



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday 12 April 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Apr 08:
 - Factory orders (Feb.)
 - Durable goods orders (Feb.)
- Apr 10:
 - MBA Mortgage Applications (05/04)
 - CPI (Mar.)
 - FOMC Meeting minutes (20/03)
- Apr 11:
 - Initial Jobless Claims (06/04)
- Apr 05: University of Michigan consumer sentiment

EUROZONE

- Apr 08: Sentix Investor confidence (Apr.)
- Apr 10: ECB MPC
- April 12: Industrial production (Feb.)

UK

- April 10: Special European Council

GREECE

- Apr 09: Industrial output (Feb.)
- Apr 10: Harmonized CPI (Mar.)
- Apr 11: Unemployment rate (Jan.)

SEE

BULGARIA:

- Apr 09:
 - Industrial production (Feb.)
 - Retail sales (Feb.)
- Apr 12: Trade balance (Feb.)

ROMANIA

- April 08: GDP (Q4)
- April 10: CPI (Mar.)
- April 12: Current account (Feb)

SERBIA

- April 09: NBS MPC
- April 12: CPI (Mar.)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Investors retain a cautious stance ahead of the start of the US Q1 corporate earnings season today, which is expected to record the first quarter of contracting earnings since 2016. In addition, market worries over the global growth outlook prevail, with Asian equity markets recording a tepid performance in today's session and European bourses opening in the red. Favored by equity markets' lackluster performance and with the ECB's dovish message at this week's monetary policy meeting still in investors' ears, EU government bond markets retained an overall positive tone. In FX markets, proving to be resilient to the ECB's dovish message, the EUR/USD extended recent gains testing levels close to 1.1300 earlier today for the first time in the last two weeks. Looking at today's data calendar, February's Eurozone industrial production and the University of Michigan Consumer sentiment index for April are the main releases of interest.

GREECE: Minister of Finance Euclid Tsakalotos, is scheduled to meet IMF Head Christine Lagarde and IMF European Department Head Poul Thomsen today on the sidelines of the IMF/World Bank spring meetings to discuss the early repayment of part of IMF loans to Greece. According to the Labour Force Survey data released by the Hellenic Statistical Authority (ELSTAT), in January 2019 the sa unemployment rate stood at 18.5% compared to 20.6% in January 2018 and the upwards revised (from 18.0%) 18.4% in December 2018. Greece's government bond yields dropped across the curve again on Thursday while at the time of writing the 10-year bond yield stands at 3.319%, the lowest level since September 2005.

SOUTH EASTERN EUROPE

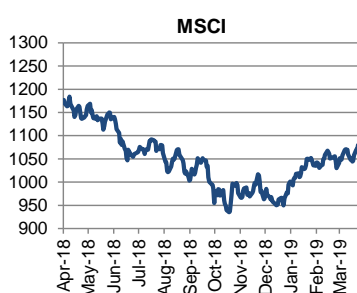
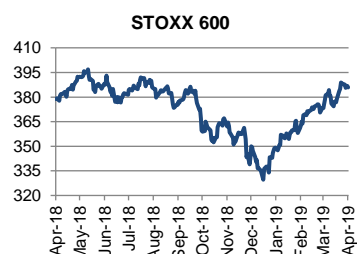
CESEE MACRO DEVELOPMENTS: According to official statistical data released on Wednesday, Romanian headline inflation accelerated to 4.0% YoY in March vs 3.4% YoY in February. The reading surpassed market expectations standing at 3.9% YoY and continued to exceed the NBR's target interval upper threshold (2.5%+/-1pp). Both prints in February and March were broadly fueled by acceleration of non-food price increase, attributed to sizable increases in fuel and tobacco prices. As broadly anticipated, the National Bank of Serbia (NBS) held interest rate levels unchanged at 3.0% at its latest MPC meeting. The NBS reiterated in the meeting its expectation that inflation will remain bound within the 3.0%±1.5pp tolerance band throughout 2019, with March's reading anticipated later within the day.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Investors retain a cautious stance ahead of the start of the US Q1 corporate earnings season today, which is expected to record the first quarter of contracting earnings since 2016. In addition, market worries over the global growth outlook prevail with Asian equity markets recording a tepid performance in today's session and European bourses opening in the red. Speaking at a news conference during the IMF and World Bank spring meetings in Washington, IMF Managing Director Christine Lagarde warned that the six-month extension on Brexit the EU granted to the UK government, prevents the risk of a no-deal Brexit in the near term but does help to provide any clarity about the final outcome. Along similar lines, speaking at the G20 Finance Ministers and Central Bank Governors' meeting, IMF Deputy Managing Director Mitsuhiro Furusawa stressed that a more pronounced than expected slowdown in the Chinese economy and an abrupt tightening of market conditions if US/China trade talks take an unexpected turn for the worse, are among the biggest global economic risks. Against this background, positive US data showing an unexpected 8k drop in initial jobless claims to a 49 ½ year low last week failed to provide any impetus. Favored by equity markets' lackluster performance and with the ECB's dovish message at this week's monetary policy meeting still in investors' ears, EU government bond markets retained an overall positive tone. Reports in Der Spiegel suggesting that the German government is expected to halve its 2019 GDP growth forecast to 0.5% from 1.0% mainly due to weaker exports had also had a positive impact. The 10-yr Bund yield was standing close to -0.02% in early European trade at the time of writing, c. 1bp higher from this week's trough on Wednesday but still below zero. In FX markets, proving to be resilient to the ECB's dovish message, the EUR/USD extended recent gains testing levels close to 1.1300 earlier today for the first time in the last two weeks, 0.4% higher on the day and poised for weekly gains to the tune of 0.7%. Looking at today's data calendar, February's Eurozone industrial production and the University of Michigan Consumer sentiment index for April are the main releases of interest.

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GREECE

Minister of Finance Euclid Tsakalotos, is scheduled to meet IMF Head Christine Lagarde and IMF European Department Head Poul Thomsen today on the sidelines of the IMF/World Bank spring meetings to discuss the early repayment of part of IMF loans to Greece. The ESM is likely to consent to this development based on previous comments by its Managing Director Klaus Regling. According to press, the amount to be repaid is c. €3.5bn and concerns loans with maturity in 2019 and 2020, which carry an interest rate of 5%. In total the outstanding loans to the IMF amount to €9.5bn with maturities up to 2024, which means that even after the partial repayment, the outstanding amount will allow the IMF to maintain its current role in Greece. On the economic data front, according to the Labour Force Survey data released by the Hellenic Statistical Authority (ELSTAT), in January 2019 the sa unemployment rate stood at 18.5% compared to 20.6% in January 2018 and the upwards revised (from 18.0%) 18.4% in December 2018. In January 2019, the number of employed persons fell by 0.2%MoM amounting to 3,8mn while the number of unemployed persons rose 0.5%MoM reaching 0.9mn. Meanwhile, Greece's government bond yields dropped across the curve again on Thursday while at the time of writing the 10-year bond yield stands at 3.319%, the lowest level since September 2005.

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Friday 12 April 2019

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

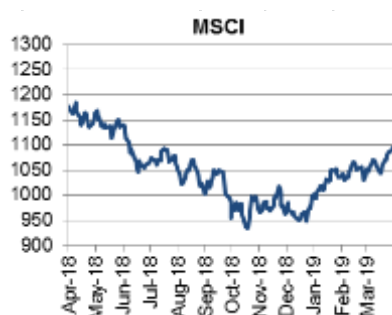
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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+

Latest economic & market developments in the CESEE region

CESEE MACRO AND MARKETS DEVELOPMENTS

According to official statistical data released, on Wednesday, Romanian CPI inflation accelerated to 4.0% YoY in March vs 3.4% YoY in February. The reading surpassed market consensus for 3.9% YoY and continued to exceed the NBR's target interval upper threshold (2.5%+/-1pp), presumably leading the Romanian National Bank (NBR) to announce that it would revise upwards its short-term inflation forecast in the near future.

Both prints in February and March were broadly fueled by acceleration of non-food price increase, attributed to sizable increases in fuel and tobacco prices. Overall, it seems that inflationary pressures are piling up in the economy since the beginning of 2019, mostly on the back of solid domestic demands dynamics. Later within the day, we anticipate the current account data as of February so as to assess whether the current account deficit that increased to EUR114mn in January from only EUR7mn the same month the previous year continued widening or not.

A day earlier, the National Bank of Serbia (NBS) held its Monetary Policy Committee (MPC) with interest rate levels unchanged at 3.0%, as broadly anticipated. In the relevant press release, the NBS Board stated that as global economic growth and inflation slow down, normalisation of monetary policies by leading central banks, i.e. the Fed and the ECB, will be slower than previously expected. Still, it is uncertain to what extent the normalisation would differ from market expectations, which could result in higher volatility of global capital flows, it argued. The NBS also mentioned that the extent of volatility in global oil prices, which started to rise again since the beginning of the year, remains uncertain due to a number of factors - both on the supply and demand side. Regarding the inflation outlook, the NBS noted that inflation remains low and stable coming in at 2.4% YoY in February, fully in line with the Executive's Board expectations. Core inflation stood at 1.3% y/y in the same month. Finally, the NBS reiterated its expectation that inflation will remain bound within the 3.0%±1.5pp tolerance band, with March's reading anticipated later within the day.

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Friday 12 April 2019

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	2888.32	0.0%	15.2%	EUR/USD	1.1284	0.3%	-1.6%	UST - 10yr	2.49	-1	-19	GOLD	1292	0.0%	0.8%
Nikkei 225	21870.56	0.7%	9.3%	GBP/USD	1.3058	0.0%	2.3%	Bund-10yr	-0.02	-1	-26	BRENT CRUDE	71	0.2%	32.0%
STOXX 600	385.95	-0.2%	14.3%	USD/JPY	111.88	-0.2%	-1.9%	JGB - 10yr	-0.06	0	-6	LMEX	2998	-0.7%	7.0%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.26	0	-18
1-week	2.39	1	-17
1-month	2.60	1	-13
3-month	2.96	1	-7
6-month	3.08	1	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.14	-1	8
5Y RSD	3.76	0	26
7Y RSD	4.03	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.42	0	-58

CDS

	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	155	0	-7

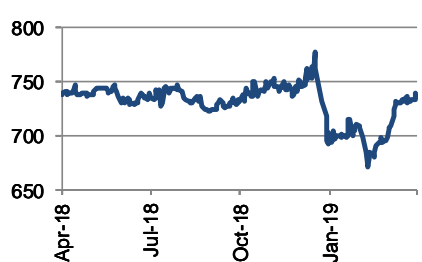
STOCKS

	Last	ΔD	ΔYTD
BELEX15	736.1	-0.43%	-3.35%

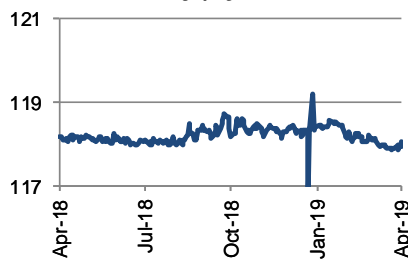
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.07	-0.08%	0.14%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.49	0	240
1-month	3.34	0	147
3-month	3.36	0	131
6-month	3.41	0	114
12-month	3.52	0	120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.85	0	-19
5Y RON	4.48	0	14
10Y RON	4.96	0	15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.49	-	-5
USD Jan-24	3.39	0	-84

CDS

	Last	ΔDbps	ΔYTD bps
5-year	112	0	22
10-year	160	-3	27

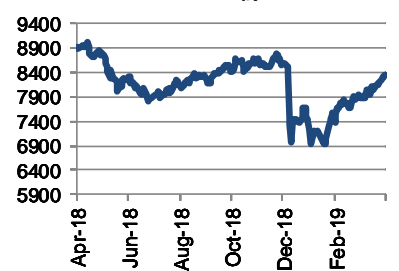
STOCKS

	Last	ΔD	ΔYTD
BET	8295.1	-0.39%	12.34%

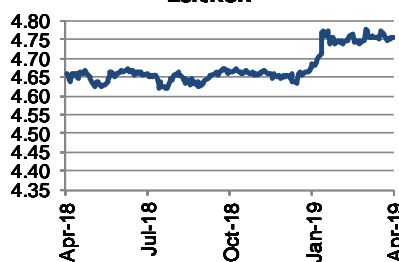
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.758	-0.07%	-2.18%

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	-0.24	-1	-19
5Y BGN	0.01	0	-10
10Y BGN	0.48	0	-27

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	0	-4
EUR Sep-24	0.17	2	-31

CDS

	Last	ΔDbps	ΔYTD bps
5-year	81	0	-15
10-year	122	0	-20

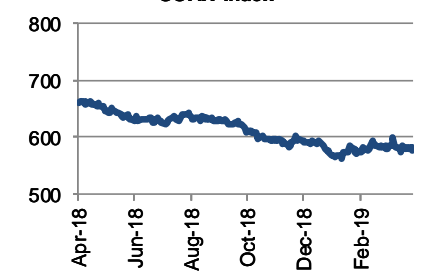
STOCKS

	Last	ΔD	ΔYTD
SOFIX	579.0	0.00%	-2.60%

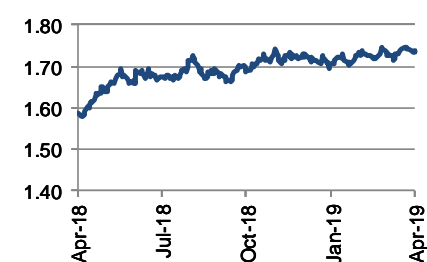
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7332	0.29%	-1.60%

SOFIX Index



USD/BGN



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

Data updated as of 10:40 EES

Friday 12 April 2019

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