Eurobank Global Markets Research
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Eurobank

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday 19 April 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Apr 15: Empire State Manufacturing Index (Apr.)
- Apr 16:
  - Industrial Production (Mar.)
  - NAHB Housing Market Index (Apr.)
- Apr 17:
  - Trade Balance (Feb.)
  - Fed releases Beige Book
- Apr 18:
  - Retail Sales (Mar.)
  - Business Inventories (Feb.)
  - Leading Indicators (Mar.)
  - Philly Fed Index (Apr.)
- Apr 19:
  - Housing Starts (Mar.)
  - Building Permits (Mar.)

EUROZONE

- Apr 16: German ZEW Survey (Apr.)
- Apr 17:
  - Trade Balance (Feb.)
  - CPI (Mar.)
- Apr 18: Markit PMIs (Apr. prel.)

GREECE

- Apr 19
  - Current Account (Feb.)
  - Turnover Index in Industry (Feb.)

SEE

BULGARIA:

- Apr 15: CPI (Mar.)
- Apr 16: Unemployment (Mar.)
- Apr 17: Current Account (Feb.)

CYPRUS:

- Apr 17: CPI Harmonised (Mar.)

SERBIA

- Apr 17: Current Account (Feb.)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Eurozone government yields posted their biggest one-day decline in three weeks yesterday after Euro area April flash PMIs disappointed, suggesting that economic activity remained week at the beginning of Q2. Composite PMI fell to 51.3 from 51.6 in March, confounding expectations for an improvement to 51.8. The fall was driven by weaker services activity, which slipped 0.8p to a 3-month low of 52.5 while manufacturing edged up 0.3p to 47.8. With volume expected to be light due to the Good Friday Easter holiday today, the dollar index retained a firm tone standing close to a 2½-week intraday high hit overnight, supported by yesterday's positive US data releases.

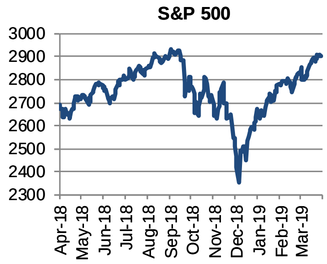
GREECE: The Greek government and the institutions have engaged in discussions on the bill for the settlements of debts to the tax authorities and social security funds with a view to passing the relevant legislation in May. GGB yields remain at more than a decade lows with the 10-year benchmark yield standing at 3.319% at the time of writing and the 5-year benchmark yield at 2.246%. The Athens General Index continues its upward trajectory having reached 778.4 units at the time of writing, a 10-month high.

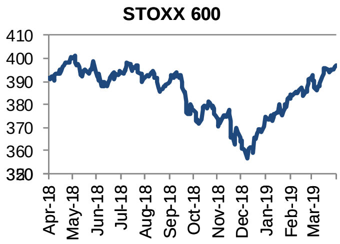
SOUTH EASTERN EUROPE

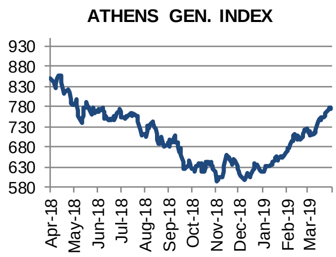
SERBIA: According to official data released yesterday by the National Bank of Serbia (NBS), the current account (CA) deficit widened further by ca 120% YoY to EUR313mn in February. The widening of the CA deficit in the first two months of the year was largely driven by the goods trade deficit broadening by 26.8% YoY due to stronger imports. The central bank projects that the CA deficit will narrow to 5.0% of GDP in 2019 from 5.2% of GDP in 2018, thanks to the improved balance of services and more favorable developments in the primary income account. On the contrary, the IMF anticipates the CA deficit to expand to 5.5% of GDP in 2019.

Latest world economic & market developments

GLOBAL MARKETS







Source: Reuters, Bloomberg, Eurobank Research

Eurozone government yields posted their biggest one-day decline in three weeks yesterday after Euro area April flash PMIs disappointed, suggesting that economic activity remained week at the beginning of Q2. Composite PMI fell to 51.3 from 51.6 in March, confounding expectations for an improvement to 51.8. The fall was driven by weaker services activity which slipped 0.8p to a three-month low of 52.5 while manufacturing edged up 0.3p to 47.8. As regards Germany, the Eurozone's biggest economy, both manufacturing and services output improved marginally to 55.6 and 44.5 respectively, from 55.4 and 44.1 in March, with the latter though remaining into contractionary territory for the fourth month in a row. In France, Composite PMI increased to 50.0 led by higher services activity, which marked a 4-month high of 50.5, suggesting that the disruption to economic activity from the 'yellow vests' movement is gradually fading. However, manufacturing activity stood at 49.6, slightly lower from 49.7 in March and below the boom-or-bust level of 50.0 for the second consecutive month.

Against this background, the 10-yr Bund yield ended at a multi-session low of 0.024% yesterday, some 6bps lower on the day. In the EMU periphery, Spain continued to outperform its regional peers as investors do not seem to be overly worried over the 28 April snap election outcome. Opinion polls continue to point to an increasingly fragmented political landscape as no single party is likely to get an absolute majority. The formation of a coalition government is likely to be tough and may take time. With volume expected to be light due to the Good Friday Easter holiday today, the dollar index retained a firm tone standing close to a 2½-week intraday high hit overnight, supported by yesterday's positive US data releases. US retail sales rose by a higher than expected 1.6%mom in March, the biggest increase since September 2017, following a 0.2%mom drop in February, while initial jobless claims declined by 5,000 in the week ended 13 April to 192,000, the lowest level in nearly 50 years. Meanwhile, the EUR/USD was hovering around yesterday's 1½-week intraday low of 1.1225 at the time of writing pressured by disappointing April flash PMIs and poised for a weekly drop of 0.5%.

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GREECE

The Greek government and the institutions have engaged in discussions on the bill for the settlements of debts to the tax authorities and social security funds. According to press reports, the initial proposal of the Greek government is reportedly considered too generous by the institutions and as such does not promote a 'payment culture'. Deliberations are expected to continue after the catholic and orthodox Easter, with a view to passing the relevant legislation in May. Meanwhile, GGB yields remain at more than a decade lows with the 10-year benchmark yield standing at 3.319% at the time of writing and the 5-year benchmark yield at 2.246%. The Athens General Index continues its upward trajectory having reached 778.4 units at the time of writing, a 10-month high.

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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

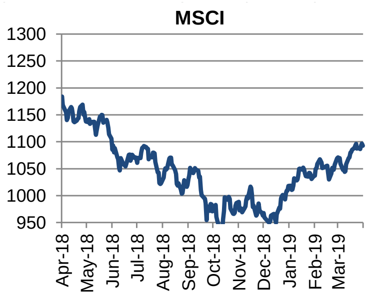
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
*Budget Balance/GDP **	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

** 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

SERBIA

According to official data released yesterday by the National Bank of Serbia (NBS), the current account (CA) deficit widened further by ca 120% YoY to EUR313mn in February. The widening of the CA deficit in the first two months of the year was largely driven by the goods trade deficit broadening by 26.8% YoY due to stronger imports. Enhanced surpluses on services and secondary income accounts along with lower deficit on the primary income account could only partly offset the trade gap developments. However, it is positively considered that the CA deficit was completely financed by non-debt flows as net FDIs reached EUR 534.9mn, enhanced by 2.0% YoY. Inter alia, the NBS noted that the largest part of FDIs in 2019 were equity transactions, followed by reinvested earnings.

The NBS projects that the CA deficit will narrow to 5.0% of GDP in 2019 from 5.2% of GDP in 2018, thanks to the improved balance of services and favorable developments in the primary income account. On the contrary, the IMF anticipates the CA deficit to expand to 5.5% of GDP for 2019.

In other news, earlier in the week in Belgrade, the Serbian Government and the European Investment Bank (EIB) inked a loan agreement of EUR22mn with the purpose of revitalizing the public infrastructure in disadvantaged municipalities that have been affected by migration and flooding. The total cost of the project amounts to EUR30mn and will be co-financed by the United Nations Development Programme (UNDP) along with contributions from domestic municipalities. The EIB noted that this is the first project that will be implemented by the Public Administration Ministry in co-operation with the UNDP in Serbia. The Minister of Finance, Mr. Sinisa Mali, stated that the approved loan facility comes with accommodative terms, such as a 25-year repayment period and a 5-year grace period along with the option between fixed or variable interest rate, defined upon disbursement of each tranche.

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Friday 19 April 2019

GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD	FOREX	Last	ΔD	ΔYTD	Government Bonds (yields)	Last	ΔDbps	ΔYTD bps	Commodities	Last	ΔD	ΔYTD
S&P 500	2905.03	0.2%	15.9%	EUR/USD	1.1245	0.1%	-2.0%	UST - 10yr	2.56	0	-12	GOLD	1276	0.0%	-0.5%
Nikkei 225	22200.56	0.5%	10.9%	GBP/USD	1.3001	0.1%	1.9%	Bund-10yr	0.03	-6	-22	BRENT CRUDE	72	0.5%	33.8%
STOXX 600	390.46	0.2%	15.6%	USD/JPY	111.92	0.1%	-2.0%	JGB - 10yr	-0.03	0	-3	LMEX	3001	-0.8%	7.2%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	3	-16
1-week	2.40	4	-16
1-month	2.62	3	-11
3-month	2.97	1	-6
6-month	3.10	2	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.14	-1	8
5Y RSD	3.77	0	16
7Y RSD	4.03	0	-13

RS Eurobonds

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

CDS

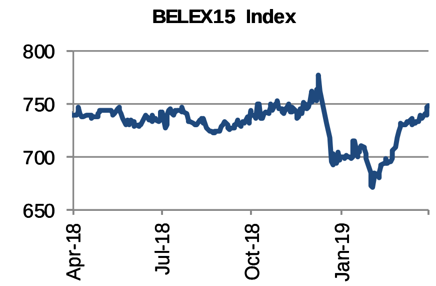
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	155	0	-7

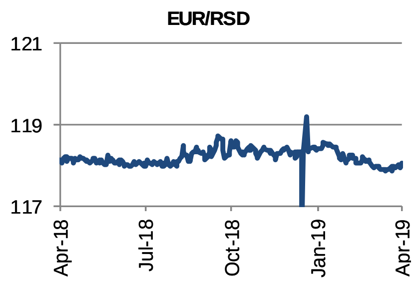
STOCKS

	139.43	ΔD	ΔYTD
BELEX15	747.8	0.05%	-1.82%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.65	-0.30%	0.50%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.55	0	246
1-month	3.4	0	153
3-month	3.39	0	134
6-month	3.42	0	115
12-month	3.56	0	124

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.80	0	-23
5Y RON	4.50	0	16
10Y RON	4.95	0	14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.47	0	-8
USD Jan-24	3.40	0	-83

CDS

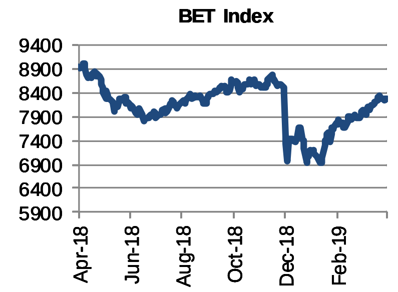
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	154	0	21

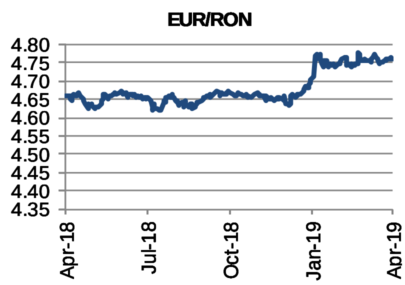
STOCKS

	Last	ΔD	ΔYTD
BET	8286.9	0.09%	12.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7598	0.01%	-2.22%





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	-0.31	4	-26
5Y BGN	0.02	-1	-9
10Y BGN	0.45	0	-30

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	-2	-7
EUR Sep-24	0.17	4	-31

CDS

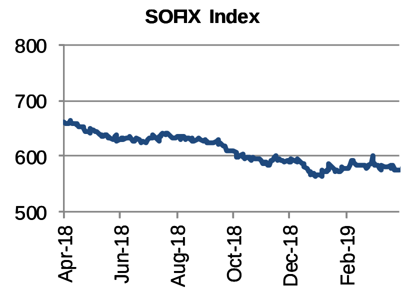
	Last	ΔDbps	ΔYTD bps
5-year	82	0	-15
10-year	122	0	-19

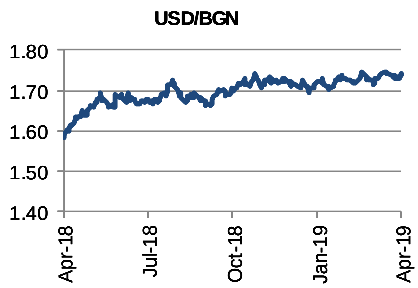
STOCKS

	Last	ΔD	ΔYTD
SOFIX	575.3	-0.04%	-3.22%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7392	0.06%	-1.94%





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

Data updated as of 10:35 EEST

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