

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Apr 10: PPI (March)
- April 11
 - CPI (March)
 - Minutes of the 20/21 March FOMC meeting
- Apr 12: Initial jobless claims (Apr 7)
- Apr 13: UM consumer sentiment (Apr)

EUROZONE

- Apr 9: German exports (Feb)
- April 10
 - France's industrial production (Feb)
 - Italy's industrial production (Feb)
- Apr 12
 - Eurozone's industrial production (Feb)
 - France's CPI (Mar)
 - Accounts of the 8 March ECB meeting

UK

- Apr 11: Industrial production (Feb)

GREECE

- Apr 12: Unemployment rate (Jan)
- Apr 13: CPI (Mar)

SEE

BULGARIA

- April 10
 - Retail Sales (Feb)
 - Industrial Production (Feb)
- April 12: Trade Balance (Feb)

ROMANIA

- April 10: Trade Balance (Feb)
- April 11:
 - Net Wages (Feb)
 - NBR meeting minutes
- April 12: Industrial Production & Sales (Feb)
- April 13: Current Account (Feb)

SERBIA

- April 10: PPI index (Mar)
- April 12:
 - NBS policy meeting
 - CPI Index (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Risk off mode prevailed in early trade on Thursday with European bourses opening in the red and US Treasuries gaining some ground, on the back of escalating tensions in Syria. Market focus today will be on the ECB accounts of the 8 March policy meeting, especially following recent comments by Austrian Central Bank Governor Ewald Nowotny and the unusual reaction by the ECB.

GREECE: The Greek government's holistic growth strategy for the post-programme period titled "Growth Strategy for the Future of Greece" is expected to be discussed at the Euroworking Group (EWG) today and then again at the 27 April Eurogroup. The plan reportedly comprises five pillars, namely 'fiscal sustainability', 'sustainable growth', 'structural terms and conditions for development', 'just and inclusive growth' and 'financing growth'. The improved offers for 66% of DESFA are reportedly scheduled to be unsealed tomorrow while a further improved bid may be requested by the highest bidder. According to the latest data released by the Athens International Airport, in the 3-month period January – March 2018 international passenger traffic increased 15.9% YoY, reaching 2.7 million passengers.

SOUTH EASTERN EUROPE

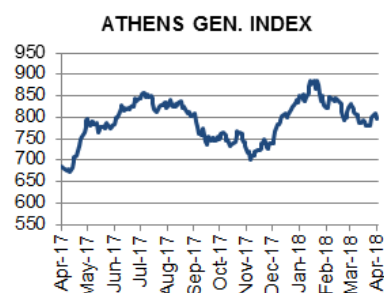
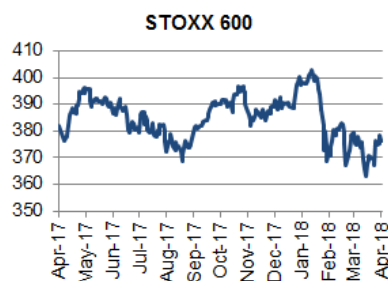
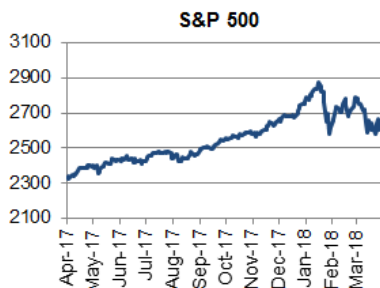
CESEE MARKETS: The Russian ruble and government bonds recovered some ground earlier on Thursday, recouping part of recent losses suffered following last week's announcement of a new round of US government sanctions against Russia. Separately, the Polish zloty slightly weakened and local currency government bonds firmed in the wake of the Central Bank monetary policy meeting on Wednesday. Meanwhile, the Romanian leu was little changed earlier today despite the release of March's CPI which showed that headline inflation jumped to 5%, exceeding a market median forecast and the official inflation target.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Risk off mode prevailed in early trade on Thursday with European bourses opening in the red amid escalating tensions in Syria. US President Donald Trump warned over an imminent military action against Syrian President Bashar al-Assad's forces over a suspected poison attack in Douma near Damascus last weekend, raising the risk of a direct conflict with Russia over Syria. US Treasuries firmed with the US 10-yr yield dropping c.1bps on the day standing at 2.78% at the time of writing, close to Wednesday's multi-session intraday low of 2.76%, taking the 2/10-yr yield spread to a fresh multi-year low close to 47bps. With geopolitical jitters taking a front seat, the FOMC minutes from the 20/21 March meeting and US March inflation data, both released yesterday, were broadly shrugged off. The minutes reflected a relatively hawkish tone with the overall tone pointing to increased confidence among participants for an improved economic outlook and a return of inflation to the 2% target over the medium-term. However, "a number" of participants expressed concern about possible implications of the recent imposition of tariffs, suggesting that the prospect of a trade war was a downside risk for the economy. US inflation data for March were in line with market expectations with the annual rate of core CPI rising by 0.3pp to 2.1%, the biggest annual increase since February 2017, mainly on the back of higher shelter and medical care services prices. In the EMU periphery, Portugal was among the main outperformers after drawing the week's largest order book in the public sector bond market for its 15-yr bond. Meanwhile, in Italy political uncertainty prevails with President Sergio Mattarella expected to hold a second round of consultations today and tomorrow for the formation of a new government following the inconclusive outcome of the 4 March general election. Looking at the remainder of the day, market focus will be on the ECB accounts of the 8 March policy meeting, due for release at 13:30 CET, especially following recent comments by Austrian Central Bank Governor Ewald Nowotny and the unusual reaction by the ECB.

ppetropoulou@eurobank.gr

GREECE

The Greek government's holistic growth strategy for the post-programme period titled "Growth Strategy for the Future of Greece" is expected to be discussed at the Euroworking Group (EWG) today and then again at the 27 April Eurogroup. The plan reportedly comprises five pillars, namely 'fiscal sustainability', 'sustainable growth', 'structural terms and conditions for development', 'just and inclusive growth' and 'financing growth'. According to press reports concerns have been raised by some European officials that the plan is not specific and ambitious enough and that there may be disaccord with regard to certain provisions pertaining to the labour market and privatisations. Other issues in today's EWG agenda are the progress in the 4th review prior actions, the post-programme surveillance framework and the potential debt relief measures. Meanwhile, the improved offers for 66% of DESFA are reportedly scheduled to be unsealed tomorrow while a further improved bid may be requested by the highest bidder. In other news, according to the latest data released by the Athens International Airport, in the 3-month period January – March 2018 international passenger traffic increased 15.9% YoY, reaching 2.7 million passengers.

andimitriadou@eurobank.gr

Thursday 12 April 2018

Latest economic & market developments in the CESEE region

CESEE MARKETS

The Russian ruble recovered some ground earlier on Thursday, recouping part of recent losses suffered following the announcement of a new round of US government sanctions against several Russian businessmen and related companies on allegations about their interference in the US 2016 presidential elections. Against this backdrop, the USD/RUB eased towards 62.30 in morning European trade today from a 1 ½-year peak of 65.05 hit intraday on Wednesday. In a similar vein, local currency denominated bonds staged a relief rally for the second consecutive day.

The Polish zloty lost some ground and local currency government bonds firmed in the wake of the Central Bank monetary policy meeting on Wednesday. In more detail, the NBP left the key policy rate unchanged at a record low of 1.50% yesterday, in line with a market consensus. The decision was underpinned by the benign inflationary outlook. In support of the aforementioned, headline CPI came in at a 1-year trough of 1.3%YoY in March, according to a flash estimate. Meanwhile, the corresponding core index reached a 4-month low of 0.8%YoY in February, with both readings standing firmly below the 2.5% +/-1% official target. The market focus centered on the dovish rhetoric of NBP Governor Adam Glapinski, who argued that he sees no reason to change rates over the next two years adding that the inflation path in the next inflation report may be lower. With NBP Governor Glapinski's comments broadly perceived as dovish by market participants, the Polish zloty traded slightly weaker on the day at 4.1895/EUR earlier today, while the 10-year benchmark bond yield eased towards 2.95% in morning trade on Thursday, falling below 3.00% for the first time since November 2016.

Separately, the Romanian leu was little changed earlier today, hovering around levels of 4.6595/€ in morning European trade, despite the release of March's CPI which showed that headline inflation jumped to 5.0% YoY, reaching the highest level since June 2013, from 4.7% YoY in the previous month. March's reading also exceeded a market median forecast of 4.9% YoY, and moved further above the Central Bank's inflation target of 2.5% ±1%.

igkionis@eurobank.gr

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

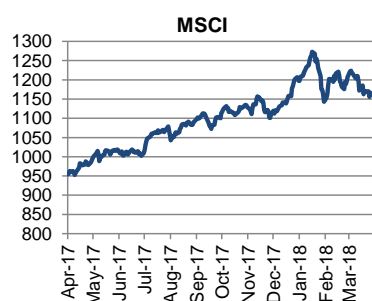
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.0
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	3.25	4.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



Credit Ratings		
L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	B1	BB-

Thursday 12 April 2018

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2642.19	-0.6%	-1.2%
Nikkei 225	21660.28	-0.1%	-4.9%
STOXX 600	376.46	0.1%	-3.3%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.2368	0.0%	3.0%
GBP/USD	1.4187	0.1%	4.9%
USD/JPY	106.9	-0.1%	5.4%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.78	0	37
Bund-10yr	0.50	0	7
JGB - 10yr	0.04	0	-1

Commodities

	Last	ΔD	ΔYTD
GOLD	1350	-0.3%	3.6%
BRENT CRUDE	72	-0.3%	7.5%
LMEX	3351	0.6%	-2.0%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.37	-4	-15
1-week	2.50	-1	-11
1-month	2.66	0	-19
3-month	2.90	0	-22
6-month	3.08	0	-16

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.83	0	-45
5Y RSD	4.12	0	-12
7Y RSD	4.54	0	-64

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.44	0	44
USD Nov-24	-6.19	-182	-625

CDS

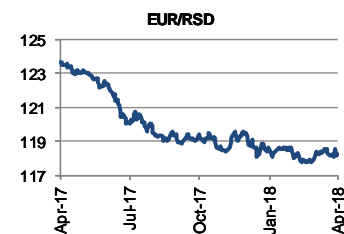
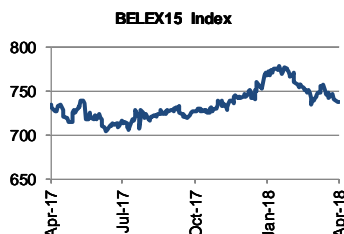
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	150	0	-12

STOCKS

	Last	ΔD	ΔYTD
BELEX15	737.8	0.00%	-2.90%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.33	-0.04%	0.49%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.4	0	31
1-month	1.59	0	-28
3-month	2.09	0	4
6-month	2.42	0	15
12-month	2.52	0	20

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.12	0	-26
5Y RON	3.94	0	16
10Y RON	4.42	0	10

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.51	0	-4
USD Jan-24	3.79	0	79

CDS

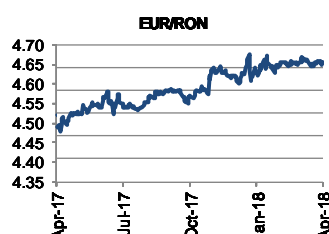
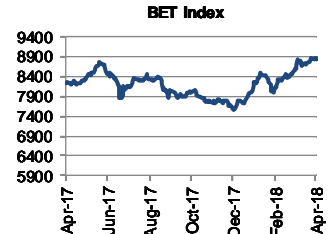
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	132	0	-1

STOCKS

	Last	ΔD	ΔYTD
BET	8854.7	0.30%	14.20%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6609	0.00%	0.08%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.29	0	-3
3-month	-0.21	0	-3
6-month	-0.07	0	-2
12-month	0.24	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	0	2
5Y BGN	0.17	-1	3
10Y BGN	1.02	0	5

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.14	-1	21
EUR Sep-24	0.77	-1	20

CDS

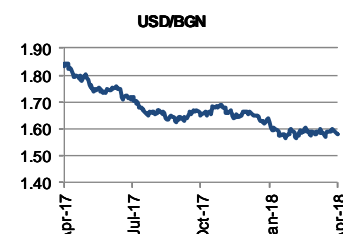
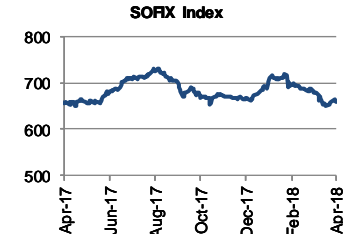
	Last	ΔDbps	ΔYTD bps
5-year	65	0	-32
10-year	106	0	-35

STOCKS

	Last	ΔD	ΔYTD
SOFIX	659.5	-0.17%	-2.64%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5814	0.00%	3.04%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:50 EST

Thursday 12 April 2018

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Senior Economist, Eurobank Ergasias
++30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

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

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
+ 30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Đorđe Lučić
Fixed Income Dealer, Eurobank a.d. Beograd
+381 11 2065891
djordje.lucic@eurobank.rs

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Ruslan Raychev
Trader, Eurobank Bulgaria
+359 2 8166 482
rsraychev@postbank.bg

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 37 18 793

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr + 30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr + 30 210 33 71 227

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 33 71 228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 33 71 207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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