

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Apr 25
  - Case Shiller house price index (Feb)
  - CB consumer sentiment (Apr)
  - New home sales (Mar)
- Apr 27
  - Jobless claims (weekly)
  - Pending home sales (Mar)
- Apr 28
  - GDP (1<sup>st</sup> est, Q1 2017)
  - Chicago PMI (Apr)
  - UoM Consumer sentiment (May)

##### EUROZONE

- Apr 24: DE: Ifo business climate (Apr)
- Apr 27
  - ESI (Apr)
  - ECB interest rate decision & press conference
- Apr 28: HICP (Apr)
- Apr 29: Extraordinary EU Summit on Brexit

##### GREECE

- Apr 28
  - Retail sales (Feb)
  - PPI (Feb)

##### SEE

##### BULGARIA

- Apr 24: 0.3% 2021 T-bonds auction
- Apr 27: Gross external debt (Feb)
- Apr 28
  - PPI (Mar)
  - Budget balance (Mar)

##### ROMANIA

- Apr 24: 1.35% 2019 T-Bonds sale

##### SERBIA

- Apr 24: 2% 2020 T-Bonds sale
- Apr 25: Real gross wages (Mar)
- Apr 28
  - Industrial production (Mar)
  - Retail sales (Mar)
  - Trade balance (Mar)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The majority of European bourses were firmer in early trade on Tuesday on investor relief that the first round of the French presidential elections yielded the most market friendly outcome. Increased appetite for risk taking continued to weigh on fixed-income safe-havens. German Bunds underperformed USTs with the 10-yr yield spread shrinking to five-month lows. In FX markets, the USD was little changed against most of its major peers with investors awaiting an outline of Donald Trump's tax plan, expected on Wednesday. Elsewhere, the CAD was among the main underperformers on news that the US administration will impose an average 20% tariff on Canadian softwood lumber imports.

**GREECE:** The institutions' (EC/ESM/ECB/IMF) mission returned yesterday to Athens to resume deliberations with the Greek government in order to reach a staff level agreement potentially by the beginning of next week. According to press reports, the draft documents of the updated Memorandum of Understanding (MoU) and the Memorandum of Economic and Financial Policies (MEFP) that Greece is to agree with its European partners and the IMF respectively have already been prepared and will constitute the basis for the discussions and the staff level agreement. Assuming that deliberations proceed smoothly, that all required items are legislated in time and that Greece's partners reach a compromise on the medium-term debt relief framework, a global agreement at the May 22nd Eurogroup is possible.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** The majority of emerging market assets retained a firm tone earlier today as the risk-on mood - after the first round of the French presidential elections on Sunday - continued to favor investor appetite towards higher yield.

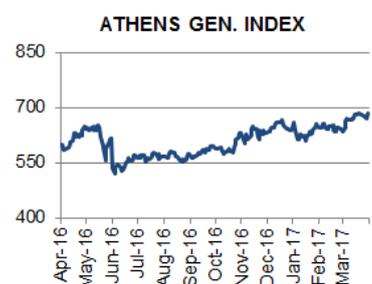
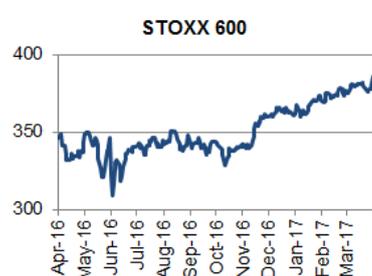
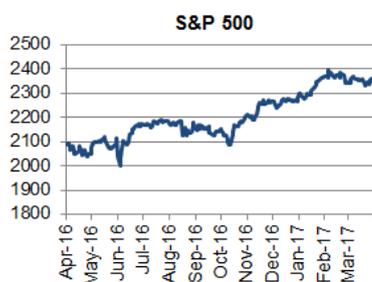
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April 25, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of European bourses were firmer in early trade on Tuesday on investor relief that the first round of the French presidential election on Sunday yielded the most market friendly outcome. Supported also by recent data pointing to a brighter global macroeconomic outlook, the FTSEurofirst 300 index was hovering around 1,518pts at the time of writing, the highest level since late December 2016, marking cumulative gains of c. 6% so far this year. Increased appetite for risk taking continued to weigh on fixed-income safe-havens. After marking a 3 ½ month low near 0.15% late last week ahead of the French elections, the 10-yr German Bund yield moved north, standing close to a one-month peak of 0.36% in European trade on the view that the ECB may adopt a marginally more hawkish tone at Thursday's monetary policy meeting on the back of receded political risks after the latest polls suggest that centrist Emmanuel Macron could easily beat Marie Le-Pen at the May 7th second round. On the flipside, the 10-yr French sovereign bond yield remained in a downward trend marking a fresh four-month intraday low slightly below 0.75% earlier today with the spread against its German counterpart shrinking further to levels close to 41bps, the narrowest so far this year. German Bunds also underperformed USTs with the 10-yr yield spread hovering around a five-month low of 194bps at the time of writing. In FX markets, the USD was little changed against most of its major peers with investors awaiting an outline of Donald Trump's tax plan, expected on Wednesday, while an international press report conveyed that the US President wants to prioritize a reduction in the corporate tax rate to 15% from 35% currently. Elsewhere, the CAD was among the main underperformers on news that the US administration will impose an average 20% tariff on Canadian softwood lumber imports.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

The institutions' (EC/ESM/ECB/IMF) mission returned yesterday to Athens to resume deliberations with the Greek government in order to reach a staff level agreement potentially by the beginning of next week. According to press reports, the draft documents of the updated Memorandum of Understanding (MoU) and the Memorandum of Economic and Financial Policies (MEFP) that Greece is to agree with its European partners and the IMF respectively have already been prepared and will constitute the basis for the discussions and the staff level agreement. According to local press the MoU foresees that: a) in 2019 the Greek government will reduce pension expenditure by 1% of GDP through the reduction of the personal difference in main pensions by a maximum of 22%. If this reduction falls short of 1% of GDP then the personal difference in auxiliary pensions will also be reduced, b) With regard to collective bargaining, the existing regime will be maintained until the end of the programme without clarifications as to what will happen afterwards, c) with regard to collective dismissals the veto power of the Labour Minister will be abolished and the sole competent authority will be the Supreme Council of Labour, d) Gradual reduction of the Public Power Corporation (PPC) lignite capacity by around 40%. The Greek government will reportedly seek to reduce this target in order to avoid selling hydroelectric units, e) The electricity power quantities that the PPC is obliged to sell to private entities are increased to 16% of its production in 2017, 19% in 2018 and 22% in 2020, f) Any restrictions that apply to the operation of shops on Sundays will be abolished, and g) The Asset Development Plan of the Hellenic Republic Asset Development Fund (HRADF) is to be implemented in full. Assuming that deliberations between the Greek government and the institutions proceed smoothly, the next steps ahead are reportedly as follows: a) A staff level agreement will be reached by the beginning of next week, b) Between 2 and 15 May the Greek Parliament must ratify all required legislation, c) Between 11 and 13 May, on the sidelines of the Financial G7 in Bari, the G7 Finance Ministers and Central Bank Governors are expected to discuss the issue of the Greek public debt, and d) Provided that all required items have been legislated and a compromise has been reached between the IMF and the European partners on the medium-term debt relief framework, a global deal may be reached at the May 22nd Eurogroup.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

April 25, 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

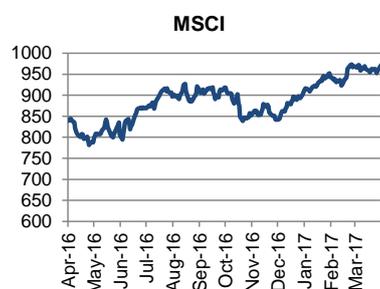
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

The majority of emerging market assets retained a firm tone earlier today as the risk-on mood - after the first round of the French presidential elections on Sunday - continued to favor investor appetite towards higher yield. In this context, the broad MSCI Emerging Markets index rose almost 1% earlier on Tuesday, matching yesterday's gains and reaching its highest level in nearly two years. On the flipside, bourses in the CESEE region were mostly weaker with main indices in Turkey, Hungary, Romania and Serbia standing in a modestly negative territory at the time of writing, taking a breather from yesterday's rally. Poland's WIG index extended Monday's 1.3% daily advance, rallying a further 0.9% in European markets today.

In FX markets, the Hungarian forint weakened ahead of the Central Bank (MNB) meeting later today. The MPC is expected to keep its key policy rate unchanged at the current record low level of 0.90% and maintain its loose monetary policy stance. Along these lines, the EUR/HUF hovered around levels of 312.40 at the time of writing, having bounced from a 2-week low near 311.00 in the prior session, in a move towards Friday's 4-month intraday high of 314.24. The forint has come under pressure over the last few weeks after the government adopted legislation targeting a university in Budapest that has been founded by George Soros, stirring street rallies and causing reaction from the European Commission.

In the local debt markets, a series of government bond auctions lured investor attention yesterday. In Bulgaria, the Ministry of Finance sold on Monday BGN 60mn (~€ 30.7mn) worth of T-bonds maturing on February 22, 2021. The average accepted yield came in at 0.11%, 7bps below that achieved at a prior auction of the same paper held in February, while the bid to cover ratio stood at 2.49, reflecting strong investor demand. The bond bears a coupon of 0.3% and was sold at a price of 100.74. In Romania, the government raised yesterday RON 800mn (~€ 176.8mn) in a re-tap of 1.35% February 25, 2019 T-bonds. The paper has a yield of 1.48%, below 1.59% achieved at a prior tender of the same paper held in early March, and was sold at a price of 99.7661. Investors bids amounted to approximately 1.9 times the amount of bonds sold. In Serbia, the Public Debt Administration sold € 42.072mn of 2020 EUR-denominated T-bonds. The average accepted yield came in at 1.89%, remaining unchanged from a January sale of the 3-year paper. The issue matures on January 13, 2020 and carries an annual coupon of 2%. The bid-to-cover ratio stood at 1.31 yesterday.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

April 25, 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	2374.15	1.1%	6.0%	EUR/USD	1.0885	0.2%	3.5%	UST - 10yr	2.29	2	-16	GOLD	1272	-0.3%	10.4%
Nikkei 225	19079.33	1.1%	-0.2%	GBP/USD	1.2807	0.1%	3.6%	Bund-10yr	0.35	2	14	BRENT CRUDE	52	0.4%	-8.8%
STOXX 600	386.09	2.1%	6.8%	USD/JPY	110.22	-0.4%	6.2%	JGB - 10yr	0.02	0	-3	LMEX	2761	0.5%	3.8%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.03	0	3
1-week	3.21	2	4
1-month	3.34	-2	-1
3-month	3.50	-3	3
6-month	3.69	0	3

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.99	0	-9
5Y RSD	5.33	0	-3
7Y RSD	5.63	0	-1

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.75	-2	-56
USD Nov-24	6.41	0	0

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	189	-1	-19
10-year	242	-1	-14

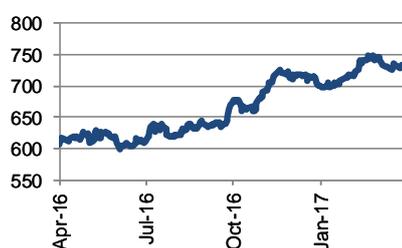
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	734.4	0.06%	2.37%

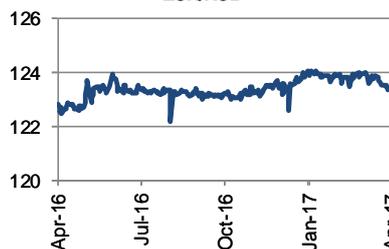
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.46	0.00%	0.00%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	0	2
1-month	0.65	0	-11
3-month	0.87	0	-3
6-month	1.09	0	-2
12-month	1.27	0	2

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.56	0	-6
5Y RON	2.48	0	-4
10Y RON	3.49	0	-16

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.03	0	-11
USD Jan-24	3.38	0	-47

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	107	-3	-3
10-year	155	1	3

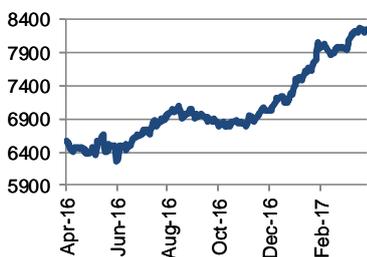
#### STOCKS

	Last	ΔD	ΔYTD
BET	8299.8	0.04%	17.15%

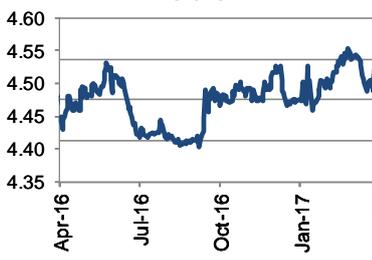
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5269	0.05%	0.27%

BET Index



EUR/RON



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.16	-1	0
3-month	-0.09	-2	-2
6-month	0.04	-1	-3
12-month	0.43	-2	3

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.05	0	-10
5Y BGN	0.39	0	-11
10Y BGN	1.64	0	-27

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.48	0	-10
EUR Sep-24	1.46	0	-22

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	113	-2	-39
10-year	173	0	-21

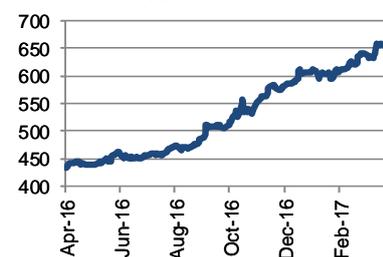
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	657.9	-0.01%	12.19%

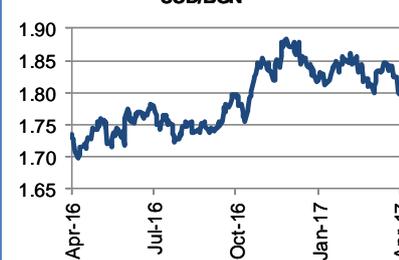
#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.797	0.16%	3.42%

SOFIX Index



USD/BGN



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

Data updated as of 10:00 EEST

April 25, 2017

## Contributors

**Paraskevi Petropoulou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Theodoros Stamatou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
30 210 3371228  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokrousos: Group Chief Economist**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr), +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 210 3371228

Eurobank Ergasias S.A., 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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