



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday 24 April 2019

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Apr 22:
  - Existing Home Sales (Mar.)
  - Chicago Fed National Activity index (Mar.)
- Apr 23:
  - Richmond Fed Manufacturing Index (Feb.)
  - New Home Sales (Mar.)
- Apr 24: MBA Mortgage Applications (April)
- Apr 25:
  - Durable Goods Orders (Mar)
  - Initial Jobless Claims (April 20th)
- Apr 26:
  - GDP (Q1 A 2019)
  - University of Michigan consumer sentiment (April, F)

#### EUROZONE

- Apr 23: Consumer Confidence (April A.)
- Apr 24: IFO Business Climate (Germany, April)

#### GREECE

- Apr 25:
  - Retail Sales YoY (Feb)
  - Producer Price Index in Industry (Mar)

#### SEE

##### CYPRUS:

- Apr 22: Industrial Turnover Index (Jan)

##### ROMANIA:

- Apr 25: Money Supply M3 YoY (Mar.)

##### SERBIA

- Apr 25: Real Gross Wages YoY (Mar.)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Wall Street surged to new record highs overnight following favorable Q1 earnings' reports. Nevertheless, major Asian equity markets traded in the red on Wednesday on the back of losses in South Korea and investors' worries about whether China would slow the pace of policy easing following favorable soft and hard data both in the demand and the supply side that eased fears over a sharper slowdown. In FX markets, the DXY dollar index surged near a 22-month high of 97.777 overnight on stronger US data. In the government bond markets, 10-yr US Treasury yields ticked 0.2bps lower to 2.55% in European trade on Wednesday, while the US yield curve steepened further pointing to a positive outlook for the US economy. On the economic data front, April IFO survey in Germany and latest US MBA mortgage applications data are due later in the day.

**GREECE:** According to ELSTAT's 1<sup>st</sup> notification for the fiscal performance of Greece in 2015-2018 (ESA 2010 methodology), the 2018 General Government balance registered a surplus – for a 3<sup>rd</sup> year in a row – of 1.1% of GDP (€1,991 mn). The General Government primary balance stood at a surplus of 4.4% of GDP (€8,149 mn), higher relative to the target in the 2019 General Government Budget by 0.3 percentage points (ppts) of GDP. Last but not least, the General Government gross debt increased to 181.1% of GDP from 176.2% in 2017. The annual increase of the General Government gross debt by €17,088 mn was related with the accumulation of the government's cash buffer.

### SOUTH EASTERN EUROPE

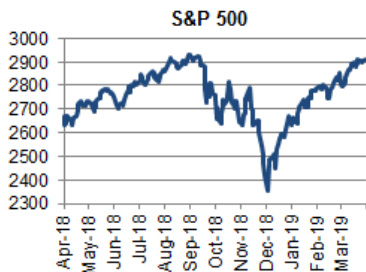
**CYPRUS:** The Public Debt Management Office announced its intention to tap international markets with a double issue.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street surged to new record highs overnight, with both the S&P 500 and NASDAQ surpassing their October peaks after increasing 0.88% and 1.32%, respectively, following favorable Q1 earnings' reports. Nevertheless, major Asian equity markets traded in the red on Wednesday on the back of losses in South Korea and investors' worries about whether China would slow the pace of policy easing following favorable soft and hard data both in the demand and the supply side that eased fears over a sharper slowdown. White House's statement that Robert Lighthizer and Steven Mnuchin will travel to China on April 30th to continue trade negotiations with China's Vice Premier Liu He, with the latter then leading a Chinese delegation to Washington for subsequent discussions starting on May 8<sup>th</sup>, failed to have a positive impact. In FX markets, the DXY dollar index surged near a 22-month high of 97.777 overnight on stronger-than-expected new home sales that surged to a near 1½ year high of 692k units (+4.5%MoM) in March, following positive prints in US retail sales and exports. Dragged down by the USD strength, the EUR/USD plunged to a three-week low of 1.1192 yesterday, before trading around 1.1206 in early European trade at the time of writing. In the government bond markets, 10-yr US Treasury yields ticked 0.2bps lower to 2.55% in European trade on Wednesday, while the US yield curve steepened further pointing to a positive outlook for the US economy. On the economic data front, April IFO survey in Germany and latest US MBA mortgage applications data are due later in the day.

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### GREECE

According to ELSTAT's 1<sup>st</sup> notification for the fiscal performance of Greece in 2015-2018 (ESA 2010 methodology), the 2018 General Government balance registered a surplus – for a 3<sup>rd</sup> year in a row – of 1.1% of GDP (€1,991 mn) from 0.7% (€1,317 mn) in 2017. The increase of the General Government surplus by 0.4 percentage points (ppts) of GDP came from the downsize of the General Government expenditures by -0.6 ppts of GDP that offset the reduction of the General Government revenues by -0.3 ppts of GDP (due to rounding the numbers in the government's budget constraint do not add up precisely). Given the interest expenditure of 3.3% of GDP (€6,158 mn), the General Government primary balance stood at a surplus of 4.4% of GDP (€8,149 mn) – the highest among the EU-28 member states – from 3.9% in 2017. Relative to the target in the 2019 General Government Budget there was an overperformance by 0.3 ppts of GDP. According to press reports, the General Government primary surplus in programme terms (or in enhanced surveillance terms) stood at 4.3% of GDP, higher relative to the target in the 2019 General Government Budget by 0.3 ppts of GDP (or 0.8 ppts relative to the target in the context of enhanced surveillance). Last but not least, the General Government gross debt increased to 181.1% of GDP – the highest debt-to-GDP ratio among the EU-28 member states – from 176.2% in 2017. The annual increase of the General Government gross debt by €17.088 mn was related with the accumulation of the government's cash buffer.

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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

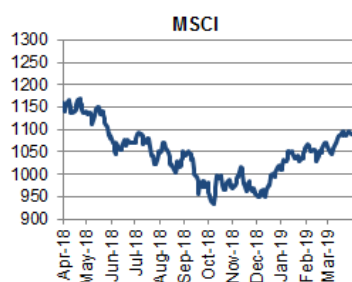
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

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

### CYPRUS

The Public Debt Management Office (PDMO) of Cyprus announced its intention to tap international markets yesterday. More specifically, the PDMO appointed Barclays, Deutsche Bank, Goldman Sachs, JP Morgan, Morgan Stanley and Societe Generale as lead managers for a double issue comprising of a 5-year and a 30-year Euro-denominated bonds. The PDMO will be issuing a thirty year tenor for the first time in the history of Cyprus Republic. The PDMO is taking advantage of the favorable international market conditions which allowed Cypriot government bonds to rally in order to tap the amounts necessary to fully repay the bilateral loan with Russia. Inter alia, the total gross borrowing needs of Cyprus, amounting to €1.6bn or 7.3% of projected GDP in 2019, have been covered.

Overall, Cyprus enjoys uninterrupted access to international capital markets. In mid-September 2018, Cyprus tapped international markets, taking advantage of the favorable market conditions following the S&P upgrade of the long-term sovereign rating to investment grade with a new 10Y-Eurobond priced at 2.4%, the lowest cost ever achieved in a benchmark bond issuance. Recall, in late February 2019, the Public Debt Management Office (PDMO) sold an offered amount of €1bn of 15-year government bonds for the first time in its history. The issue was heavily over-subscribed with total bids amounting to €8.1bn. Following the competitive bids, the average accepted price was at 99.903 and the corresponding yield at 2.758%. The latter yield compares with an initial guidance of 3.008%. The issue matures on February 26, 2034 and bears a 2.75% fixed annual coupon.

Meanwhile, Eurostat published yesterday the fiscal deficit and debt data for the years 2015-2018 based on figures reported by EU Member States in the first 2019 notification, for the application of the excessive deficit procedure (EDP). This notification is based on the ESA 2010 system of national accounts. According to the preliminary fiscal results released also by CYSTAT last week, the general government recorded a €990mn deficit in 2018 compared to a €344mn surplus in 2017. As a percentage of GDP, the general government deficit stood at -4.8% in 2018 vs. a 1.8% surplus in 2017. The aforementioned fiscal results reflect the impact of the public support measures for the sale and orderly winding down of Cyprus Co-operative Bank (CCB) to Hellenic Bank in Q3-2018. Excluding the fiscal burden of CCB, the general government recorded a surplus of 735,5mn or 3.5% of GDP in 2018, the highest since 2008, the year Cyprus entered Euro area. Accordingly the public debt to GDP ratio climbed to 102.5% in 2018 from a 95.7% of revised 2017 GDP (from 96.1% previously). This increase is not expected to reverse the overall downward trajectory of debt-to-GDP, provided fiscal policy remains prudent and nominal GDP growth remains robust. The public debt-to-GDP ratio is expected to decline to 97% in 2019 and further to 91% in 2020 and to 85% in 2021.

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## 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	2907.97	0.1%	16.0%	EUR/USD	1.1211	-0.4%	-2.2%	UST - 10yr	2.58	-1	-11	GOLD	1268	-0.6%	-1.1%
Nikkei 225	22259.74	0.2%	11.2%	GBP/USD	1.2952	-0.2%	1.5%	Bund-10yr	0.04	2	-20	BRENT CRUDE	74	0.1%	37.8%
STOXX 600	390.30	0.0%	15.6%	USD/JPY	112	-0.1%	-2.1%	JGB - 10yr	-0.03	0	-3	LMEX	3001	-0.8%	7.2%

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	0	-14
1-week	2.40	0	-16
1-month	2.62	1	-11
3-month	2.98	1	-5
6-month	3.11	1	-7

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.15	1	8
5Y RSD	3.77	0	26
7Y RSD	4.02	0	-13

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.40	0	-60

#### CDS

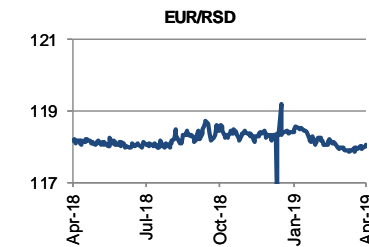
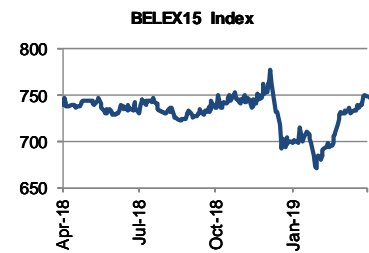
	Last	ΔDbps	ΔYTD bps
5-year	108	0	-10
10-year	154	0	-8

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.6	-0.90%	-2.63%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.04	0.06%	0.17%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.12	-133	103
1-month	3.39	-1	152
3-month	3.41	1	136
6-month	3.43	0	116
12-month	3.56	1	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	1.45	-	-9
USD Jan-24	3.44	-	-79

#### CDS

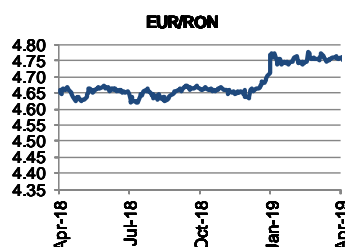
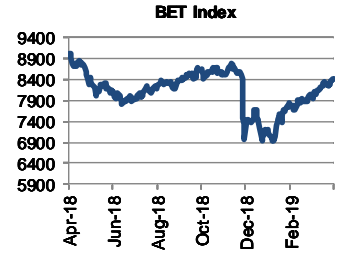
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	154	0	21

#### STOCKS

	Last	ΔD	ΔYTD
BET	8392.6	-0.12%	13.66%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7613	-0.09%	-2.25%



### 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	-0.16	10	-11
5Y BGN	0.03	0	-9
10Y BGN	0.46	#N/A	N/A

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	0	-5
EUR Sep-24	0.18	0	-31

#### CDS

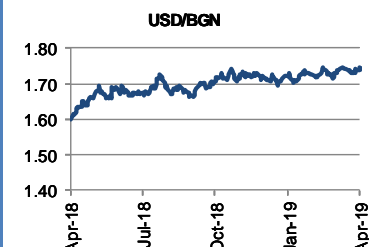
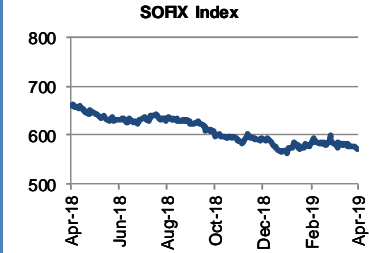
	Last	ΔDbps	ΔYTD bps
5-year	82	0	-15
10-year	122	0	-19

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	570.5	-0.83%	-4.02%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7447	-0.41%	-2.25%



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

Data updated as of 18:55 EEST of the previous session

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