



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday 10 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: Market worries over further escalation in the US/China trade war are on the rise after the US administration decided to raise tariffs to 25% from 10% currently on more than \$200bn Chinese imports. The tariff increase came into effect today at 04:01 GMT and China vowed to retaliate with "necessary countermeasures". The good news is that China has not left the negotiating table so far. According to the White House spokesman, trade discussions with the Chinese delegation which arrived earlier this week in Washington will resume later today for the second day. Besides developments in the US-China trade row, investor focus today should also be on inflation numbers in the US, industrial production data across the Euro area and UK Q1 GDP data.

GREECE: At an Economic Chamber of Greece conference, Peter Dolman, IMF mission head to Greece argued that the economic stimulus package recently announced by the Greek PM Alexis Tsipras is in the "wrong direction" and that a number of these measures are not growth-oriented in the medium- and long-term. Meanwhile, the 10-year GGB yield increased further yesterday closing at 3.538%, while at the time of writing it stands at 3.543%. On the economic data front, according to the Hellenic Statistical Authority, the seasonally adjusted unemployment rate in February 2019 was 18.5% compared to 20.6% in February 2018 and the upward revised 18.6% in January 2019.

SOUTH EASTERN EUROPE

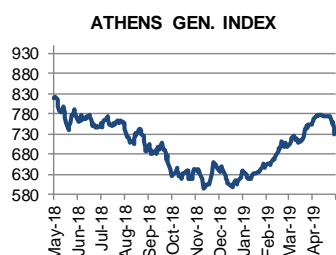
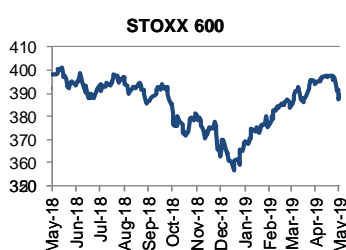
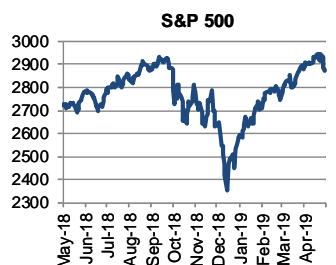
SERBIA: Yesterday in its Monetary Policy Committee (MPC), the National Bank of Serbia (NBS) kept the key policy rate (KPR) unchanged at 3.0%, as broadly expected. Despite the downside risks in the GDP growth outlook, the NBS preferred to maintain a wait-and-see mode, amid the prevailing uncertainties in the global environment. In other news, earlier in the week, in Belgrade, three agreements worth USD142mn between Serbia and the World Bank were signed referring to the modernisation of tax administration, the improvement of the work of e-administration and the facilitation of regional trade.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market worries over further escalation in the US/China trade war are on the rise after the US administration decided to raise tariffs to 25% from 10% currently on more than \$200bn Chinese imports. The tariff increase came into effect today at 04:01 GMT and China vowed to retaliate with “necessary countermeasures”. US stock futures point to a lower opening today, but European equity markets opened slightly higher and the majority of Asian bourses ended lower albeit off session lows amid hopes that the US administration could revoke the new tariff hike once a deal is reached, perhaps later than initially expected. The good news is that China has not left the negotiating table so far. According to the White House spokesman, trade discussions with the Chinese delegation which arrived earlier this week in Washington will resume later today for the second day. Rising geopolitical tensions also do not favor market sentiment towards risk assets. North Korea fired two short-range missiles earlier today in its second weapons test in less than a week, while the US announced that it seized a North Korean cargo ship, on alleged sanctions violations by the country. Adding to the above, US President Donald Trump warned that he could not rule out a military confrontation with Iran and called on the regime to negotiate a new nuclear deal.

With core government bonds continuing to be driven by developments in US/China trade talks, US Treasuries remained well supported. The 10-yr yield was hovering around 2.45% in European trade at the time of writing, little changed on the day and poised for a weekly drop of around 8bps. In FX markets, favored by its safe-haven appeal, the JPY retained a firm tone with the USD/JPY hovering around 109.75/78 in European trade at the time of writing, within distance from Thursday’s three-month intraday low of 109.46 and more than 1.0% weaker on a weekly basis. Besides developments in the US-China trade row, investor focus today should also be on inflation numbers in the US, industrial production data across the Euro area and UK Q1 GDP data.

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GREECE

At an Economic Chamber of Greece conference, Peter Dolman, IMF mission head to Greece argued that the economic stimulus package recently announced by the Greek PM Alexis Tsipras is in the “wrong direction” and that a number of these measures are not growth-oriented in the medium- and long-term. According to the IMF’s representative, the Greek government should seek to broaden the tax base in order to create the fiscal space to boost investment instead of cancelling the reduction of the tax-free threshold and offering tax exemptions and VAT rate reductions. Furthermore, the proposed settlement of tax and social security debts in up to 120 installments may have a negative fiscal impact and hurt the payment culture further. Meanwhile, the 10-year GGB yield increased further yesterday closing at 3.538%, while at the time of writing it stands at 3.543%. On the economic data front, according to the Hellenic Statistical Authority, the seasonally adjusted unemployment rate in February 2019 was 18.5% compared to 20.6% in February 2018 and the upward revised 18.6% in January 2019. The number of employed persons increased by 2.4% compared to February 2018 while the respective change of the number of unemployed persons was -10.3%.

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Friday 10 May 2019

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

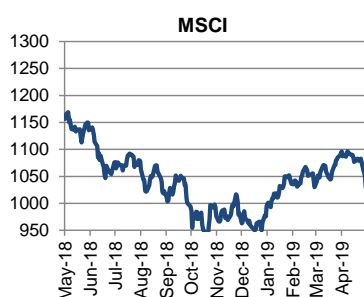
Latest economic & market developments in the CESEE region

SERBIA

Yesterday in its Monetary Policy Committee (MPC), the National Bank of Serbia (NBS) kept the key policy rate (KPR) unchanged at 3.0%, as broadly expected. Despite the downside risks in the GDP growth outlook apparent in the European Commission's forecasts released on Tuesday where the GDP growth rate forecast was revised to 3.1% YoY compared to 3.8% in November, that would allow for a more dovish approach, the NBS preferred to maintain a wait-and-see mode, amid the prevailing uncertainties in the global environment. As outlined before, we think that any movement to the upside regarding the KPR will be synchronised with that of the ECB's and as such a hike at a range of 25bps is not expected earlier than Q12020.

In other news, earlier in the week, in Belgrade, three agreements worth USD142mn between Serbia and the World Bank were signed referring to the modernisation of tax administration, the improvement of the work of e-administration and the facilitation of regional trade. According to the relevant press release, the Tax Administration Modernization Project valued at USD 52mn aims to reduce costs for citizens and corporates in fulfilling their tax obligations, as well as to improve efficiency of tax collection. The Enabling Digital Governance Project worth USD 50mn focuses on increasing the quality of e-services and the cost cutting through elimination of parallel processes, repetition of procedures and losses due to long procedures, thus creating more efficient public administration. The third agreement, amounting to USD 40mn, refers to Western Balkans Trade and Transport Facilitation project. This project will be implemented in two phases that will span over five years each. The countries covered in the first phase are Albania, North Macedonia and Serbia.

Concluding, on Tuesday, the Ministry of Finance ministry placed RSD 13.4bn in 7-year bonds at the reopening of the January 9, 2019 bond issue. The initial target of the auction was RSD 99.98bn but finally only RSD 10bn were placed as investors submitted bids for RSD 15.7bn. The notes mature on January 11 in 2026, bear a 4.50% annual coupon and were sold at an average yield of 4.50%, which is a tad less compared to the yield achieved at the previous auction, a month earlier (4.52%) when dinar bonds with the same maturity were auctioned. A day earlier, RSD 5.5bn in 3-year bonds maturing on April 5, 2020 were earlier redeemed by the Ministry of Finance. The offered redemption volume was RSD 6.0bn, while the volume of the submitted bids at the auction summed up to RSD 5.5bn. The bonds bearing a 4.5% annual coupon were redeemed at a discount rate of 2.90%.



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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Friday 10 May 2019

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	2870.72	-0.3%	14.5%	EUR/USD	1.1226	0.1%	-2.1%	UST - 10yr	2.44	0	-24	GOLD	1286	0.1%	0.2%
Nikkei 225	21344.92	-0.3%	6.6%	GBP/USD	1.3001	-0.1%	1.9%	Bund-10yr	-0.05	-1	-30	BRENT CRUDE	71	0.6%	31.6%
STOXX 600	378.98	0.8%	12.2%	USD/JPY	109.76	0.0%	-0.1%	JGB - 10yr	-0.05	0	-5	LME X	2839	-0.7%	1.4%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-15
1-week	2.39	0	-17
1-month	2.60	-1	-13
3-month	2.96	-1	-7
6-month	3.09	-1	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	0	-5
5Y RSD	3.77	0	16
7Y RSD	4.06	0	-8

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.26	0	-73

CDS

	Last	ΔDbps	ΔYTD bps
5-year	104	0	-14
10-year	149	0	-14

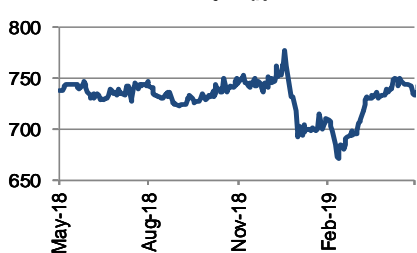
STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.6	-0.19%	-3.69%

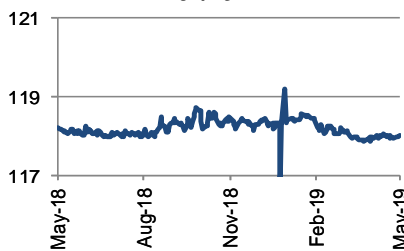
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.00	0.05%	0.20%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.53	0	144
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	4.42	0	8
10Y RON	4.94	0	13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.39	1	-15
USD Jan-24	3.36	0	-87

CDS

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

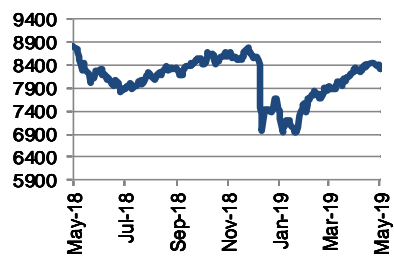
STOCKS

	Last	ΔD	ΔYTD
BET	8297.4	-0.01%	12.38%

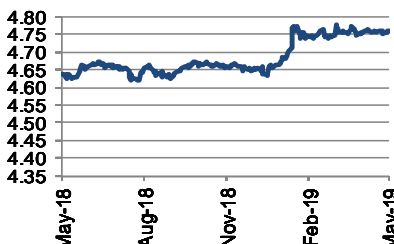
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7584	0.04%	-2.19%

BET Index



EUR/RON



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	-0.22	-5	-17
5Y BGN	-0.01	0	-12
10Y BGN	0.48	0	-27

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	-5	-7
EUR Sep-24	0.17	0	-31

CDS

	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	129	0	-13

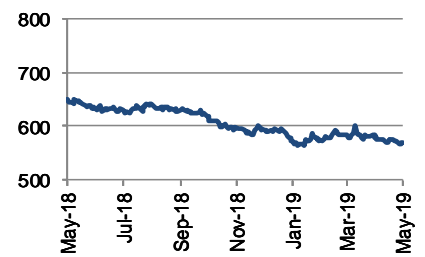
STOCKS

	Last	ΔD	ΔYTD
SOFIX	568.9	0.00%	-4.30%

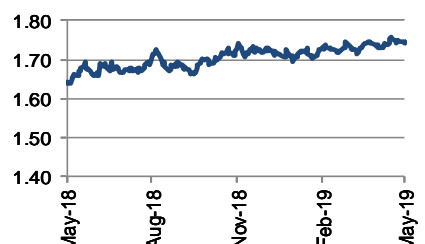
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7423	0.10%	-2.11%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 10:50 EEST

Friday 10 May 2019

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