

### 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:** Fixed-income safe havens remained under pressure in European trade on Wednesday weighed down by the improved tone of global equity markets. The 10-yr Bund yield rose to its highest level since late March, with the majority of periphery-core spreads tighter along the curve. Italy was among the main underperformers as market focus shifts away from France and moves to Italy ahead of the April 30th leadership elections of the ruling Democratic Party (PD), which have the potential to influence the timing of the next general elections. In FX markets, improved market sentiment weighed on the JPY. All eyes today are on the US administration's tax reform plan.

**GREECE:** The institutions' (EC/ESM/ECB/IMF) mission has resumed negotiations with the Greek government on the basis of the drafts of the Memorandum of Understanding (MoU), the technical MoU, the Memorandum of Economic and Financial Policies (MEFP) and the technical MEFP. In an interview yesterday the Greek PM Alexis Tsipras broadly defended the agreement that is currently being negotiated with the official lenders in the context of the 2nd programme review but argued that if the institutions do not keep their commitment for medium-term debt relief, then the Greek government reserves the right to not implement the measures that the agreement foresees for 2019 and 2020. He also appeared confident that the 2nd programme review will be completed soon and that Greece will then be able to return to the financial markets.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Most CESEE assets lost some ground in early European trade today on profit taking as their recent rally ran out of steam.

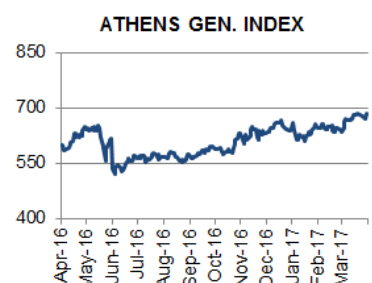
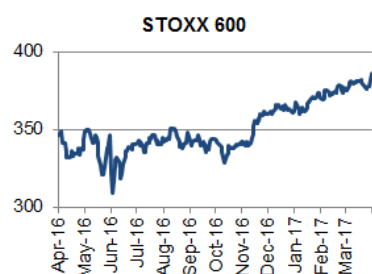
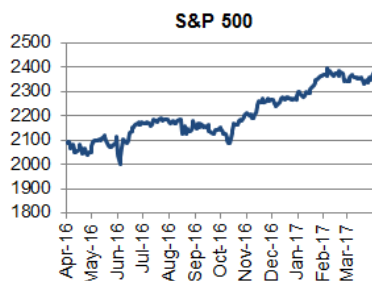
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April 26, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Tracking strong gains on Wall Street overnight, major European bourses retained a firm tone in early trade on Wednesday. Recent polls indicate that centrist Emmanuel Macron is likely to win by a wide margin nationalist Marine Le Pen at the second round of French presidential elections, the majority of US corporate earnings results continued to surprise positively while recent evidence pointing to a pickup in global economic growth also support investor appetite for risk taking. Against this background, fixed-income safe havens remained under pressure. Bund yields moved further north on the view that easing political jitters following the result of the first round of French presidential elections will likely pave the way for a change in the ECB's forward guidance later this year, removing some of its easing bias. The 10-yr German paper was yielding levels around 0.39% at the time of writing, the highest since late March, with the majority of periphery-core spreads tighter along the curve. Italy was among the main underperformers as market focus shifts away from France and moves to Italy ahead of the April 30th leadership elections of the ruling Democratic Party (PD), which have the potential to influence the timing of the next general elections. German Bunds also continued to underperform US Treasuries with the 10-yr yield spread undertaking some further narrowing moving to levels slightly below 195bps, the lowest since mid-November 2016 and c. 20bps lower from a multi-week peak marked in mid-April. In FX markets, improved market sentiment dented the safe-haven appeal of the JPY with the USD/JPY recording a five-week high of 111.50. All eyes today are on the US administration's tax reform plan with recent press reports suggesting that President Donald Trump wants to prioritize a drop in the corporate tax to 15% from 35% currently and a tax break on overseas business profits repatriated into the US.

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### GREECE

The institutions' (EC/ESM/ECB/IMF) mission has resumed negotiations with the Greek government on the basis of the drafts of the Memorandum of Understanding (MoU), the technical MoU, the Memorandum of Economic and Financial Policies (MEFP) and the technical MEFP. Among the issues that are already being discussed are the privatisations and the energy market reforms. According to press reports, Greek government officials express the confidence that both of these issues will be resolved swiftly. Other issues that will reportedly be discussed are among others: the measures and counter-measures for 2019 and 2020, the sale of over-the-counter drugs by stores other than pharmacies, the deregulation of the profession of engineers and the lift of any restrictions pertaining to the operation of stores on Sundays. Meanwhile, in an interview yesterday the Greek PM Alexis Tsipras broadly defended the agreement that will likely result from the ongoing negotiations with the official lenders in the context of the 2nd programme review but argued that if the institutions do not keep their commitment for medium-term debt relief, then the Greek government reserves the right to not implement the measures that the agreement foresees for 2019 and 2020. With regard to the counter-measures in particular, he claimed that they will be implemented if the primary surpluses of 2018 and 2019 are at least equal to the target of 3.5% of GDP, not necessarily above it, as was understood at the press conference following the April 7th Eurogroup. The Greek PM also appeared confident that the 2nd programme review will be completed soon and that Greece will then be able to return to the financial markets. On the same wavelength, he reiterated his government's goal to relieve the country of the guardianship that is being imposed to it as a result of the 3rd Economic Adjustment Programme once this programme has been successfully completed in mid-2018, potentially implying that there will be no need for another bailout programme.

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April 26, 2017

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Most CESEE assets lost some ground in early European trade today on profit taking as their recent rally ran out of steam. Additionally, disappointing corporate earnings results in Europe appeared to be overshadowing global growth optimism. Bucking the positive trend in Wall Street overnight and in Asian stock markets earlier on Wednesday, CESEE bourses stood in a modestly negative territory in European trade, with Hungary's main BUX index marking the largest decline, posting losses in the tune of 0.6% compared to the prior session's settlement.

In FX markets, the Hungarian forint remained under pressure after the Central Bank (MNB) vindicated market expectations that it would stay put on its monetary policy. The Monetary Policy Committee (MPC) kept unchanged its key benchmark interest rate at a record low of 0.90% for the 11<sup>th</sup> consecutive month and maintained its loose policy stance. Moreover, it noted that it anticipates a sustainable return of consumer price inflation to its 3% medium-term target from H1 2018 and reaffirmed that interest rates are likely to remain on hold for a prolonged period of time. Along these lines, the EUR/HUF hovered around levels of 311.80 earlier in Europe, moving towards Friday's 4-month intraday high of 314.24. However, the pair also remained not too far from a 2-week low near 311.00 hit earlier in the week on improved risk sentiment after the first round of the French Presidential elections.

Elsewhere, the Turkish lira also lost ground earlier on Wednesday on investor caution ahead of the MPC meeting later today. The USD/TRY traded near 3.5930 in European markets, having pulled back from yesterday's 3.5795 settlement and Monday's 2-month trough close to 3.5715. The market's median forecast is for all policy rates to remain unchanged today as the lira has recovered some ground over recent weeks on improved global risk sentiment and tight TRY Central Bank liquidity, while domestic political uncertainty has somewhat eased after the April 16<sup>th</sup> referendum. In this context, the benchmark repurchase rate is expected to remain at 8.00%, while the overnight lending and borrowing rates are seen stable at 9.25% and 7.25%, respectively. Additionally, the CBT is likely to reaffirm today its plans to maintain a tight monetary policy stance as inflation remains well above the 5% official target (at 11.29% in March) and may further rise in the next few months, while inflation expectations continue to deteriorate. It is also worth noting that CBT will publish its updated Inflation Report on Friday, which will include its revised macroeconomic projections.

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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

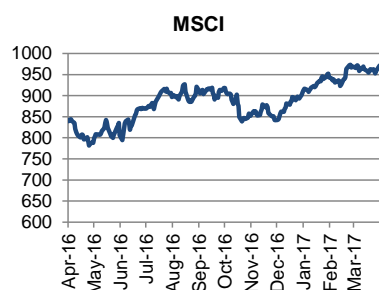
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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 26, 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	2388.61	0.6%	6.7%	EUR/USD	1.0922	0.0%	3.8%	UST - 10yr	2.33	0	-11	GOLD	1263	-0.1%	9.7%
Nikkei 225	19289.43	1.1%	0.9%	GBP/USD	1.282	-0.2%	3.7%	Bund-10yr	0.38	0	17	BRENT CRUDE	52	-0.3%	-8.6%
STOXX 600	386.44	-0.1%	6.9%	USD/JPY	111.42	-0.3%	5.0%	JGB - 10yr	0.02	-1	-3	LMEX	2781	0.7%	4.6%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	3.02	-1	2
1-week	3.16	-5	-1
1-month	3.35	1	0
3-month	3.54	4	7
6-month	3.72	3	6

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.30	31	22
5Y RSD	5.33	0	-3
7Y RSD	5.63	0	0

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.68	-1	-64
USD Nov-24	6.42	1	1

#### CDS

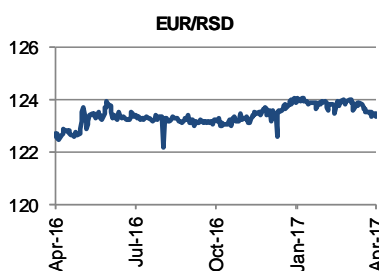
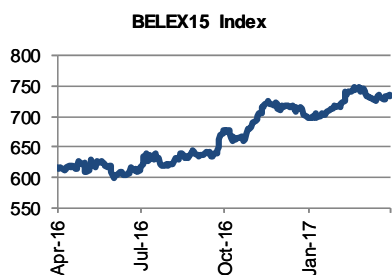
	Last	ΔDbps	ΔYTD bps
5-year	188	-1	-19
10-year	241	-1	-15

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.4	-0.27%	2.10%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.31	0.08%	0.12%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.57	0	1
1-month	0.67	0	-9
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	1.59	1	-3
5Y RON	2.49	0	-3
10Y RON	3.52	1	-13

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.02	0	-12
USD Jan-24	3.37	-2	-49

#### CDS

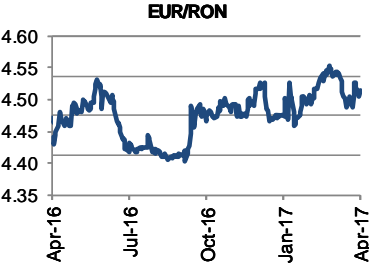
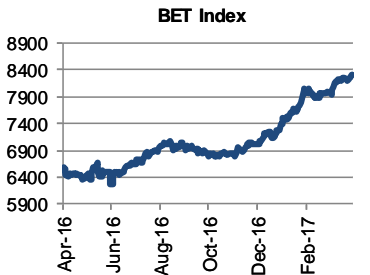
	Last	ΔDbps	ΔYTD bps
5-year	107	0	-3
10-year	150	-5	-2

#### STOCKS

	Last	ΔD	ΔYTD
BET	8235.5	-0.30%	16.24%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5308	-0.17%	0.18%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.16	0	0
3-month	-0.08	1	-1
6-month	0.04	0	-4
12-month	0.43	0	2

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.00	-5	-15
5Y BGN	0.31	-5	-20
10Y BGN	1.64	0	-27

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.54	0	-16
EUR Sep-24	1.46	#VALUE!	-22

#### CDS

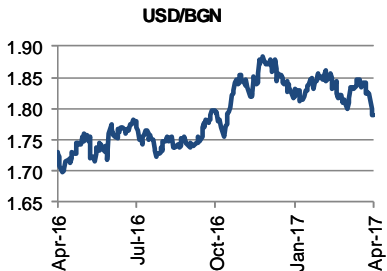
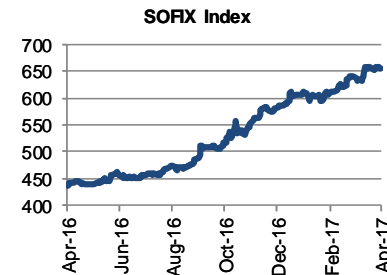
	Last	ΔDbps	ΔYTD bps
5-year	112	-1	-40
10-year	170	-3	-24

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	654.4	0.09%	11.58%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7906	-0.02%	3.79%



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

Data updated as of 10:30 EEST

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