

### 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:** Focus today is on the release of April PMIs for the manufacturing and services sector in the Eurozone for more clues over the economic growth outlook. Awaiting the data, EMU core government bond prices were relatively higher on the day with the 10-yr Bund yield hovering around 0.075% at the time of writing after surpassing temporarily yesterday the 0.10% level for the first time in nearly a month. A string of positive data from China earlier this week and increased optimism for a US/China trade deal in the near future may have also had an impact. In FX markets, the EUR/USD remained trapped within the 1.1250-1.1320 recent range.

**GREECE:** European Commission Vice-President Valdis Dombrovskis stated in an interview that the EC could consent to the annulment of the reduction of the tax-free threshold – scheduled to take effect on 1 January 2020 – if there is fiscal space beyond the attainment of the primary surplus targets and this constitutes a priority for the Greek government. The reduction of the tax-free threshold was agreed between Greece and the institutions in 2017 as a means to broaden the tax base and deliver net savings of 1% of GDP in 2020 and over the medium term.

### SOUTH EASTERN EUROPE

**BULGARIA:** According to data released yesterday by the National Bank of Bulgaria (BNB), the current account surplus increased by 111.9% YoY to €416.2mn in February. The strong improvement was broadly based on the narrowing of the trade and the primary income deficit and the mild widening of the secondary income surplus during the month.

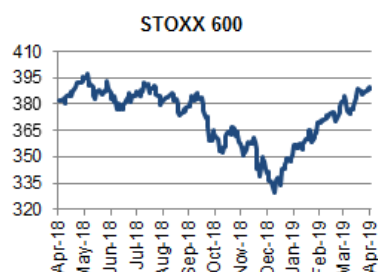
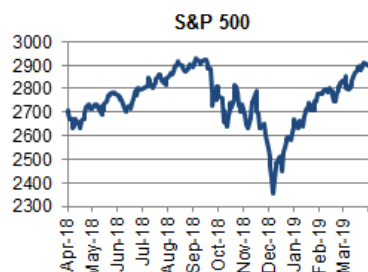
**SERBIA:** Earlier in the previous week, during the Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group in Washington D.C., the Serbian delegation, led by the Governor of the National Bank of Serbia (NBS) Jorgovanka Tabaković, met Mr. Tao Zhang, the IMF Deputy Managing Director. Mr. Zhang assessed that Serbia is fully committed to the implementation of reforms and that the IMF will continue to provide full support to the key reforms in Serbia while Governor Tabaković outlined that within the past five years, Serbia has gone a long way in terms of macroeconomic stability strengthening.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank  
Research

Focus today is on the release of April PMIs for the manufacturing and services sector in the Eurozone for more clues over the economic growth outlook. The services PMI is likely to rise modestly from March's 55.3 supported by resilient domestic demand and the fading negative effect of temporary factors, including the yellow vest protests in France. However, the decoupling of the manufacturing and the services indices is likely to continue, taking into account that key components such as the new orders suggest that the former has yet to bottom out.

Awaiting today's PMI data, EMU core government bond prices were relatively higher on the day with the 10-yr Bund yield hovering around 0.075% at the time of writing after surpassing temporarily yesterday the 0.10% level for the first time in nearly a month. A string of positive data from China earlier this week and increased optimism for a US/China trade deal in the near future may have also had an impact. On the latter, unnamed senior officials from both sides were quoted saying that face-to-face trade negotiations are scheduled to continue aiming to reach a compromise deal by early May and the US President and his Chinese counterpart to sign it later that month. In the EMU periphery, Spain outperformed its regional peers. The 10-yr yield spread against its Germany counterpart narrowed close to 98bps earlier today, the lowest in around six-weeks, ahead of the 28 April general election which is likely, according to recent opinion polls, to yield an increasingly fragmented political landscape. However, investors do not seem to be overly worried as available data suggest that Spain's 2018 positive growth momentum has been carried over into the early months of this year. Following a hefty growth rate of 2.6% in 2018, well above the Eurozone's 1.8% annual average, Spain is expected to grow by around 2.0% this year, outperforming again other large euro area economies. In FX markets, the EUR/USD retreated to levels close to 1.1270 earlier today after marking a three-week intraday peak of 1.1324 yesterday, remaining trapped within the 1.1250-1.1320 recent range.

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### GREECE

European Commission Vice-President Valdis Dombrovskis stated in an interview that the EC could consent to the annulment of the reduction of the tax-free threshold – scheduled to take effect on 1 January 2020 – if there is fiscal space beyond the attainment of the primary surplus targets and this constitutes a priority for the Greek government. It is reminded that the reduction of the tax-free threshold was agreed between Greece and the institutions in 2017 in the context of the 2<sup>nd</sup> review of the 3<sup>rd</sup> Economic Adjustment Programme in order to broaden the tax base and deliver net savings of 1% of GDP in 2020 and over the medium term. The agreement also foresaw that if the achievement of the primary surplus target was deemed to be secured in a growth-friendly manner, the size of the tax credit reduction in that year could be adjusted by the Greek authorities in agreement with the institutions.

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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

### BULGARIA

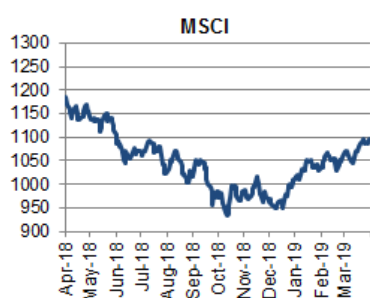
According to data released yesterday by the National Bank of Bulgaria (BNB), the current account surplus increased by 111.9% YoY to €416.2mn in February. The strong improvement was broadly based on the narrowing of the trade and the primary income deficit and the mild widening of the secondary income surplus during the month. The goods trade deficit shrank by 54.0% YoY to EUR 111.1mn during the month mirroring a sizable acceleration of exports growth by 24.4% YoY. Imports expanded by 15.6% YoY, presumably on the back of solid domestic demand and the surge of global oil prices in February. The primary income posted a EUR10.6mn surplus in February visibly recovering from a EUR66.4mn deficit in the same month of the previous year. The improvement reflected, inter alia, portfolio investment revenues from Bulgaria in February. The secondary income surplus rose by 7.5% YoY to EUR 427.2mn in February due to increased revenues from EU funds absorption.

### SERBIA

Earlier in the previous week, during the Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group in Washington D.C., the Serbian delegation, led by the Governor of the National Bank of Serbia (NBS) Jorgovanka Tabaković, met Mr. Tao Zhang, the IMF Deputy Managing Director. According to the relevant press release from the NBS, meetings were also held with IMF European Department Director Poul Thomsen, the IMF team for Serbia and representatives from a large number of investors.

Analysing the results achieved in the prior period and the implementation of the new arrangement in the form of the Policy Coordination Instrument (PCI), Mr. Zhang assessed that Serbia is fully committed to the implementation of reforms and that the IMF will continue to provide full support to the key reforms in Serbia. He added that Serbia demonstrated unambiguously its strong willingness and determination to further progress. Governor Tabaković outlined that within the past five years, Serbia has gone a long way in terms of macroeconomic stability strengthening. Inflation has been kept at modest levels, the current account deficit halved, the country risk premium significantly reduced and the credit rating upgraded. Strong fiscal adjustment enabled a faster than expected drop in public debt to GDP – to about 50%.

In addition, Serbia was recognised as the leading country in terms of the resolution of non-performing loans, whose share fell to 5.7% in December last year. It was concluded that stability and favourable growth prospects of the domestic economy underpin investors' long-term interest in Serbia, confirming the results achieved in improving the domestic business environment and progress on global competitiveness lists.



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	2900.45	-0.2%	15.7%	EUR/USD	1.1253	-0.4%	-1.9%	UST - 10yr	2.56	-4	-13	GOLD	1275	0.1%	-0.6%
Nikkei 225	22090.12	-0.8%	10.4%	GBP/USD	1.3014	-0.2%	2.0%	Bund-10yr	0.04	-4	-20	BRENT CRUDE	71	-0.6%	32.4%
STOXX 600	388.50	-0.3%	15.1%	USD/JPY	111.87	0.2%	-1.9%	JGB - 10yr	-0.03	-2	-3	LME X	3025	0.5%	8.0%

## SERBIA

### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.25	-1	-19
1-week	2.36	0	-20
1-month	2.59	-1	-14
3-month	2.96	1	-7
6-month	3.08	0	-10

### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.15	-2	9
5Y RSD	3.77	0	26
7Y RSD	4.03	0	-13

### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.42	1	-58

### CDS

	Last	ΔDbps	ΔYTD bps
5-year	108	0	-10
10-year	154	155	-8

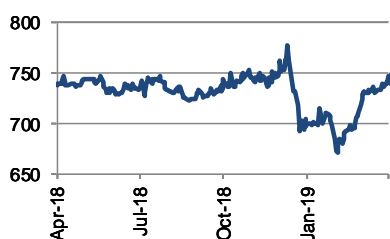
### STOCKS

	Last	ΔD	ΔYTD
BELEX15	746.2	-0.16%	-2.03%

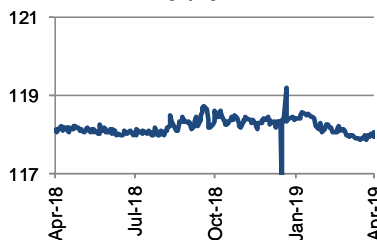
### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.91	0.17%	0.28%

BELEX15 Index



EUR/RSD



## ROMANIA

### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.55	2	246
1-month	3.4	1	153
3-month	3.39	1	134
6-month	3.42	0	115
12-month	3.56	0	124

### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.81	0	-22
5Y RON	4.48	0	14
10Y RON	4.96	0	15

### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.47	-	-7
USD Jan-24	3.44	-2	-79

### CDS

	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	155	1	21

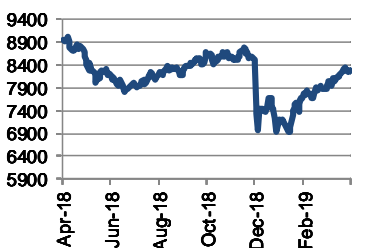
### STOCKS

	Last	ΔD	ΔYTD
BET	8251.1	-0.25%	11.75%

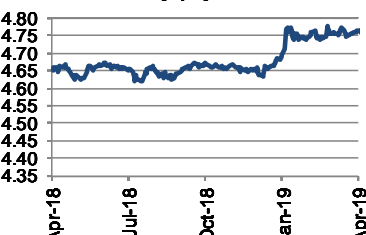
### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7633	0.00%	-2.29%

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	-0.33	-3	-28
5Y BGN	0.02	-1	-9
10Y BGN	0.48	0	-27

### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	0	-5
EUR Sep-24	0.18	0	-31

### CDS

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

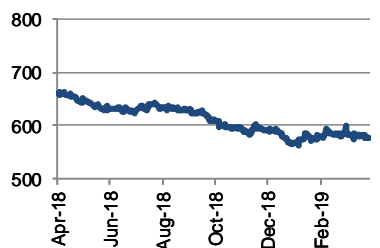
### STOCKS

	Last	ΔD	ΔYTD
SOFIX	577.0	0.26%	-2.94%

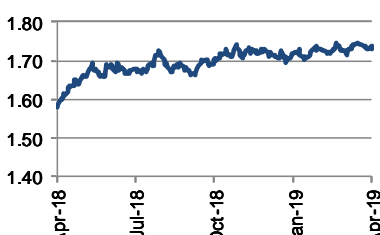
### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7381	-0.37%	-1.88%

SOFIX Index



USD/BGN



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

Data updated as of 11:05 EEST

Thursday 18 April 2019

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