

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 adopt a cautious stance towards risk assets today on pronounced Brexit-related uncertainty ahead of the extraordinary 10 April EU Summit. The proposal of the US administration for the imposition of tariffs on a range of imports from the EU and market worries over Q1 corporate results have also had an impact. Elsewhere, oil prices remained in an upward trend supported by ongoing OPEC supply cuts, escalating violence in Libya and US sanctions against Iran and Venezuela. Crude oil rose above \$71 per barrel earlier today, the highest level since November 2018. In FX markets, most commodity-linked currencies, including the AUD and the CAD, were firmer thanks to higher oil prices. Looking at today's calendar, focus is on US inflation data for March and the minutes of the 20 March FOMC monetary policy meeting. Investors are also awaiting the outcome of today's meeting between the European Union and China, as an agreed joint declaration at the 9 April summit could potentially open the way for greater EU access to Chinese markets.

GREECE: In an interview to a Greek newspaper (Ethnos), Eurogroup President Mario Centeno opposed the potential reduction of the primary surplus target to 2% of GDP until 2022, but appeared a bit more flexible regarding the reduction of the tax-free threshold due in January 2020. Meanwhile, according to the HRADF Chairman Aris Xenofos, the privatisations of ports are expected to commence after the orthodox Easter (28 April) while construction works at Hellinikon are likely to begin right after the summer.

SOUTH EASTERN EUROPE

BULGARIA: The main Bulgarian equity SOFIX index ended 0.63% lower at 580.19 points over the past week. Accordingly, local and external government bond yields showed limited fluctuation.

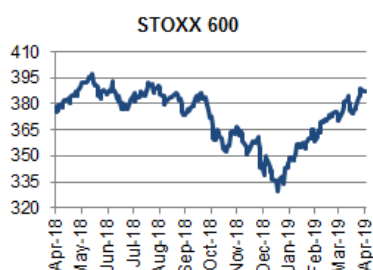
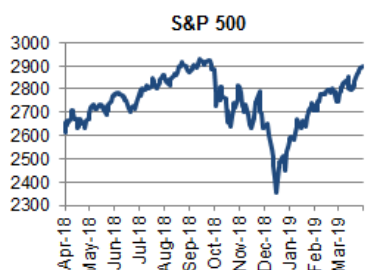
SERBIA: The EUR/RSD remained bound within a 117.80 – 118.70 trading range in the past week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their cue from today's modest gains in the majority of Asian bourses, European bourses opened on a cautious tone earlier today, as market optimism about a plan unveiled by Chinese authorities for additional fiscal measures to support the economy was offset by pronounced Brexit-related uncertainty ahead of the crucial 10 April European Council meeting. In addition, the US administration proposed the imposition of tariffs on a range of imports from the EU, claiming that the decision is a response to EU subsidies granted to a European airplane manufacturer that the WTO has judged to be illegal. Market worries over Q1 corporate results, which will start rolling later this week, and are expected to record the first quarter of contracting earnings since 2016, are also behind today's subdued market sentiment. Meanwhile, US Treasury prices were slightly higher on the day with the 10-yr yield hovering around 2.52% in early European trade at the time of writing. Along these lines, German Bunds were also a touch firmer, with the 10-yr yield dropping again slightly below zero amid rising US/EU trade tensions.

Elsewhere, oil prices remained in an upward trend supported by ongoing OPEC supply cuts, escalating violence in Libya and US sanctions against Iran and Venezuela. Crude oil rose above \$71 per barrel earlier today, the highest level since November 2018, taking year-to-date gains close to 30%. In FX markets, most commodity-linked currencies, including the AUD and the CAD, were firmer today thanks to higher oil prices. Elsewhere, shrugging off the US administration's proposed list of tariffs on EU goods, the EUR/USD was consolidating recent gains hovering around yesterday's two-week intraday peak of 1.1275. Looking at today's calendar, focus is on US inflation data for March and the minutes of the 20 March FOMC monetary policy meeting. Furthermore, investors are eagerly awaiting the outcome of today's meeting between the European Union and China, as an agreed joint declaration at the 9 April summit could potentially open the way for greater EU access to Chinese markets.

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GREECE

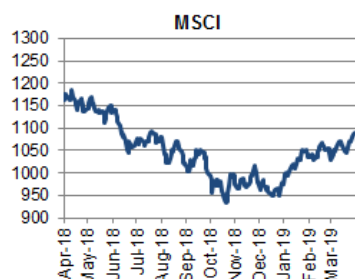
In an interview to a Greek newspaper (Ethnos), Eurogroup President Mario Centeno opposed the potential reduction of the primary surplus target to 2% of GDP until 2022, on the grounds that a deviation from this commitment would shake investors' and markets' confidence which is critical for growth and jobs' creation. However, as regards the reduction of the tax-free threshold in January 2020, the Eurogroup President appeared a bit more flexible stating that budget decisions are a matter of balance and as long as this balance is maintained there is some leeway regarding the policy mix. He added though that overall it is important for Greece to demonstrate that the measures taken during the economic adjustment programmes are resilient to the economic and political cycle. Finally, on the early repayment of part of the IMF loans, Mario Centeno appeared positive commenting that it constitutes an important element of debt management. Meanwhile, according to the HRADF Chairman Aris Xenofos, the privatisations of ports are expected to commence after the orthodox Easter (28 April) while construction works at Hellinikon are likely to begin right after the summer.

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Tuesday 09 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

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

BULGARIA*

Contrary to most equity markets, the blue chip index SOFIX slid by -0.63% over the week to 580.19 points amid the usual trading volume of EUR1.8mn. External government yields continued to exhibit small changes of 1-3 bps. Local yields were a bit more active this week, with all but one of the tenor yields rising within 2-6 bps, while the longest tenor, namely the 8 year yield dropped by 2 bps.

SERBIA*

The EUR/RSD remained bound within a 117.80 – 118.70 trading range in the past week. The pair continued to trade lifeless around recent levels with three NBS interventions that took place on Tuesday, Wednesday and Thursday in the total amount of EUR35mn. So far, this year NBS have purchased EUR200mn from local banks in order to preserve domestic currency stability. In other news, according to the latest Ministry of Finance data, the public debt declined slightly from RSD 23.17bn in January to 23.15bn in February. As a percentage of GDP, public debt declined to 50.4% in February down from 50.6% in January and 53.8% in December 2018. Moreover, the budget execution recorded a surplus of RSD22.2bn in the first two months of the year. The total revenues reached RSD207bn whereas the total expenditure reached RSD184.8bn. The respective figures for the month of February were RSD100.4bn and RSD101.8bn respectively with the outcome of a RSD1.4bn deficit. Out of the RSD88.3bn in tax revenues, RSD52bn came from VAT and RSD20.2bn from excise duties. On the expenditures side, the most important items were personnel expenses (RSD23bn) and transfers to the state funds PIO, RFZO and NSZ (RSD15.8bn).

*We would like to thank Djordje Lucic from Eurobank Beograd and Ruslan Raychev from Eurobank Bulgaria for their valuable contribution in today's issue.

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Tuesday 09 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	2895.77	0.1%	15.5%	EUR/USD	1.1267	0.0%	-1.8%	UST - 10yr	2.52	-1	-17	GOLD	1299	0.1%	1.3%
Nikkei 225	21802.59	0.2%	8.9%	GBP/USD	1.3084	0.2%	2.5%	Bund-10yr	0.00	-1	-24	BRENT CRUDE	71	0.0%	32.1%
STOXX 600	387.33	0.0%	14.7%	USD/JPY	111.31	0.2%	-1.4%	JGB - 10yr	-0.05	0	-5	LME X	3030	0.3%	8.2%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.27	-1	-17
1-week	2.39	0	-17
1-month	2.59	0	-14
3-month	2.95	1	-8
6-month	3.05	-1	-13

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.08	-5	2
5Y RSD	3.77	0	26
7Y RSD	4.02	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.45	0	-55

CDS

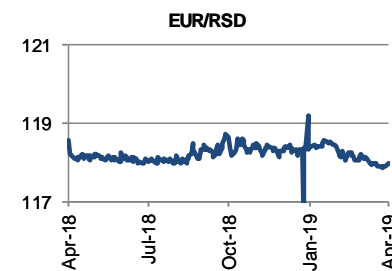
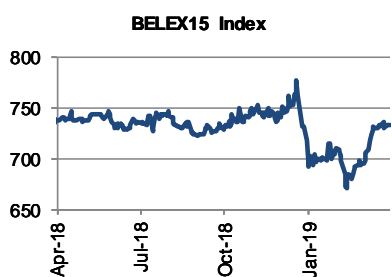
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	155	0	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.9	-0.12%	-3.78%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.98	0.03%	0.21%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.3	0	221
1-month	3.29	0	142
3-month	3.32	0	127
6-month	3.38	0	111
12-month	3.51	0	119

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.78	0	-26
5Y RON	4.40	0	6
10Y RON	4.89	0	8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.49	-	-5
USD Jan-24	3.38	0	-86

CDS

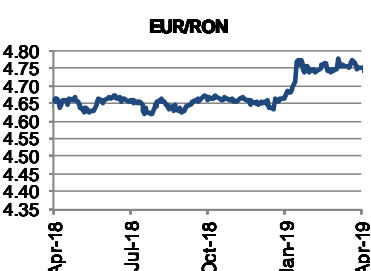
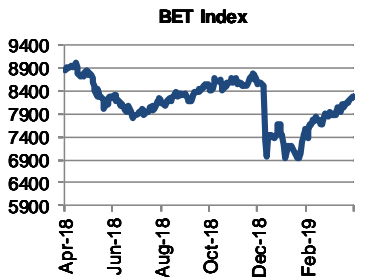
	Last	ΔDbps	ΔYTD bps
5-year	116	0	26
10-year	166	0	32

STOCKS

	Last	ΔD	ΔYTD
BET	8258.5	0.12%	11.85%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7494	0.02%	-2.01%



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	-0.25	-1	-19
5Y BGN	0.02	0	-9
10Y BGN	0.49	0	-26

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.08	-3	-4
EUR Sep-24	0.19	0	-29

CDS

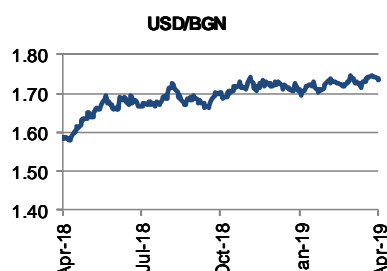
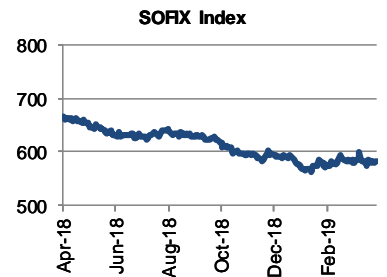
	Last	ΔDbps	ΔYTD bps
5-year	81	0	-16
10-year	122	0	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	581.9	-0.25%	-2.12%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.736	0.00%	-1.76%



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

Data updated as of 10:15 EES

Tuesday 09 April 2019

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