



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday 15 April 2019

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Apr 15: Empire State Manufacturing Index (Apr.)
- Apr 16:
  - Industrial Production (Mar.)
  - NAHB Housing Market Index (Apr.)
- Apr 17:
  - Trade Balance (Feb.)
  - Fed releases Beige Book
- Apr 18:
  - Retail Sales (Mar.)
  - Business Inventories (Feb.)
  - Leading Indicators (Mar.)
  - Philly Fed Index (Apr.)
- Apr 19:
  - Housing Starts (Mar.)
  - Building Permits (Mar.)

#### EUROZONE

- Apr 16: German ZEW Survey (Apr.)
- Apr 17:
  - Trade Balance (Feb.)
  - CPI (Mar.)
- Apr 18: Markit PMIs (Apr. prel.)

#### GREECE

- Apr 19
  - Current Account (Feb.)
  - Turnover Index in Industry (Feb.)

#### SEE

##### BULGARIA:

- Apr 15: CPI (Mar.)
- Apr 16: Unemployment (Mar.)
- Apr 17: Current Account (Feb.)

##### CYPRUS:

- Apr 17: CPI Harmonised (Mar.)

##### SERBIA

- Apr 17: Current Account (Feb.)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking their cue from Wall Street's positive performance on Friday, Asian equity markets kicked off the week on a positive tone, supported by better-than-expected data from China, encouraging US Q1 earnings results on Friday and optimism that a US/China comprehensive trade deal could be sealed in the near future. In reaction to increased risk appetite, yields of US Treasuries and EMU sovereign bonds moved higher. Turning to FX markets, the JPY and the CHF were among the main underperformers as improved risk appetite dented their safe haven appeal. Looking at this week's US calendar, focus is on industrial production and retail sales data (Tuesday and Thursday, respectively) as well as the release of the Fed's Beige Book (Wednesday). In the Eurozone, the most sensitive data release will be the new round of PMI surveys (Thursday) while China's Q1 GDP data (Wednesday) is also set to attract market attention.

**GREECE:** On the sidelines of the IMF/World Bank spring meeting, Minister of Finance Euclid Tsakalotos discussed the early repayment of part of IMF loans with IMF Head Christine Lagarde and IMF European Department Head Poul Thomsen, both of whom welcomed this prospect. To this effect, the Greek government is expected to submit a formal request to the ESM which, based on its Managing Director Klaus Regling's recent comments, is unlikely to reject. In other news, the Greek government will reportedly table to Parliament in the coming days a bill for the settlement of debts to the tax authorities and social security funds.

### SOUTH EASTERN EUROPE

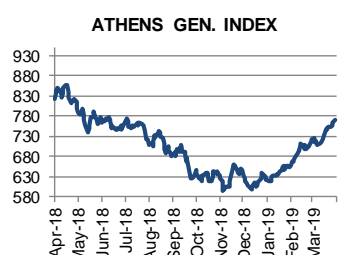
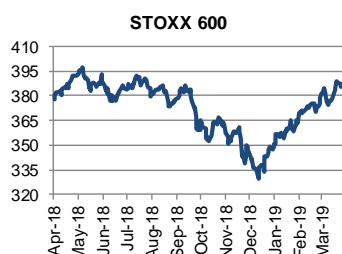
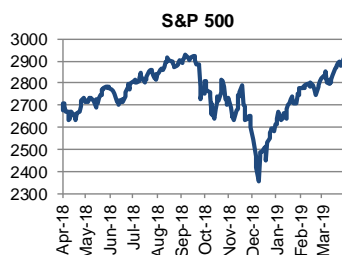
**SERBIA:** The EUR/RSD remained bound within a 117.85 – 119.05 trading range in the past week.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their cue from Wall Street's positive performance on Friday, Asian equity markets kicked off the week on a positive tone, supported by better-than-expected data from China, encouraging US Q1 earnings results on Friday and optimism that a US/China comprehensive trade deal could be sealed in the near future. On the latter, US Treasury Secretary Steven Mnuchin expressed hopes that the two sides are "close to the final round" of negotiations while comments by US President Donald Trump earlier this month have raised hopes that a final trade agreement could be signed by end-Q2 2019. In reaction to increased risk appetite, yields of US Treasuries and EMU sovereign bonds moved higher across maturities. The 10-yr US yield rose to 2.572% earlier today, the highest in nearly a month, while the yield curve steepened, diminishing fears of a US recession in the coming months. Along these lines, the 10-yr Bund yield marked a near one-month peak of 0.077% earlier today, c. 2bps higher on the day and c.8bps on a weekly basis. A positive surprise from the euro area's February industrial production, had also had an impact. Thanks to solid manufacturing production (+0.3%MoM), industrial production dropped by a lower-than-expected 0.2%MoM while the January's print was revised higher by 0.5pp to +1.9%MoM, supporting optimism that the economy is bottoming out. EMU periphery and semi-core sovereign bond markets outperformed the core, as the ECB's dovish message at the post-meeting press conference last week continued to have an impact. Turning to FX markets, the JPY and the CHF were among the main underperformers as improved risk appetite dented their safe haven appeal with the USD/JPY retesting levels above 112.00 and the EUR/CHF moving back above 1.1300. Elsewhere, the EUR/USD retained a positive tone in early European trade today, standing close to Friday's three-week high of 1.1325 supported by positive euro area industrial production data. Looking at this week's US calendar, focus is on industrial production and retail sales data (Tuesday and Thursday, respectively) as well as the release of the Fed's Beige Book (Wednesday). In the Eurozone, the most sensitive data release will be the new round of PMI surveys (Thursday) while China's Q1 GDP data (Wednesday) is also set to attract market attention.

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### GREECE

On the sidelines of the IMF/World Bank spring meeting, Minister of Finance Euclid Tsakalotos discussed the early repayment of part of IMF loans with IMF Head Christine Lagarde and IMF European Department Head Poul Thomsen, both of whom welcomed this prospect. To this effect, the Greek government is expected to submit a formal request to the ESM which, based on its Managing Director Klaus Regling's recent comments, is unlikely to reject. The repayment reportedly concerns loans in the order of c.€3.8bn with maturity in 2019 and 2020, with interest rate 5.1%. The total outstanding amount to the IMF is €9.8bn. In other news, the Greek government will reportedly table to Parliament in the coming days a bill for the settlement of debts to the tax authorities and social security funds. According to press reports, government officials do not expect the institutions to raise any objections to the new framework. Meanwhile, the institutions are expected to return to Athens on 6 May for the 3<sup>rd</sup> Enhance Post Programme Surveillance review.

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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

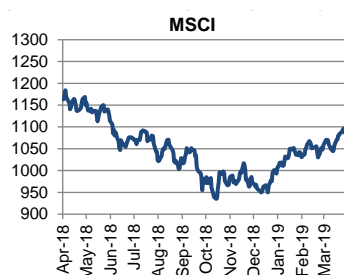
### SERBIA\*

The Dinar continued trading around the 118.0 levels without being able to make a substantial move. The market participants are focused on an agreement on solving the issue of increasing debt in mortgages denominated in Swiss francs. According to an unofficial source, the government will bear 15% of costs regarding the conversion of the principal amount of loans indexed in Swiss francs, banks will write off 22-23% and the additional reduction of the burden through a tax benefit to banks will amount to 2-3%. The cumulative 40% write-off is basically a compromise that the government has offered choosing between the banks' proposition to write off 30% and debtors' request for 50% to be written off. In addition, the government has decided on another matter as well: the "lex-specialis", referring to the special purpose legislation drafted for the issue, must refer to all Swiss franc borrowers, not just those with the principal amount of ca EUR 50,000, which was suggested by the banks. After the 40% write-off, the new amount will be converted to Euros with a 3.5% annual interest rate.

In other news, the IMF has kept unchanged its forecasts for GDP growth in 2019 and 2020. IMF affirmed its projections given in October 2018 seeing GDP growth of 3.5% and 4.0% for 2019 and 2020 respectively. The gross FX reserves of the National Bank of Serbia (NBS) amounted to EUR 11.44bn at the end of March, which is EUR 42.1mn higher compared to February and EUR 1.20bn more than the level at end of March 2018. The net FX reserves (FX reserves less banks' FX balances on account of required reserves and other requirements) amounted to EUR 8.96bn at the end of March, up by EUR 3.0mn compared to the previous month. The trade volume in the interbank FX market in March equaled EUR 474.4mn, up by EUR 40.8mn on a monthly basis. During the first three months this year, the interbank trade had reached a total of EUR1.40bn.

\*We would like to thank Zoran Korac from Eurobank Beograd for his valuable contribution in today's issue.

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**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+

Monday 15 April 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	2907.41	0.7%	16.0%	EUR/USD	1.1317	0.1%	-1.3%	UST - 10yr	2.56	-1	-12	GOLD	1287	-0.2%	0.4%
Nikkei 225	22169.11	1.4%	10.8%	GBP/USD	1.3101	0.2%	2.7%	Bund-10yr	0.06	1	-18	BRENT CRUDE	71	-0.1%	32.8%
STOXX 600	387.44	0.0%	14.7%	USD/JPY	111.92	0.1%	-2.0%	JGB - 10yr	-0.03	3	-3	LMEX	3026	0.9%	8.0%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.26	0	-18
1-week	2.38	0	-18
1-month	2.59	0	-14
3-month	2.95	0	-8
6-month	3.07	0	-11

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.15	1	9
5Y RSD	3.77	0	26
7Y RSD	4.03	0	-12

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.42	0	-58

**CDS**

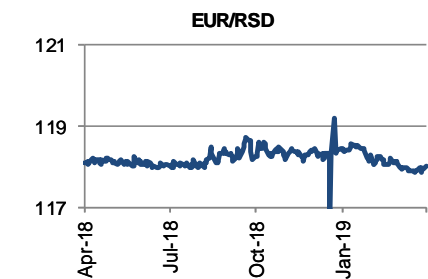
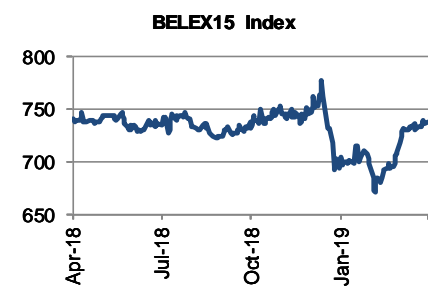
	Last	ΔDbps	ΔYTD bps
5-year	108	0	-10
10-year	155	155	-8

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	738.0	0.23%	-3.11%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.29	-0.05%	-0.05%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.56	1	247
1-month	3.39	0	152
3-month	3.38	0	133
6-month	3.41	-1	114
12-month	3.54	1	122

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.84	0	-20
5Y RON	4.48	0	14
10Y RON	4.95	0	14

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.51	-	-4
USD Jan-24	3.45	0	-78

**CDS**

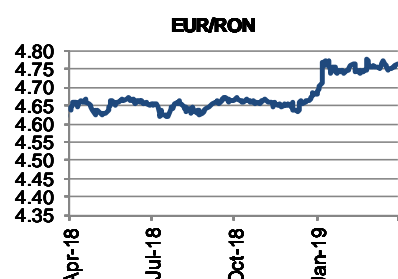
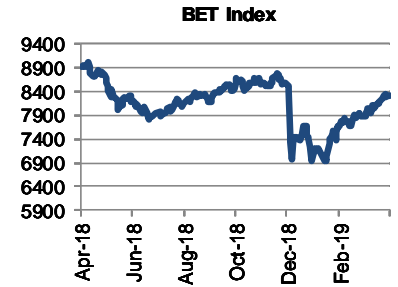
	Last	ΔDbps	ΔYTD bps
5-year	106	-6	16
10-year	154	-6	21

**STOCKS**

	Last	ΔD	ΔYTD
BET	8296.5	0.35%	12.36%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.763	-0.13%	-2.29%



**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	-0.29	-4	-24
5Y BGN	0.01	0	-10
10Y BGN	0.46	0	-29

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.10	-2	-8
EUR Sep-24	0.17	0	-31

**CDS**

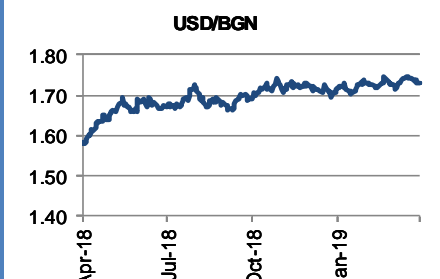
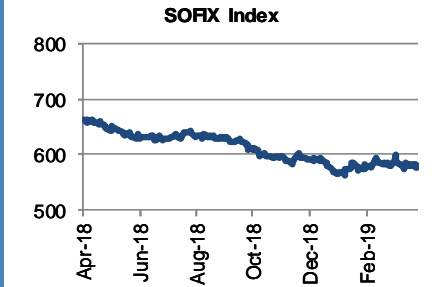
	Last	ΔDbps	ΔYTD bps
5-year	81	0	-15
10-year	122	0	-20

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	576.5	0.23%	-3.02%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.728	0.19%	-1.30%



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

Data updated as of 11:05 EEST

Monday 15 April 2019

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