from Wall Street's losses overnight, Asian bourses lost ground in today's session and European equity markets opened lower, amid increased uncertainty over the outcome of the US/China trade talks. The Chinese delegation is still set to visit Washington for a new round of talks on Thursday and Friday, in an attempt to avoid a tariff increase in Chinese imports, scheduled to take effect at 12:01 a.m. on Friday New York time. Favored by increased US/China trade tensions, core government bonds gained momentum. The 10-yr Bund yield moved back into negative territory while yesterday's downward revision in the EU Commission's growth forecast for the Eurozone, had also had an impact. Turning to the EMU periphery sovereign bond markets, Italy underperformed, negatively affected by the EU Commission's downward revision of GDP growth projection for 2019 from 0.2% to 0.1% and a projected deficit in 2020 above 3.0% of GDP. In FX markets, increased trade uncertainty continued to favor the JPY's safe haven appeal while the EUR/USD was hovering around the 1.1200 handle in European trade at the time of writing, a tad higher from Tuesday's close, after industrial production data from Germany showed a 0.5%MoM increase in March.

**GREECE:** According to the EC's Spring forecast, real GDP growth rate in Greece is estimated to accelerate to 2.2% in 2019-2020 from 1.9% in 2018. The unemployment rate is projected to drop to 16.8% in 2020 (from 19.3% in 2018) and the inflation rate - based on the HICP - is estimated to remain constant at 0.8%. As is noted in the EC's report, the aforementioned forecasts are dominated by downside risks (e.g. underexecution of public investment projects and a higher deceleration on exports' growth).

### SOUTH EASTERN EUROPE

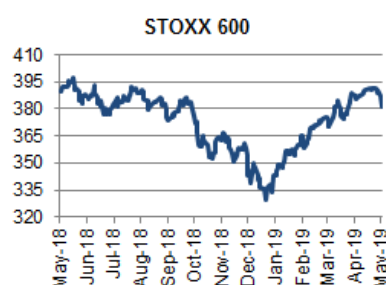
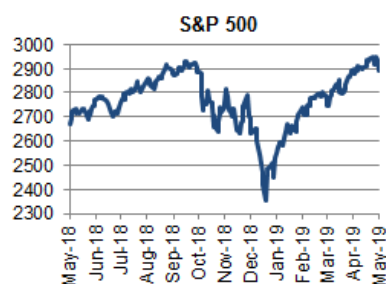
**CESEE MACRO DEVELOPMENTS:** In the Spring 2019 European Economic forecast, released yesterday, the European Commission (EC) revised lower the projected GDP world economic growth forecast in 2019 to 3.2% YoY from 3.5% YoY previously in the Autumn forecast. Accordingly, the EU28 the economic growth forecast is now seen at 1.4% compared to 1.5% in the Winter interim forecast. The EC based its broadly lowered forecasts on substantial downside risks that remain in place, such as the uncertainty in the US China trade tensions, the possible imposition of US tariffs on cars and car parts imported from Europe, the possibility of a no deal Brexit and the political uncertainty that could follow in the wake of national or European elections. Approaching the CESEE region, GDP growth prospects remain robust in the CEE4 countries while in countries of our focus such as Bulgaria and Serbia, the GDP growth projection for 2019 was lowered with the waning foreign demand being the common denominator.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their cue from Wall Street's losses overnight, Asian bourses lost ground in today's session and European equity markets opened lower, amid increased uncertainty over the outcome of the US/China trade talks. The Chinese delegation is still set to visit Washington for a new round of talks on Thursday and Friday, in an attempt to avoid a sharp tariff increase in Chinese imports. Citing Chinese authorities' attempt to renegotiate certain aspects of trade negotiations already agreed upon, US President Donald Trump tweeted late 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. A spokesman for the US Trade Representative's office announced that higher tariffs are scheduled to take effect at 12:01 a.m. on Friday New York time. 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.

Favored by increased US/China trade tensions, core government bonds gained momentum. The 10-yr Bund yield moved back into negative territory while the 2/10-yr yield curve flattened with the respective spread standing close to a one-month low of 57bps in European trade at the time of writing. Yesterday's downward revision in the EU Commission's growth forecast for the Eurozone, also favored German sovereign paper. According to the EU Commission's Spring 2019 European Economic Forecast released yesterday, the Eurozone's GDP is now expected to expand by 1.2% and 1.5% in 2019 and 2020, respectively, compared to 1.3% and 1.6% projected in February. Turning to the EMU periphery sovereign bond markets, Italy underperformed, negatively affected by the EU Commission's downward revision of GDP growth projection in 2019 from 0.2% to 0.1% and a projected deficit in 2020 above 3.0% of GDP. In FX markets, increased trade uncertainty continued to favor the JPY's safe haven appeal, with the USD/JPY marking a fresh six-week low of 109.89 earlier today. Elsewhere, the EUR/USD was hovering around the 1.1200 handle in European trade at the time of writing, a tad higher from Tuesday's close, after industrial production data from Germany showed a 0.5%MoM increase in March, the third rise in the last four months. Nevertheless, range trading within 1.1100-1.1300 prevails with investors keeping their attention on the developments of the US/China trade talks.

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### GREECE

According to the EC's Spring forecast, real GDP growth rate in Greece is estimated to accelerate to 2.2% in 2019-2020 from 1.9% in 2018. The projected increase in real GDP growth is based on the estimated rebound of gross fixed capital formation (public and private) and public consumption. The real growth rate of the former variable is forecasted at 10.1% in 2019 and 10.8% in 2020 (from -12.2% in 2018) and the real growth rate of the latter variable is projected at 3.1% in 2019 and 0.4% in 2020 (from -2.5% in 2018). The unemployment rate is projected to drop to 16.8% in 2020 (from 19.3% in 2018) and the inflation rate - based on the HICP - is estimated to remain constant at 0.8%. As is noted in the EC's report, the aforementioned forecasts are dominated by downside risks (e.g. underexecution of public investment projects and a higher deceleration on exports' growth).

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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

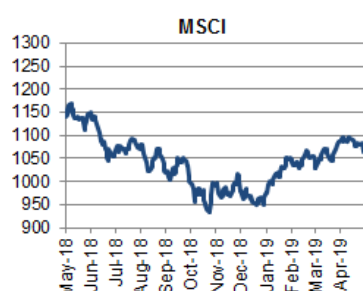
## Latest economic & market developments in the CESEE region

### CESEE MACRO DEVELOPMENTS

In the Spring 2019 European Economic forecast, released yesterday, the European Commission (EC) revised lower the projected GDP world economic growth forecast in 2019 to 3.2% YoY from 3.5% YoY as in the Autumn forecast for 2019, while for the EU28 the GDP growth forecast was lowered to 1.4% YoY compared to 1.5% YoY in February, as in the Winter interim forecast. The EC based its broadly lowered forecasts on substantial downside risks that remain in place, such as the uncertainty in the US China trade tensions, the possible imposition of US tariffs on cars and car parts imported from Europe, the possibility of a no deal Brexit and the political uncertainty that could follow in the wake of national or European elections.

Approaching the CESEE region, regarding the CEE4 countries, the EC projects Czechia and Slovakia to expand by 2.6% YoY (vs 2.9% YoY in the Winter forecast) and 3.8% YoY (vs 4.1% YoY in the Winter forecast) respectively in 2019. The outlook for Poland and Hungary is more favourable as the projected GDP growth forecasts for 2019 was been revised upwards compared to those released in February. Specifically, Hungary's 2019 GDP growth rate is now seen at 3.7% YoY (vs 3.4% YoY previously) while Poland's is expected at 4.2% YoY (vs 3.5% YoY previously) which is the highest across all countries, if we exclude Malta at 5.5% YoY and China at 6.2%.

Finally, the GDP growth projection for Bulgaria was lowered to 3.3% YoY for 2019 from 3.6% YoY in the Winter forecast while that of Serbia's has been significantly lowered to 3.1% YoY compared to 3.8% in the Autumn forecast in past November but with the 2020 GDP growth rate expected to rebound at 3.8% YoY in 2020.

[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)**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+   |

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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       | 2888.79  | -1.5% | 15.2% | EUR/USD | 1.1177 | -0.2% | -2.5%            | UST - 10yr | 2.46  | -1          | -23      | GOLD        | 1284 | 0.2%  | 0.1%  |
| Nikkei 225    | 21923.72 | -1.5% | 9.5%  | GBP/USD | 1.3048 | -0.4% | 2.3%             | Bund-10yr  | -0.04 | -4          | -28      | BRENT CRUDE | 70   | -1.6% | 30.2% |
| STOXX 600     | 381.64   | -1.4% | 13.0% | USD/JPY | 110.31 | 0.4%  | -0.6%            | JGB - 10yr | -0.05 | -1          | -6       | LMEX        | 2901 | 0.6%  | 3.5%  |

**SERBIA**

**Money Market**

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N     | 2.29 | 0     | -15      |
| 1-week  | 2.39 | 0     | -17      |
| 1-month | 2.60 | -1    | -13      |
| 3-month | 2.97 | 0     | -6       |
| 6-month | 3.09 | 0     | -9       |

**RS Local Bonds**

|        | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 3.02 | -12   | -4       |
| 5Y RSD | 3.79 | 2     | 28       |
| 7Y RSD | 4.03 | 1     | -12      |

**RS Eurobonds**

|            | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Feb-20 | 3.28 | -1    | -72      |

**CDS**

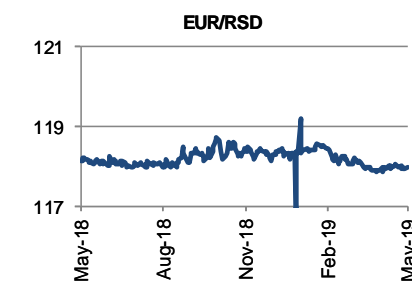
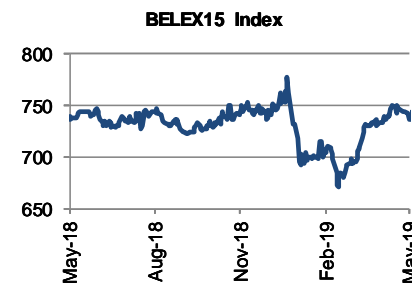
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 103  | 0     | -15      |
| 10-year | 148  | 0     | -14      |

**STOCKS**

|         | Last  | ΔD     | ΔYTD   |
|---------|-------|--------|--------|
| BELEX15 | 736.4 | -0.84% | -3.32% |

**FOREX**

|         | Last   | ΔD    | ΔYTD  |
|---------|--------|-------|-------|
| EUR/RSD | 117.88 | 0.07% | 0.31% |



**ROMANIA**

**Money Market**

| ROBOR    | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N      | 2.63 | -10   | 154      |
| 1-month  | 3.15 | 1     | 128      |
| 3-month  | 3.31 | 1     | 126      |
| 6-month  | 3.4  | 0     | 113      |
| 12-month | 3.55 | 1     | 123      |

**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 | 3.32 | #N/A  | N/A      |

**CDS**

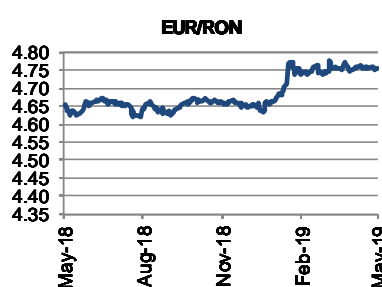
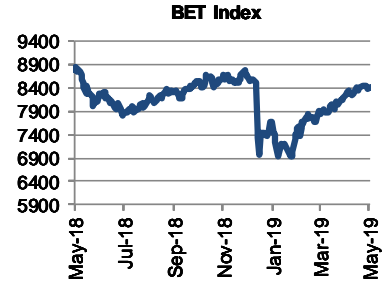
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 90   | 0     | 0        |
| 10-year | 134  | 1     | 1        |

**STOCKS**

|     | Last   | ΔD    | ΔYTD   |
|-----|--------|-------|--------|
| BET | 8419.2 | 0.46% | 14.02% |

**FOREX**

|         | Last   | ΔD     | ΔYTD   |
|---------|--------|--------|--------|
| EUR/RON | 4.7575 | -0.05% | -2.17% |



**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   | -0.17 | 4     | -12      |
| 5Y BGN   | 0.00  | -1    | -11      |
| 10Y BGN  | 0.48  | 0     | -27      |

**BG Eurobonds**

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

**CDS**

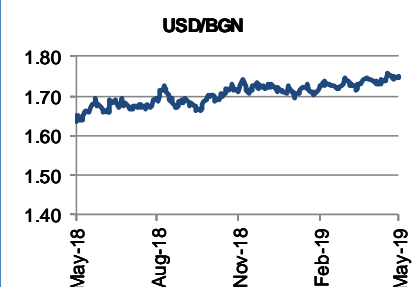
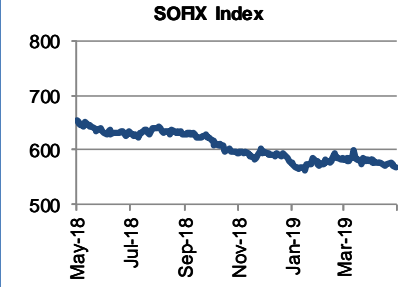
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 80   | 0     | -16      |
| 10-year | 128  | 0     | -13      |

**STOCKS**

|       | Last  | ΔD     | ΔYTD   |
|-------|-------|--------|--------|
| SOFIX | 567.7 | -0.63% | -4.50% |

**FOREX**

|         | Last   | ΔD     | ΔYTD   |
|---------|--------|--------|--------|
| USD/BGN | 1.7498 | -0.21% | -2.53% |



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 19:20 EEST of the previous session

Wednesday 08 May 2019

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