



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, April 18, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Apr 17
 - Empire State Index (Apr)
 - NAHB index (Apr)
- Apr 18
 - Housing starts (Mar)
 - Housing permits (Mar)
 - Industrial production (Mar)
- April 19: Fed's Beige Book
- Apr 21: Existing home sales (Mar)

EUROZONE

- Apr 19: CPI (final, Mar)
- Apr 21: PMI manufacturing & services (Apr)

SEE

BULGARIA

- Apr 20: Current Account (Feb)

CYPRUS

- Apr 21: Fitch sovereign review
-

ROMANIA

- Apr 21: Fitch sovereign review

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: While major Asian shares traded mixed on Tuesday, equity markets in Japan closed in the black following US Treasury Secretary Steven Mnuchin's comments that the US dollar's strength is positive over the long-term. Against this backdrop, the USD/JPY gained some ground while the rebound in US Treasury yields also supported the US dollar. Nevertheless, the upward momentum of the USD was rather capped by escalating geopolitical worries, after U.S. Vice President Mike Pence said on Tuesday that the U.S. government will reevaluate the free trade agreement between the US and South Korea amid heavy barriers from the latter on U.S. business. US-Japan economic dialogue between U.S. Vice President Mike Pence and Japan's Finance Minister Taro Aso in Tokyo due later today also weighs on investors' sentiment.

GREECE: Following a framework agreement on the 2nd programme review that was sealed at the April 7 Eurogroup, technical teams representing official lenders are reportedly expected to return to Athens the week commencing April 24.

SOUTH EASTERN EUROPE

BULGARIA: The major benchmark SOFIX index ended nearly unchanged at 657.79 points, slightly below its 8.5-year fresh high from a week earlier. Yields on domestic bonds slid by around 6-8 bps in the short-end while the Eurobond market remained very quiet last week.

ROMANIA: According to the latest NBR data, the current account balance switched to a €204 mn surplus in the first two months of the year up from a €139mn in the same period last year.

CESEE Markets: The Turkish lira gained modestly against the USD on Tuesday trade after erasing most of its post-referendum profit on Monday.

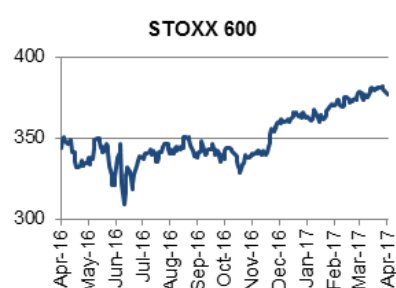
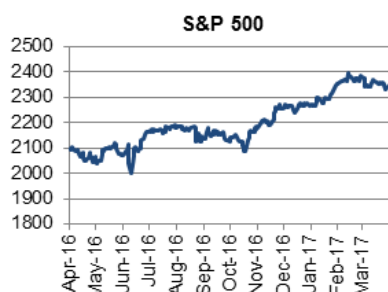
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April 18, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

While major Asian shares traded mixed on Tuesday, equity markets in Japan closed in the black following US Treasury Secretary Steven Mnuchin's comments that while a strong US dollar is weighing on exports in the short term, the currency's strength is positive over the long-term. He also noted that although it is rather difficult to have tax system changes done by August, he did expect tax reform and the border adjustment tax -one of the measures in the \$1 trillion tax reform program US President Trump announced during the election campaign- sometime in 2017. Against this backdrop, the USD/JPY gained some ground hovering around levels of 108.85 in European trade at the time of writing, after marking a five-month low of 108.13 in the prior session. The rebound is US Treasury yields also supported the US dollar, with the 10-yr bond yield recording a session peak near 2.26% earlier today, after hitting a five-month low of 2.20% on Monday. Nevertheless, the upward momentum of the USD was rather capped by escalating geopolitical worries, after U.S. Vice President Mike Pence said at a meeting in Seoul with business leaders that the U.S. government will reevaluate the free trade agreement between the US and South Korea that exists over the last five years, partly because the latter imposes too many barriers on U.S. business. US-Japan economic dialogue between U.S. Vice President Mike Pence and Japan's Finance Minister Taro Aso in Tokyo due later today also weighs on investors' sentiment. On the US macro front, housing starts, building permits and industrial production for March are due later in the day, while the Fed's Beige Book is also expected to lure market attention.

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GREECE

Following a framework agreement on the 2nd programme review that was sealed at the April 7 Eurogroup, technical teams representing official lenders are reportedly expected to return to Athens the week commencing April 24. Their aim is to cooperate with domestic authorities in order to reach a staff level agreement as soon as possible. Meanwhile, before the technical teams' arrival, the Hellenic Statistical Authority (ELSTAT) is scheduled to release on Friday, April 21 the primary surplus figure for 2016, which is expected to be formally certified by the Eurostat's excessive deficit procedure statistics due on April 24. According to comments by high level government officials, the 2016 primary surplus target of 0.50%-of-GDP is expected to be significantly outperformed with the general government primary account projected to record a surplus above 3.0%-of-GDP. The announcement of ELSTAT will coincide with the beginning of the 3-day long IMF/World Bank Spring Meeting, where the Fund and European partners are reportedly expected to hold discussions regarding the medium-term debt relief measures for Greece as well as the length of the period that the 3.5%-of-GDP primary surplus target will have to be maintained in the post-program period. Assuming that a staff-level agreement is reached by late April, the Greek government is reportedly expected in early May to submit to Parliament for approval the relevant legislation required for the implementation of the prior actions attached to the 2nd programme review and the package of measures and countermeasures for the post-program period. Euro area finance ministers are subsequently anticipated to convene soon after to politically approve the staff-level agreement and give the green light for the release of additional official funding to Greece in the order of €7bn out of which €2bn will be channeled for the settlement of State arrears to third parties. The next Eurogroup is scheduled for May 22 but the prospect of an emergency meeting taking place earlier, cannot be ruled out.

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April 18, 2017

Latest economic & market developments in the CESEE region

BULGARIA

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

The local equities posted mixed results last week ahead of national holidays. Optimism weakened as investors stepped down awaiting the upcoming Q1 2017 company reports. The major benchmark SOFIX index ended nearly unchanged at 657.79 points, slightly below its 8.5-year fresh high from a week earlier. Turnover stood at EUR 2.9mn lifted by few block trades. Meanwhile, yields on BGN-denominated sovereign bonds slid by around 6-8 bps in the short-end. Next treasury auction is scheduled on April the 24th, when the Ministry of Finance is expected to place another BGN 60 mn in 4-year papers. The Eurobond market, on the other hand, remained very quiet last week without significant shifts.

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ROMANIA

According to the latest NBR data, the current account balance switched to a €204 mn surplus in the first two months of the year up from a €139mn in the same period last year. As a percentage of projected GDP, the current account recorded a negligible surplus of +0.1% in Jan-Feb2017 compared to a -0.1% deficit in Jan-Feb2016. The widening of the trade of goods & services deficit plus a hefty primary income surplus were the main culprits behind the reading. The trade of goods & services recorded a deficit of €113mn down from a surplus of €220mn in the same period last year. In contrast, the primary income account switched to a hefty surplus of €250mn, reflecting EU funds inflows most probably from agricultural subsidies, up from a deficit of €475mn. Finally, secondary income was visibly lower at €66mn down from €116mn. Overall, we still anticipate current account dynamics to deteriorate in the coming months. The current account deficit is projected to reach -3% of GDP compared to -2.4% of GDP in 2016, up from only 1.1% in 2015 and 0.4% in 2014. It is evident that GDP growth is largely driven by private consumption, financed by an overly expansionary fiscal policy, and leads to a revival of macroeconomic imbalances. Hence, the economy is driven close to, if not above, its potential growth rate at the expense of pushing government finances off consolidation track and deteriorating the external position.

CESEE MARKETS

The Turkish lira gained modestly against the USD on Tuesday trade after erasing most of its post-referendum profit on Monday. The currency reached as much as 3.6793/USD during Tuesday trade and traded at 3.6920/USD at the time of the writing on second market thoughts on the referendum outcome in Turkey. The initial rally in Turkish assets reflected the financial markets reaction to the victory of the "yes" camp with a narrow margin of 51.4% in the referendum on Sunday. The voters approved the package of eighteen amendments to the constitution which turns system of government into presidential. The amendments that will come into effect immediately include the right for the President to be a member of a political party, changes in the Supreme Board of Judges and Prosecutors and the abolishment of military courts. Other amendments which include the strengthening of the Presidential authority, as well as the abolishment of the Prime Minister's post, will come into effect after the next general elections scheduled in 2019. The narrow margin of victory for the constitutional amendments approval, amid opposition parties' concerns that it was unfair, was widely interpreted as the most market friendly given that the outcome points to no early elections in 2017. As a result, the currency had soared by as much as 3.5994 against the USD on Monday and yields on the 2Y and 10Y domestic government bonds had declined by 18bps to 11.28% and 25 bps to 10.80% respectively. Comparably large external financing requirements in tandem with escalated domestic political uncertainty, surrounding geopolitical jitters plus worries over the country's deteriorating macroeconomic fundamentals will most likely continue weighing negatively on domestic assets.

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April 18, 2017

GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	
S&P 500	2349.01	0.9%	4.9%	EUR/USD	1.0655	0.1%	1.3%	UST - 10yr	2.22	-3	-22	GOLD	1287	0.2%	11.7%
Nikkei 225	18418.59	0.3%	-3.6%	GBP/USD	1.2536	-0.2%	1.4%	Bund-10yr	0.18	-1	-3	BRENT CRUDE	55	-0.8%	-3.4%
STOXX 600	377.18	-0.9%	4.4%	USD/JPY	108.69	0.2%	7.6%	JGB - 10yr	0.01	0	-4	LMEX	2773	0.0%	4.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔD	ΔYTD
T/N	299	0	-1
1-week	3.15	0	-2
1-month	3.34	0	-1
3-month	3.53	0	6
6-month	3.71	0	5

RS Local Bonds

	Last	ΔD	ΔYTD
3Y RSD	5.30	31	22
5Y RSD	5.34	0	-2
7Y RSD	5.62	0	-1

RS Eurobonds

	Last	ΔD	ΔYTD
USD Nov-17	1.73	1	-59
USD Nov-24	6.41	0	0

CDS

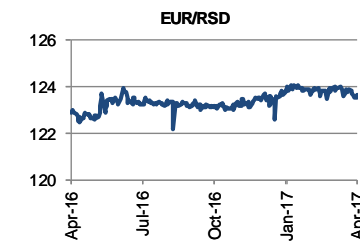
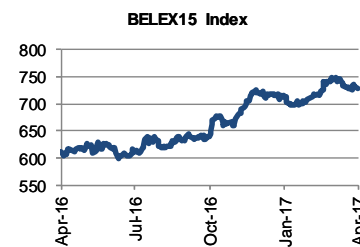
	Last	ΔD	ΔYTD
5-year	192	1	-16
10-year	245	0	-10

STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.7	-0.47%	1.58%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.55	-0.02%	-0.07%



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD
O/N	0.43	#VALUE!	-13
1-month	0.61	#VALUE!	-15
3-month	0.86	#VALUE!	-4
6-month	1.07	#VALUE!	-4
12-month	1.26	#VALUE!	1

RO Local Bonds

	Last	ΔD	ΔYTD
3Y RON	1.55	-1	-7
5Y RON	2.47	0	-5
10Y RON	3.47	1	-18

RO Eurobonds

	Last	ΔD	ΔYTD
EUR Oct-25	2.00	#N/A	N/A
USD Jan-24	3.36	0	-50

CDS

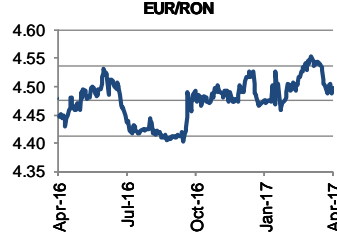
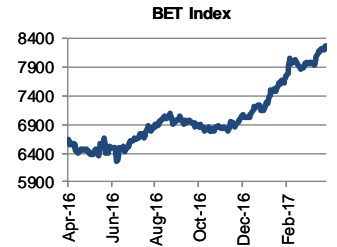
	Last	ΔD	ΔYTD
5-year	105	1	-4
10-year	150	2	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8245.0	-0.17%	16.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5185	-0.02%	0.45%



BULGARIA

Money Market

SOFIBOR	Last	ΔD	ΔYTD
LEONIA	-0.40	0	-40
1-month	-0.16	0	1
3-month	-0.07	0	0
6-month	0.05	0	-3
12-month	0.43	0	3

BG Local Bonds

(yields)	Last	ΔD	ΔYTD
3Y BGN	0.04	4	-12
5Y BGN	0.35	2	-15
10Y BGN	1.59	0	-32

BG Eurobonds

	Last	ΔD	ΔYTD
EUR Jul-17	-0.95	#VALUE!	-63
EUR Sep-24	1.36	9	-32

CDS

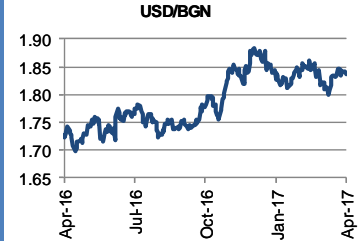
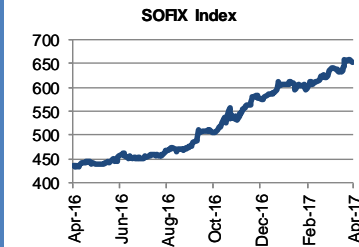
	Last	ΔD	ΔYTD
5-year	115	0	-37
10-year	172	0	-22

STOCKS

	Last	ΔD	ΔYTD
SOFIX	652.6	-0.79%	11.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8357	0.13%	1.24%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 13:00 EEST

April 18, 2017

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