

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: European equity markets opened marginally in the black earlier today and Asian bourses closed near recent multi-month highs amid hopes of stabilization in the Chinese economy following positive export and credit growth data releases earlier this week. Market optimism that a US/China comprehensive trade deal could be sealed in the near future, also underpinned market sentiment towards risk assets. The majority of EMU periphery sovereign bonds outperformed core on a daily basis. Turning to FX markets, the EUR/USD retreated to levels close to 1.1300 in early European trade, while the GBP remained under pressure against the EUR amid pronounced Brexit-related uncertainty. Looking at today's calendar, the most sensitive data releases include Germany's ZEW survey for April, US industrial production for March and the UK labor force survey for February.

GREECE: According to the preliminary State Budget Execution data for January – March 2019 the overall fiscal balance registered a deficit of €0.8 bn, against a targeted deficit of €3.1 bn in the 2019 Budget and a surplus of €0.4 bn in the respective period of 2018. The State Budget Primary Balance recorded a surplus of €1.5 bn, against a targeted primary deficit of €1.0bn in the 2019 Budget.

SOUTH EASTERN EUROPE

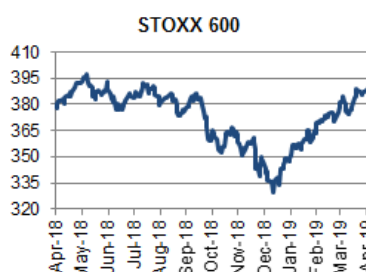
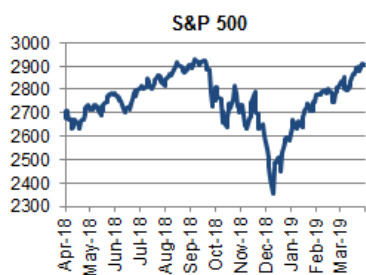
CYPRUS: FITCH affirmed the sovereign rating of Cyprus at BBB- with a stable outlook.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

European equity markets opened marginally in the black earlier today and Asian bourses closed near recent multi-month highs amid hopes of stabilization in the Chinese economy following positive export and credit growth data releases earlier this week. Market optimism that a US/China comprehensive trade deal could be sealed in the near future, also underpinned market sentiment towards risk assets. Following the conclusion of the latest round of high-level US/China trade negotiations earlier this month, both sides signaled that further progress was made, with US Treasury Secretary Steven Mnuchin expressing hopes that discussions are “close to the final round”. Against this background, yesterday’s poor US Q1 earnings results from financial companies, failed to exert a significant negative impact. All three major US stock indices closed marginally lower overnight, with the S&P 500 remaining, though, within distance from recent record highs. A similar picture prevailed in the core fixed income markets where yields of US Treasuries and German Bunds were little changed on a daily basis. The 10-yr UST yield was hovering not far from yesterday’s 2.57% peak, the highest in nearly a month, while the respective Bund yield was standing close to 0.06%, within distance from Monday’s 0.08% four-week high. The majority of EMU periphery bonds outperformed core on a daily basis, with Italian and Spanish 10-yr yields standing slightly lower at the time of writing compared to Monday’s settlement. Turning to FX markets, the EUR/USD retreated to levels close to 1.1300 in early European trade after failing to break above 1.1320/30 yesterday. Meanwhile, the GBP remained under pressure against the EUR amid pronounced Brexit-related uncertainty. The EUR/GBP was hovering around 0.8640/45 in early European trade, close to last week’s 0.8656 peak, which is the highest in around a month. Looking at today’s calendar, the most sensitive data releases include Germany’s ZEW survey for April, US industrial production for March and the UK labor force survey for February.

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GREECE

According to press reports, Greece plans to ask by the end of this week, the ESM’s consent for the early repayment of at least €3.7 bn of the loans owed to the IMF. According to the PDMA the IMF loans amount to ca €9.4 bn. According to the preliminary State Budget Execution data for January – March 2019, the overall fiscal balance registered a deficit of €0.8 bn, against a targeted deficit of €3.1 bn in the 2019 Budget and a surplus of €0.4 bn in the respective period of 2018. The State Budget Primary Balance recorded a surplus of €1.5 bn, against a targeted primary deficit of €1.0 bn in the 2019 Budget. State Budget net revenue over-performed the target by €1.4 bn mainly as a result of increased revenues from a) taxes (€0.3 bn), b) Transfers (including Public Investment Budget Revenues) by €0.2 bn and revenues from privatizations (mainly the revenues from the extension of the concession rights of the Athens International Airport received in March 2019, amounting to €1.2 bn). Tax refunds were above their 2019 Budget target by 0.1 bn. State Budget expenditure was lower by €1.1 bn compared to the respective 2019 Budget target mainly as a result of the non-allocated expenditures item of €1.3 bn. A significant part of this item (at €1.0 bn) consists of a buffer aiming to cover compensations of employees on the basis of various court rulings (one-off payments of law 4575/2018) that were not disbursed as initially planned by the end of 2018. If no such claims arise during 2019 – beyond the €0.3bn already used in the first three months of 2019 and registered in the compensation of employees expenditure category – the buffer will not be used and thus will not have an effect on the 209 primary fiscal balance. Public Investment Budget expenditure were lower by €0.1 bn compared to the respective 2019 Budget target.

Tuesday 16 April 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

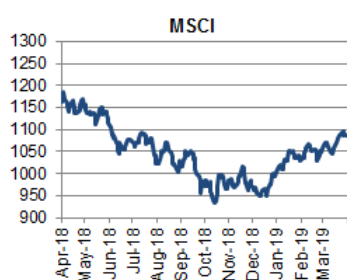
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	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

CYPRUS

On April 12th, FITCH affirmed the sovereign rating of Cyprus at BBB- with a stable outlook. In its analysis, FITCH argued that the ratings balance the broad-based economic recovery and a substantial budget surplus but with the crisis legacy of high public debt and non-performing exposures (NPEs) in the banking sector. FITCH pointed out that the buoyant cyclical recovery of the economy - driven by domestic demand- continued in the past year to exceed that of the Euroarea. From that point of view, FITCH forecasts GDP growth to slow in 2019 and 2020 to 3.5% and 2.8%, respectively, as the spare capacity in the economy has been gradually absorbed and the external environment becomes less supportive. FITCH praised Cyprus for its fiscal metrics improvement pointing out that although primary surpluses are expected to decline, they will remain substantial and combined with robust growth and contained nominal effective interest rates will reduce public debt to 70% of GDP by 2026 down from 102.5% in 2018. Finally, FITCH assessed that addressing the legacy issues in the banking sector remains an economic policy priority, recalling the recent legislative amendments aimed at strengthening the foreclosures and insolvency frameworks and facilitating NPEs securitizations & sales. The high private sector indebtedness and NPEs ratio, despite their recent decline stemming mostly from debt-to-asset swaps, loan write-offs and high nominal GDP growth rather than loan repayment, constrains credit growth.

Overall, all major rating agencies (FITCH, DBRS, Moody's and now S&P) upgraded their long-term sovereign rating of Cyprus in 2018, awarding at least one notch in their respective rankings. However, in the last round of assessments, the rating agencies appeared reluctant to make their latest views public. Recall, that Standard & Poor's postponed the scheduled sovereign rating assessment of Cyprus on March 9th. On March 29th, Moody's became the second agency in a row to postpone its own. This is not the first time rating agencies do that. For instance, Moody's had done the exact same thing in February 2018. Nevertheless, it was widely expected that Moody's would upgrade the sovereign rating of Cyprus by at least one notch. In the press release, Moody's stated that it had completed a periodic review of sovereign issuers, which includes Cyprus. However, it clarified that the review did not involve a rating committee, and its publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Following the last round of assessments, there still remains a slight divergence of views between the rating agencies on the sovereign rating of Cyprus. Moody's is the only agency among the four major ones, which classifies Cyprus two notches below investment grade status.

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Tuesday 16 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	2905.58	-0.1%	15.9%	EUR/USD	1.1309	0.0%	-1.4%	UST - 10yr	2.56	0	-13	GOLD	1286	-0.2%	0.3%
Nikkei 225	22221.66	0.2%	11.0%	GBP/USD	1.3082	-0.1%	2.5%	Bund-10yr	0.06	0	-18	BRENT CRUDE	71	-0.1%	32.2%
STOXX 600	389.04	0.2%	15.2%	USD/JPY	111.88	0.1%	-1.9%	JGB - 10yr	-0.02	0	-2	LMEX	3023	-0.1%	7.9%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.26	0	-18
1-week	2.40	2	-16
1-month	2.60	1	-13
3-month	2.97	2	-6
6-month	3.09	2	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.16	0	9
5Y RSD	3.77	0	26
7Y RSD	4.03	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.41	-1	-59

CDS

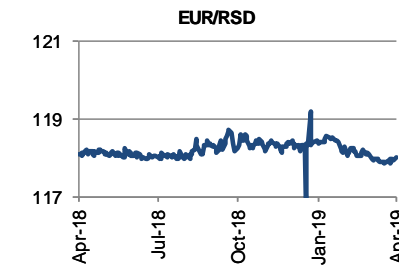
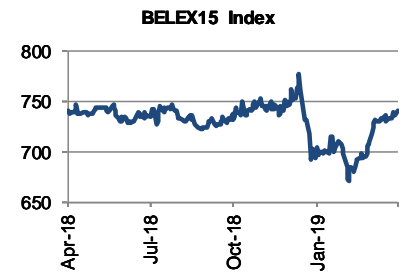
	Last	ΔDbps	ΔYTD bps
5-year	108	0	-10
10-year	155	155	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.2	0.08%	-2.69%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.00	0.05%	0.20%



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.85	0	-19
5Y RON	4.50	0	16
10Y RON	4.96	0	15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.48	-	-6
USD Jan-24	3.45	-2	-79

CDS

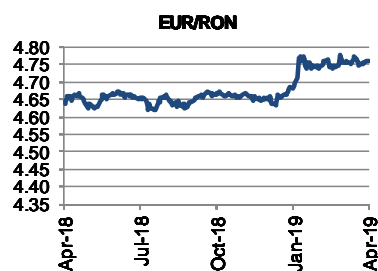
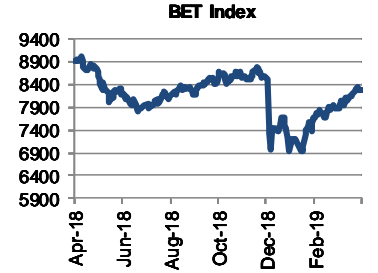
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	154	0	21

STOCKS

	Last	ΔD	ΔYTD
BET	8274.6	0.03%	12.07%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.761	-0.03%	-2.25%



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	-0.30	0	-24
5Y BGN	0.03	4	-8
10Y BGN	0.46	0	-29

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.10	-3	-5
EUR Sep-24	0.18	-9	-31

CDS

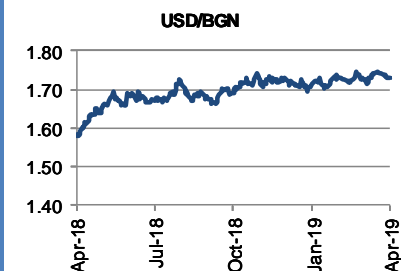
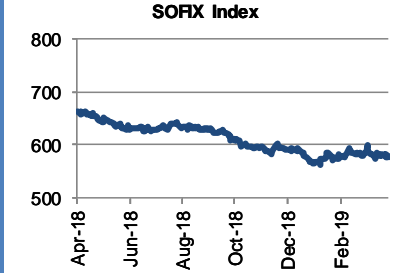
	Last	ΔDbps	ΔYTD bps
5-year	82	1	-15
10-year	122	1	-19

STOCKS

	Last	ΔD	ΔYTD
SOFIX	576.3	0.14%	-3.06%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7296	0.03%	-1.39%



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

Data updated as of 10:45 EEST

Tuesday 16 April 2019

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