

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Apr 10: FOMC Chair Yellen speaks
- Apr 13
 - Initial jobless claims (weekly)
 - PPI (Mar)
 - UoM Consumer confidence (Mar)
- Apr 14
 - CPI (Mar)
 - Retail sales (Mar)

EUROZONE

- Apr 11
 - DE: ZEW index (Apr)
 - Industrial prod/n (Feb)

GREECE

- Apr 10
 - Industrial prod/n (Feb)
 - CPI/HICP (Mar)

SEE

BULGARIA

- Apr 10
 - Industrial prod/n (Feb)
 - Retail sales (Feb)
 - Trade balance (Feb)
- Apr 12: CPI (Mar)

ROMANIA

- Apr 10
 - Trade balance (Feb)
 - 3.25% 2021 T-bonds auction
- Apr 11
 - Industrial prod/n (Feb)
 - /sales (Feb)
 - CPI (Mar)
- Apr 12: NBR meeting minutes
- Apr 13
 - 3.4% 2022 T-bonds auction
 - Current account deficit (Feb)

SERBIA

- Apr 11
 - 4.5% 2020 T-bonds auction
 - MPC meeting
- Apr 12: CPI (Mar)

TURKEY

- Referendum on constitutional amendments

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Most global equity markets fell on Tuesday on mounting geopolitical concerns, following comments by the White House Press Secretary that President Donald Trump may proceed with additional strikes on Syria after last week's missile attack on a Syrian airbase, if the use of barrel bombs against civilians continues. Against this backdrop, the USD/JPY fell 0.4% to 110.46 in Asian trade on Friday, moving further away from a one week intraday high of 111.57 tested in the prior session. Furthermore, the EUR fell to a four-month low of 116.88 against the JPY in early European trade, c. 0.4% lower on a daily basis. Lingering uncertainty over France's presidential election also weighs on the common currency as the first round on April 23 date approaches. In the rates markets, the 10-yr and 2-yr Treasury yields remained in a downward trend for the second consecutive session recording intraday multi-session lows of 2.33% and 1.24%, respectively. Taking their cue from US Treasuries, long-dated Bunds firmed with the 10-yr yield falling to a 1½ month low of 0.192%. As a result, the spread between French 10-yr sovereign bonds and the benchmark German Bund widened further to the 76 bps area, the highest in 2 months.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets remained under pressure as the risk-off mood continued in Asian and early European trade on Tuesday amid ongoing geopolitical jitters.

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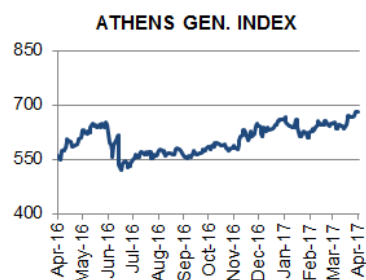
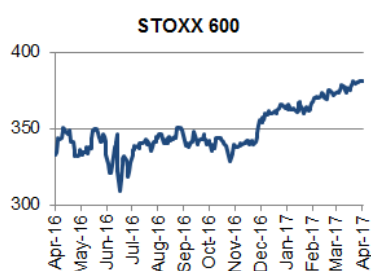
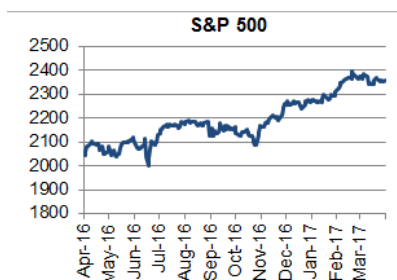
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April 12, 2017

Latest world economic & market developments

GLOBAL MARKETS

Most global equity markets fell on Tuesday on mounting geopolitical concerns, following comments by the White House Press Secretary that President Donald Trump may proceed with additional strikes on Syria after last week's missile attack on a Syrian airbase, if the use of barrel bombs against civilians continues. Investors are also worried about the possibility of U.S. military action against North Korea. Heightened geopolitical risks encouraged investors to turn into safe haven assets such as the Japanese JPY and US Treasuries. Against this backdrop, the USD/JPY fell 0.4% to 110.46 in Asian trade on Friday, moving further away from a one week intraday high of 111.57 tested in the prior session. Furthermore, the EUR fell to a four-month low of 116.88 against the JPY in early European trade, c. 0.4% lower on a daily basis. Lingering uncertainty over France's presidential election also weighs on the common currency as the first round on April 23 date approaches. Most recent opinion polls show that far-right candidate Marine Le Pen and centrist Emmanuel Macron will pass to the second round due on May 7, with Macron winning. Nevertheless, leftist Jean-Luc Melenchon has recently seen his popularity increasing somewhat. In the rates markets, the 10-yr and 2-yr Treasury yields remained in a downward trend for the second consecutive session recording intraday multi-session lows of 2.33% and 1.24%, respectively. Taking their cue from US Treasuries, long-dated Bunds firmed with the 10-yr yield falling to a 1 ½ month low of 0.192%. As a result, the spread between French 10-yr sovereign bonds and the benchmark German Bund widened further to the 76 bps area, the highest in 2 months. Regarding the Fed's monetary policy deliberations, Saint Louis Fed President James Bullard said on Monday that he opts for one rate hike by the end of this year, and sees potential unwinding of the Fed's balance sheet as priority. Meanwhile, Federal Reserve Chair Janet Yellen also commented on Monday on the US economy and monetary policy at an event at the University of Michigan's Ford School of Public Policy, but her speech did not reveal any major surprises. In particular, she noted that the Fed is moving close to achieving its goals on employment and inflation and highlighted that it is important the central bank wants to "be ahead of the curve and not behind it", and should avoid increasing interest rates too slowly or too rapidly.

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Source: Reuters, Bloomberg, Eurobank Research

April 12, 2017

Latest economic & market developments in the CESEE region

CESEE MARKETS

The risk-off mood continued in Asian and early European trade on Tuesday amid ongoing geopolitical jitters. In this context, the MSCI Emerging Markets index modestly fell earlier today hovering near a 3-week low hit intraday this week, being poised to mark the fourth consecutive session in the red. A similar picture was evidenced in emerging FX markets. Lower-than-expected CPI data for March from Hungary and Romania, released earlier today, weighed additionally on the forint and the leu. In more detail, annual CPI came in at 2.7% in Hungary, vs. a market median forecast of 3.1% and February's 2.9% print. Meanwhile, Romania's corresponding headline index was almost flat at 0.18%YoY, confounding market expectations for an increase to 0.28%YoY from 0.20%YoY a month earlier. Against this backdrop, the EUR/HUF rose as far as a 1-month high of 311.75 in European trade today, while the EUR/RON inched higher towards 4.5160 after the said data release, having bounced from a 1½ month low of 4.5060 hit on Monday.

In the local currency debt markets, Romania's finance ministry sold on Monday a planned amount of RON 600mn (~€132.9mn) in 4-year T-bonds. The average accepted yield came in at 2.46%. The last sale of similar maturity paper was held in late March and the corresponding yield was at 0.42%, well below that achieved yesterday. Reflecting strong investor demand yesterday, the auction's bid to cover ratio reached 2.9. The paper matures on March 22, 2021 and bears a coupon of 3.25%. In the external debt markets, Romania raised yesterday €1.75bn via a dual-tranche Eurobond auction. In more detail, the government launched a new EUR 1bn 10-year Eurobond at 170bps over mid-swaps as well as a €750mn re-tap of a €1.25bn 3.875% 2035 paper at a yield of 3.55%.

Looking into the remainder of the week, inflation data releases in several countries in the region lure market attention. Also in focus is the monetary policy meeting in Serbia which takes place today, where the Central Bank is broadly anticipated to keep the key policy rate unchanged at the current record low of 4.00%. In support of the aforementioned, despite the recent move higher in headline CPI, which entered the 3.0% ±1.5 pts target tolerance band in early 2017, inflation is expected to remain within the said range in the period ahead. The said rise in CPI, which reached a 3½ year high of 3.2%YoY in February, is mostly attributed to temporary factors and the core index (excluding food, energy, alcohol and cigarettes) stood at 1.7%YoY in that month reflecting low inflation pressures. Government bond actions in Romania, Serbia and Hungary also take place this week.

On Sunday, the referendum on constitutional changes in Turkey takes centre stage. The electorate is called to vote on a set of eighteen proposed amendments on the Constitution. Among them is a transition to a presidential system from the current parliamentary, the abolition of the Prime Minister's post, an increase of MP seats to by 50 to 600, an extension of parliamentary term from four to five years with parliamentary and presidential elections to be held on the same day every five years. The envisioned shift to an executive presidency, where, among other, the President becomes both the head of state and head of government, has stirred skepticism over power concentration. The proponents of the changes argue that the change will bring to an end fragmented parliaments and fragile coalition governments, which in the past have increased domestic political uncertainty. It is worth noting that if the referendum passes, most of the amendments will likely come into effect in 2019 when local, presidential and parliamentary elections are due.

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
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	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

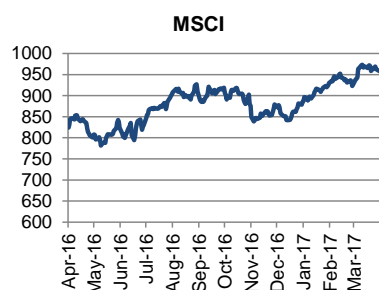
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.9	1.2	2.1
Budget Balance/GDP	-3.7	-1.4	-1.3
Current Account/GDP	-4.7	-4.0	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2016	current	2017
Policy Rate (eop)	4.00	4.00	4.00

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	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

April 12, 2017

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	2357.16	0.1%	5.3%	EUR/USD	1.0605	0.1%	0.8%	UST - 10yr	2.34	-2	-10	GOLD	1257	0.2%	9.1%
Nikkei 225	18747.87	-0.3%	-1.9%	GBP/USD	1.2414	0.0%	0.5%	Bund-10yr	0.22	1	1	BRENT CRUDE	56	-0.3%	-1.7%
STOXX 600	381.17	0.0%	5.5%	USD/JPY	110.64	0.3%	5.7%	JGB - 10yr	0.04	-2	-1	LMEX	2799	-1.5%	5.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	298	0	-2
1-week	3.15	0	-2
1-month	3.34	0	-1
3-month	3.52	-1	5
6-month	3.71	-1	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.00	0	-8
5Y RSD	5.34	0	-1
7Y RSD	5.62	0	-1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.80	0	-52
USD Nov-24	6.42	0	0

CDS

	Last	ΔDbps	ΔYTD bps
5-year	190	0	-18
10-year	244	0	-12

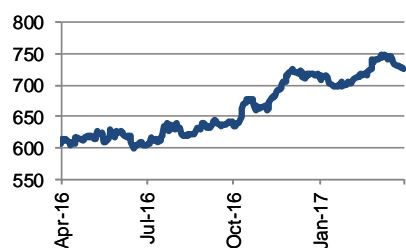
STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.3	0.88%	2.07%

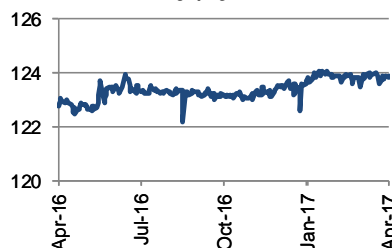
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.76	0.05%	-0.24%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	-1	-11
1-month	0.61	-1	-15
3-month	0.86	-1	-4
6-month	1.08	-2	-3
12-month	1.26	-1	1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.56	0	-6
5Y RON	2.47	-1	-5
10Y RON	3.47	-1	-18

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.01	4	-13
USD Jan-24	3.35	1	-50

CDS

	Last	ΔDbps	ΔYTD bps
5-year	99	-1	-10
10-year	149	-1	-3

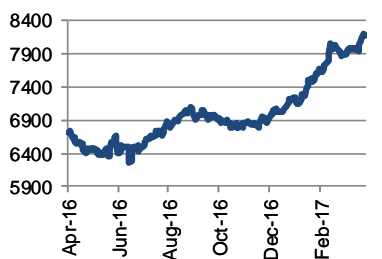
STOCKS

	Last	ΔD	ΔYTD
BET	8204.2	-0.13%	15.80%

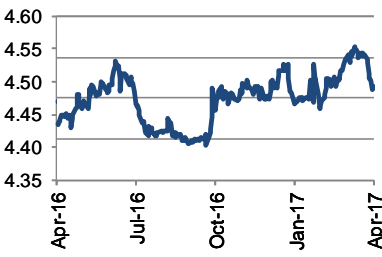
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5121	0.00%	0.60%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.05	0	-3
12-month	0.43	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.02	0	-13
5Y BGN	0.32	-3	-18
10Y BGN	1.60	0	-31

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.95	5	-63
EUR Sep-24	1.37	9	-31

CDS

	Last	ΔDbps	ΔYTD bps
5-year	115	0	-37
10-year	173	0	-21

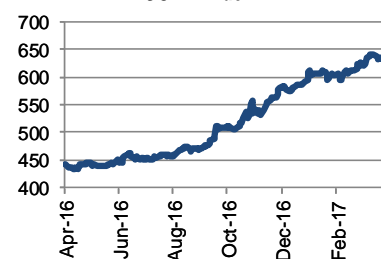
STOCKS

	Last	ΔD	ΔYTD
SOFIX	654.6	0.05%	11.62%

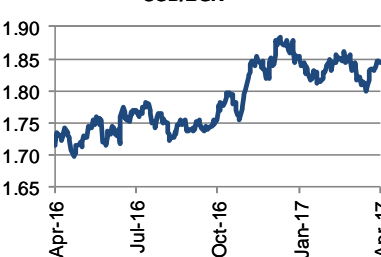
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8443	0.09%	0.76%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:45 EEST

April 12, 2017

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