



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, April 20, 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 20: 2.25% 2020 T-bonds auction
- Apr 21: Moody's sovereign review

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of European bourses opened lower on Thursday as investors retain a cautious stance amid lingering geopolitical jitters and uncertainty related to the upcoming first round of France's presidential election on Sunday, April 23rd. In FX markets, the USD remained under pressure as the recent string of weaker than expected US data and lingering market uncertainty over whether US President Donald Trump will manage to push through tax reforms any time soon, continued to weigh. In other news, the House of Commons voted on Wednesday overwhelmingly in support of a snap general election to be held on June 8th. On May 3rd the parliament will be dissolved and the presidential campaign will formally begin.

GREECE: In its Fiscal Monitor Report (April 2017) published yesterday, the IMF revised upwards its projection on Greece's primary surplus for 2016 from 0.1% of GDP (IMF Fiscal Monitor October 2016) to 3.3% of GDP. Tomorrow the Hellenic Statistical Authority (ELSTAT) is expected to release the 2016 primary surplus figure, which is to be formally certified by Eurostat's excessive deficit procedure on April 24 and, according to government sources, is projected well above 3.0% of GDP. For the years 2017 and 2018 the IMF has also revised its projections upwards to 1.8% and 2.0% of GDP respectively against 0.7% and 1.6% in October 2016 but below the target of 3.5% for 2018. For the period 2019 to 2022 the IMF foresees primary surpluses of 1.5%, which are significantly below the 3.5% medium term target of the 3rd Economic Adjustment Programme.

SOUTH EASTERN EUROPE

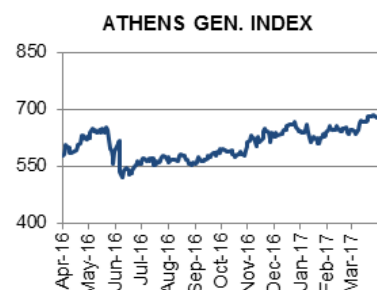
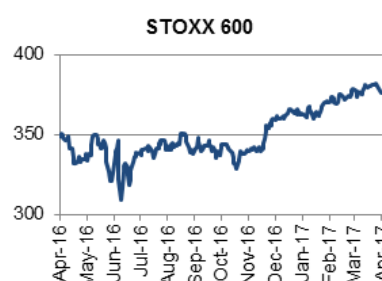
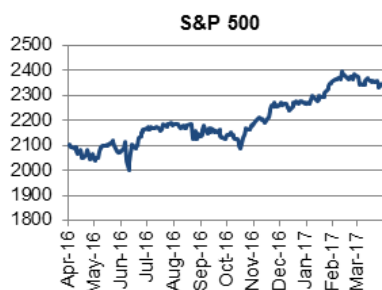
CESEE MARKETS: CESEE assets were mixed earlier on Thursday amid persisting geopolitical jitters.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of European bourses opened lower on Thursday as investors retain a cautious stance amid lingering geopolitical jitters and uncertainty related to the upcoming first round of France's presidential election on Sunday, April 23rd. Even through recent polls still indicate that far-right nationalist Marine Le Pen will face independent centrist Emmanuel Macron at the second round on May 7th, the outcome is far from certain in view of the high number of undecided voters and voters who intend to abstain. German Bunds lost some ground in early European trade following lackluster demand in yesterday's 2044 bond auction while ample sovereign paper supply in the euro area may exert some pressure on the curve. The 10-yr Bund yield edged up close to 0.23% after ending near 0.16% in the prior session, albeit still below levels close to 0.33% recorded earlier this month. The yield spread between the 10-yr Bund and its French counterpart narrowed to a multi-session low of 66bps, c. 7bps narrower compared to the settlement in the prior session. In a similar vein, the 10-yr UST yield tested levels slightly above 2.23% earlier today following a five-month low of 2.16% a couple of sessions earlier. Speaking on the US economy yesterday, Boston Fed President Eric Rosengren said that the Fed should begin shrinking its balance sheet "relatively soon" but should do so in "a very gradual approach" so as to have no effect on the pace of rate tightening ahead. In FX markets, the USD remained under pressure as the recent string of weaker than expected US data and lingering market uncertainty over whether US President Donald Trump will manage to push through tax reforms any time soon, continued to weigh. The DXY index was hovering around 99.495 at the time of writing, within distance from a multi-week trough of 99.465 recorded a couple of sessions earlier. In other news, the House of Commons voted on Wednesday overwhelmingly in support of a snap general election to be held on June 8th. On May 3rd the parliament will be dissolved and the presidential campaign will formally begin.

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GREECE

In its Fiscal Monitor Report (April 2017) published yesterday, the IMF revised upwards its projection on Greece's primary surplus for 2016 from 0.1% of GDP (IMF Fiscal Monitor October 2016) to 3.3% of GDP. Tomorrow the Hellenic Statistical Authority (ELSTAT) is expected to release the 2016 primary surplus figure, which is to be formally certified by Eurostat's excessive deficit procedure on April 24 and, according to government sources, is projected well above 3.0% of GDP. For the years 2017 and 2018 the IMF has also revised its projections upwards to 1.8% and 2.0% of GDP respectively against 0.7% and 1.6% in October 2016 but below the programme target of 3.5% for 2018. For the period 2019 to 2022 the IMF foresees primary surpluses of 1.5%, which are significantly below the 3.5% medium term target of the 3rd Economic Adjustment Programme. Meanwhile, during the IMF/World Bank Spring Meetings that will commence tomorrow the medium term debt relief measure are likely to be discussed which will consequently affect the Fund's decision regarding its financial participation in Greece's bailout programme. On the sidelines of the meetings, the Greek FinMin Euclid Tsakalotos is expected to hold meetings with IMF Managing Director Christine Lagarde, German FinMin Wolfgang Shaeuble, Eurogroup President Jeroen Dijsselbloem and ESM Managing Director Klaus Regling to discuss the issue of the medium term debt relief measures. On the subject, Klaus Regling has reportedly stated that these measures will be activated if necessary after the completion of the programme, potentially in the summer of 2018, and conditional on Greece's having implemented all the required reforms. He also stressed the importance of the commitment made by Greece's partners to intervene if necessary in order to make Greece's debt sustainable in the long run given the high degree of uncertainty surrounding that period.

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April 20, 2017

Latest economic & market developments in the CESEE region

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

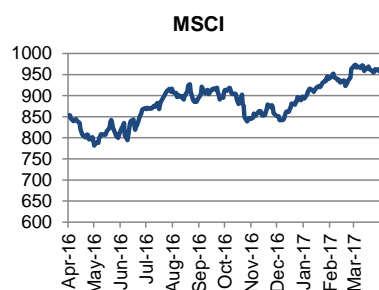
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CESEE MARKETS

CESEE assets were mixed earlier on Thursday amid persisting geopolitical jitters. In Europe investor caution prevails ahead of the first round of the French Presidential election which takes place on Sunday. This comes on the heels of an unexpected snap general election call in the UK. Meanwhile, geopolitical tensions on the Korean peninsula also weighed on risk sentiment. Against this backdrop most regional bourses fell modestly in European trade compared to the prior session's settlement. Bulgaria's SOFIX led the way lower with a 0.9% decline. However, main indices in Turkey, Ukraine and Hungary bucked the negative trend. The latter outperformed with an approximate 1% advance, which also exceeded a timid 0.3% daily rise in the Emerging Markets MSCI index.

In FX markets, Emerging Market currencies traded mixed today against a backdrop of low US yields and lingering geopolitical concerns globally. The Turkish lira led the winners' pack against a broadly weaker US dollar. In more detail, the currency strengthened as much as 1.2% vs. the USD in early European trade, but later shed a small part of its gains to hover around levels of 3.6360 at the time of writing. Elsewhere, the Polish zloty fared worse than its regional peers as caution prevailed ahead of a flurry of March data due later in the day. Along these lines, the EUR/PLN spiked to a 3-week peak of 4.2675 earlier in European markets.

In the local currency debt markets, government bonds mostly firmed earlier on Thursday. Turkey's 2 and 10-year benchmark bond yields fell by 8bps and 5bps, respectively, to 11.00% and 10.57%. Meanwhile, Polish government bonds were mixed with short-term paper outperforming that of longer tenure on market caution ahead of key March data releases today. In this context, the 10-year T-bond slightly dipped, with the corresponding benchmark yield rising by ca 4bps to 3.418%. On the flipside, the 2-year yield slid by 4bps compared to Wednesday's settlement to hover around levels of 2.011% in European trade today.

Today's focus is on a bulk of March data from Poland, such as retail sales, PPI, budget balance, industrial production and construction output. Government bond auctions in Hungary and Romania also lure market attention. Meanwhile, consumer confidence data released earlier in the day in Turkey showed that the corresponding index unexpectedly rose to 71.30 in April from 67.80 in March, confounding market expectations for a deterioration to 65.00. Wage data for February in Hungary also came in stronger than expected with the annual pace of increase standing at 10.7% vs. 10.0% in January, outperforming a consensus of 9.8%. In Bulgaria, the current account balance improved in February, with a € 9.7mn shortfall in the prior month swinging to a surplus of € 316.8mn. This corresponds to a 0.7% of projected GDP surplus over the first two months of the year, which compares with a 0.2% surplus registered over the same period a year earlier. The official forecast for the current account balance currently stands at a 3.8% of GDP surplus.

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April 20, 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	2338.17	-0.2%	4.4%	EUR/USD	1.0761	0.5%	2.3%	UST - 10yr	2.22	1	-22	GOLD	1280	0.0%	11.1%
Nikkei 225	18430.49	0.0%	-3.6%	GBP/USD	1.2834	0.4%	3.9%	Bund-10yr	0.22	2	2	BRENT CRUDE	53	0.5%	-6.4%
STOXX 600	377.75	0.1%	4.5%	USD/JPY	108.96	-0.1%	7.4%	JGB - 10yr	0.02	1	-3	LMEX	2718	0.4%	2.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.01	2	1
1-week	3.17	2	0
1-month	3.35	1	0
3-month	3.54	1	7
6-month	3.71	0	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.00	-31	-8
5Y RSD	5.34	0	-2
7Y RSD	5.63	0	-1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.69	-5	-64
USD Nov-24	6.41	0	0

CDS

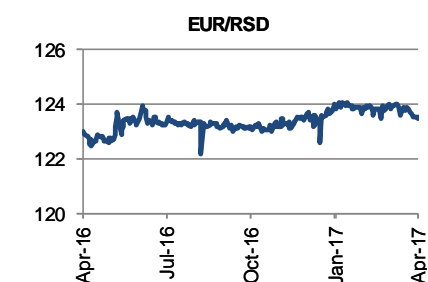
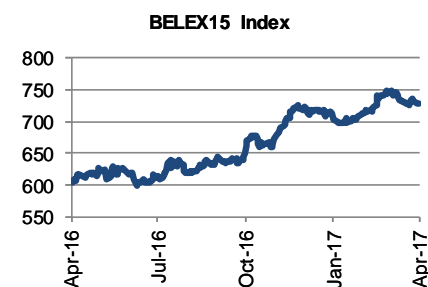
	Last	ΔDbps	ΔYTD bps
5-year	191	0	-17
10-year	244	0	-11

STOCKS

	Last	ΔD	ΔYTD
BELEX15	726.9	-0.07%	1.33%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.58	-0.06%	-0.10%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	0	-13
1-month	0.62	1	-14
3-month	0.86	0	-4
6-month	1.07	0	-4
12-month	1.26	0	1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.55	0	-7
5Y RON	2.47	0	-5
10Y RON	3.46	1	-19

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.00	0	-13
USD Jan-24	3.35	-1	-51

CDS

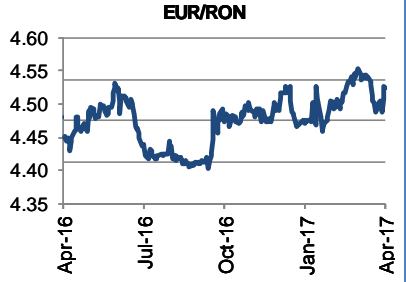
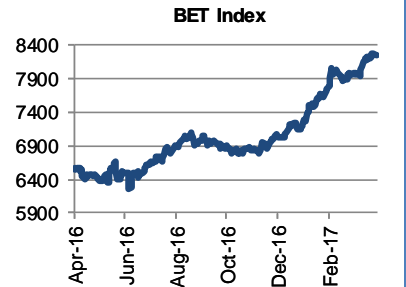
	Last	ΔDbps	ΔYTD bps
5-year	104	1	-6
10-year	148	-2	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8189.1	-0.09%	15.58%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5395	0.02%	-0.01%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
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	0.44	1	4

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.00	0	-15
5Y BGN	0.36	0	-14
10Y BGN	1.60	0	-31

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.76	0	-44
EUR Sep-24	1.52	0	-16

CDS

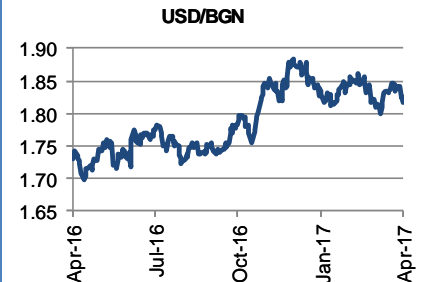
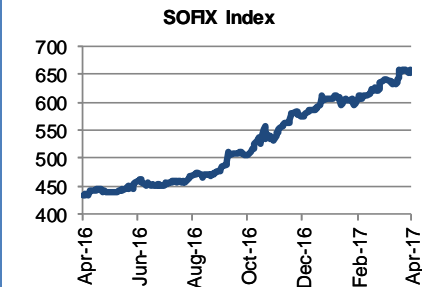
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-37
10-year	173	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	652.5	-0.93%	11.27%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8177	0.46%	2.24%



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

Data updated as of 11:30 EEST

April 20, 2017

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