

Wednesday 17 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: Yields of US Treasuries and German Bunds continued to move higher, in reaction to a string of better-than-expected data from China earlier today. Turning to FX markets, lacking clear direction, the EUR/USD continued to struggle around the 1.1300 area. In terms of data releases, focus today is on the final March euro area inflation figures. The flash report disappointed showing a drop in core inflation to 0.8%YoY from 1.0%YoY in February.

GREECE: In the coming days, the Greek government is expected to submit a request to the ESM to repay part of the IMF loans. The amount of the repayment is expected to be in the range of €3.6-3.7 billion from €9.5 billion owed in total. On the privatisations front, the preferred bidder ("Aktor Concessions SA") for the right to use and exploit the marina of Alimos for a period of 40 years was declared through an e-auction procedure.

SOUTH EASTERN EUROPE

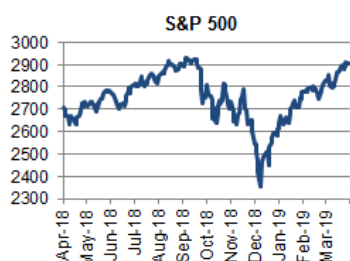
CESEE MARKETS: China's economic growth, released earlier in the day, surprised positively the markets by coming in at 6.4% YoY in Q1-2019, beating the consensus at 6.3%. At the time of writing, most emerging market assets are anchored to the favorable growth reading with both the MSCI Emerging Markets Equity and FXC indices trading higher to yesterday's closing prices. Elsewhere in the region, yesterday, Serbia adopted a draft law regarding the conversion of the Swiss franc linked mortgages outstanding, which will be possibly ratified by the parliament by the end of next week and will provide relief to approximately 16,800 borrowers who were hit by the volatility of the currency.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In terms of data releases, focus today is on the final March euro area inflation figures. The flash report disappointed showing a drop in core inflation to 0.8%YoY from 1.0%YoY in February. Though market consensus points to an unchanged figure, the final data will reveal how much of the March drop was driven by season factors and could reverse in April. Meanwhile, today's newswires conveyed that a "significant majority" of ECB Governing Council members expressed doubts at last week's monetary policy meeting regarding a growth recovery in H2 2019, arguing that the external headwinds facing the Eurozone are likely to have a more lasting adverse impact. This contrasts with the ECB's latest growth projections pointing to a rebound in GDP growth to potential in H2 2019. As per the same sources, several ECB policy makers expressed doubts over whether there would be any advantage in moving to a system in which interest rates on excess reserves would be tiered. Adding to market concerns about the Eurozone's growth prospects, the German government is reportedly expected to announce today its updated 2019 GDP growth estimate to 0.5% from 1.0% previously, lower than a recent estimate of 0.8% by Germany's leading economic institutes.

Turning to core government bond markets, yields of US Treasuries and German Bunds continued to move higher in reaction to a string of better-than-expected data from China earlier today. The 10-yr UST yield was 2bps up on the day at 2.61%, the highest in a month, shrugging off yesterday's US Q1 manufacturing data showing the first quarterly drop since Q1 2017. The respective German Bund was yielding levels close to 1.0% in early European trade for the first time since 20 March, more than 3bps higher on the day with EMU periphery sovereign bond markets continuing to outperform the core. In FX markets, lacking clear direction, the EUR/USD continued to struggle around the 1.1300 area.

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GREECE

In the coming days, the Greek government is expected to submit a request to the ESM to repay part of the IMF loans. The amount of the repayment is expected to be in the range of €3.6-3.7 billion from €9.5 billion owed in total. These loans have an interest rate of 5.13% and maturities in 2019 and 2020. The involvement of the Fund as a supervisor of the Greek economy is expected to remain in its present form, something that some Eurozone countries, including Germany, insist on. In fact, according to press, it is not unlikely that Germany may object to this early repayment. In any case, it is estimated that the decision of the ESM will be issued in about 50 days. On the privatisations front, the preferred bidder ("Aktor Concessions SA") for the right to use and exploit the marina of Alimos for a period of 40 years was declared through an e-auction procedure. According to the Hellenic Republic Asset Development Fund, the total consideration for the Fund is €57.5 million (NPV) while the value of the agreement amounts to a total consideration of at least €177 million, which also includes an annual concession fee and a revenue sharing expressed as a percentage of the marina's annual turnover while the concessionaire will proceed with investments in the order of €50 million. The financial closing of the tender is expected after the pre-contractual review, which will be conducted by the Court of Audit.

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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

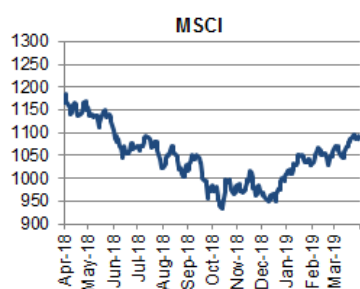
Latest economic & market developments in the CESEE region

CESEE MARKETS

According to official statistical data released earlier in the day, China's economy rebounded in Q1-2019 by expanding at a pace of 6.4% YoY, identical to the growth rate of Q4-2018. Contrary to market consensus, which stood at 6.3% YoY, China's economic growth surprised positively while other activity indicators for March, both on the demand and production side, released prior to growth's reading imply that the economy may be on the way to a stabilizing momentum. That said, at the time of writing, most emerging market assets are anchored to the favorable growth reading with both the MSCI Emerging Markets Equity and FXC indices trading higher to yesterday's closing prices.

Elsewhere in the region, yesterday, Serbia adopted a draft law regarding the conversion of the Swiss franc linked mortgages outstanding, which will be possibly ratified by the parliament by the end of next week and will provide relief for approximately 16,800 borrowers who were hit by the volatility of the currency. The bill, that refers to all CHF loan borrowers, regardless of the outstanding amount of the loan, foresees the remaining part of the debt to be converted into Euro after writing off 38% of the converted amount. The final interest rate will not exceed the 3.4% margin plus 3-month or 6-month EURIBOR, while fixed interest rates will be envisaged as well, which will not exceed 4%. Once the bill is ratified, banks will be obliged to suggest to their clients to convert their CHF-indexed loan within 30 days. According to the government, the bill should facilitate the solution of the problem of 16,800 CHF loan borrowers.

On the data news front, we anticipate current account data for both Bulgaria and Serbia, later within the day while the remaining of the week is rather quiet in terms of data releases.

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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+

Wednesday 17 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	2907.06	0.1%	16.0%	EUR/USD	1.1318	0.3%	-1.3%	UST - 10yr	2.61	2	-8	GOLD	1279	0.2%	-0.3%
Nikkei 225	22277.97	0.3%	11.3%	GBP/USD	1.3058	0.1%	2.3%	Bund-10yr	0.10	3	-14	BRENT CRUDE	72	0.5%	33.9%
STOXX 600	388.43	-0.2%	15.0%	USD/JPY	112	0.0%	-2.1%	JGB - 10yr	-0.01	2	-1	LMEX	3010	-0.4%	7.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.26	0	-18
1-week	2.36	-4	-20
1-month	2.60	0	-13
3-month	2.95	-2	-8
6-month	3.08	-1	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.15	-1	9
5Y RSD	3.77	0	26
7Y RSD	4.02	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.43	-1	-57

CDS

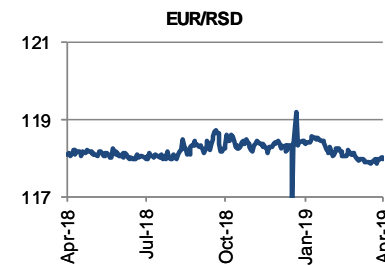
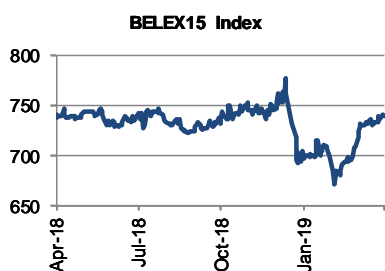
	Last	ΔDbps	ΔYTD bps
5-year	108	0	-10
10-year	155	155	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.3	-0.17%	-2.94%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.34	-0.28%	-0.09%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.51	0	242
1-month	3.37	0	150
3-month	3.38	0	133
6-month	3.41	0	114
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.83	0	-20
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	3.46	-1	-78

CDS

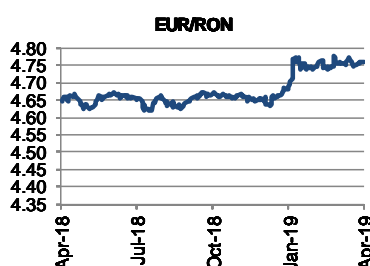
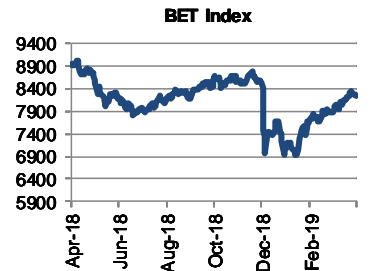
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	154	-1	20

STOCKS

	Last	ΔD	ΔYTD
BET	8268.2	0.25%	11.98%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7583	0.03%	-2.19%



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	-0.31	-1	-25
5Y BGN	0.03	0	-8
10Y BGN	0.46	0	-29

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.08	-9	-4
EUR Sep-24	0.18	-5	-31

CDS

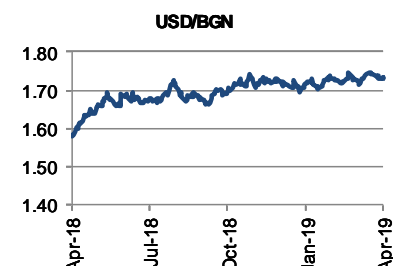
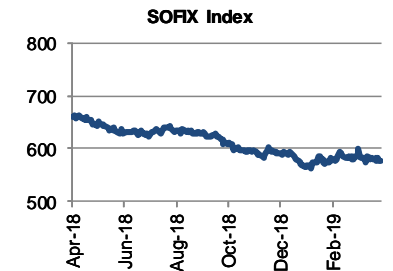
	Last	ΔDbps	ΔYTD bps
5-year	82	0	-15
10-year	122	0	-19

STOCKS

	Last	ΔD	ΔYTD
SOFIX	576.4	0.13%	-3.04%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7283	0.32%	-1.32%



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

Data updated as of 10:15 EEST

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