

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Apr 01:
 - Retail Sales less Autos (Feb.)
 - ISM Manufacturing (Mar.)
 - Construction Spending (Feb.)
- Apr 02: Durable Goods Orders (Feb.prel.)
- Apr 03:
 - MBA Mortgage Applications (29/03)
 - ADP Employment Change (Mar.)
 - Markit Services and Composite PMI (Mar.)
 - ISM Non-Manufacturing Index (Mar.)
- Apr 04:
 - Initial Jobless Claims (30/03)
 - Continuing Claims (23/03)
- Apr 05:
 - Change in Nonfarm Payrolls (Mar.)
 - Unemployment Rate (Mar.)
 - Average Hourly Earnings (Mar.)
 - Consumer Credit (Feb.)

EUROZONE

- Apr 01:
 - Markit Manufacturing PMI (Mar.)
 - Unemployment Rate (Feb.)
 - CPI Core (Mar.adv.)
- Apr 03:
 - Markit Services and Composite PMI (Mar.)
 - Retail Sales (Feb.)

GREECE

- Apr 01: Markit Manufacturing PMI (Mar.)

SEE

CYPRUS

- Apr 01: CPI (Mar.)

ROMANIA

- April 01: Unemployment rate (Feb.)
- April 02: KPR Meeting
- April 05: Retail Sales (Feb)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from Wall Street's positive performance overnight, the majority of Asian bourses ended higher today and European equity markets were standing in positive territory in early trade supported by a rebound in US factory activity. In FX markets, the GBP lost some ground after the second round of indicative votes in the House of Commons yesterday failed to yield a clear path towards an orderly exit from the EU. However, GBP losses were limited on the view that cross-party support for a softer Brexit option is gradually growing. UK Prime Minister is due to hold five hours of cabinet meetings with senior ministers today to plan the government's next moves.

GREECE: In the Bank of Greece Annual Report for 2018, the central bank revises its forecast for 2019 GDP growth to 1.9% and will be driven primarily by private consumption and exports, which are expected to increase albeit at a slower pace. Risks to the downside stem primarily from a slowdown in the European and global economy. As regards the fiscal policy, the BoG warns against cuts in the public investment programme and recommends the clearance of arrears to the private sector. On the economic data front, according to IHS Markit, the manufacturing PMI for Greece increased for a second month in a row standing at 54.7 units in March while it is the 22nd month in a row that the index stands above the 50-units threshold that indicates expansion in the manufacturing sector.

SOUTH EASTERN EUROPE

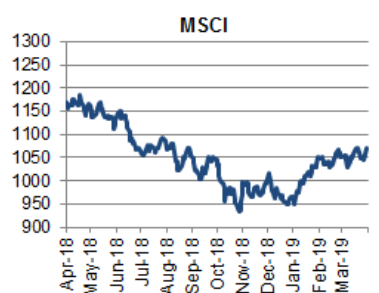
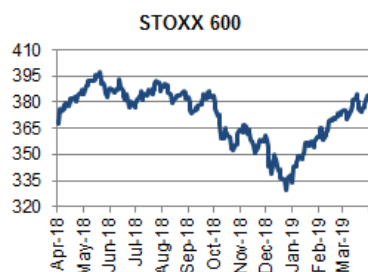
CYPRUS: Moody's became the second agency in a row to postpone the scheduled sovereign rating assessment of Cyprus.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from Wall Street's positive performance overnight, the majority of Asian bourses ended higher today and European equity markets were standing in positive territory in early trade supported by a rebound in US factory activity. According to yesterday's data, US ISM manufacturing index rose to a higher than expected 55.3 in March from February's 54.2, which was the lowest level since November 2016. US retail sales for February disappointed showing an unexpected 0.2% mom drop, but that was overshadowed by an upward revision in January's figure to a 0.7% mom rise from a 0.2% mom increase previously reported. In reaction to positive US data, USTs weakened with the 10-yr yield rising near a two-week high of 2.51% late yesterday, around 10bps higher compared to Friday's close, before easing modestly close to 2.48% in early European trade at the time of writing. The 2/10-yr yield curve undertook some bearish steepening, with the respective spread rising above 17bps for the first time since early March. Euro area bond markets were lagging USTs in reaction to Euro area inflation data for March, which showed a 0.2pps drop in core CPI to 0.8% YoY. The 10-yr Bund yield was 0.3bp lower on the day and 4.2bps higher so far this week, while the 2-yr Bund yield was up just 0.2bp on the day. In FX markets, the GBP lost some ground after the second round of indicative votes in the House of Commons yesterday failed to yield a clear path towards an orderly exit from the EU. However, GBP losses were limited on the view that cross-party support for a softer Brexit option is gradually growing. Specifically, none of the four options that were put for vote secured a majority, but the option calling for a permanent customs union came closest to getting a majority as it was defeated by just 3 votes. The GBP/USD was hovering around 1.3040/50 at the time of writing, not much changed compared to yesterday's peak ahead of the vote, while the EUR/GBP remained below 0.8600. UK Prime Minister is due to hold five hours of cabinet meetings with senior ministers today to plan the government's next moves.

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GREECE

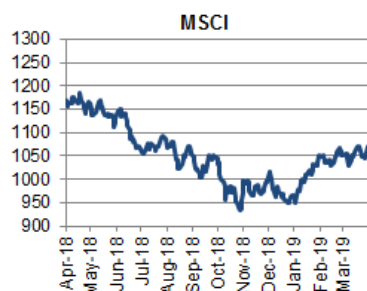
In the Bank of Greece Annual Report for 2018, the central bank revises its forecast for 2019 GDP growth to 1.9% and will be driven primarily by private consumption and exports, which are expected to increase albeit at a slower pace. Private consumption is expected to be supported by tourism, an improving labour market and increased households' disposable income while investment is expected to increase on the back of a stabilizing real estate market. Risks to the downside stem primarily from a slowdown in the European and global economy. As regards the fiscal policy, the BoG warns against cuts in the public investment programme and recommends the clearance of arrears to the private sector. Fiscal risks concern mainly possible expansionary policies in the run-up to the general elections as well as the implementation of court rulings regarding the reversal of previous wages and pension cuts in the public sector. On the economic data front, according to IHS Markit, the manufacturing PMI for Greece increased for a second month in a row standing at 54.7 units in March while it is the 22nd month in a row that the index stands above the 50-units threshold that indicates expansion in the manufacturing sector. As regards the March reading, according to the Markit report, the driver was a sharp increase in production output which according to a number of surveyed firms is attributed to a further rise in demand from both domestic and foreign clients. It is notable that new export orders rose at a quicker rate that was above the series trend as foreign client demand increased for the 18th consecutive month. As a result job creation in the sector accelerated at the fastest rate in the series history.

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Tuesday 02 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

CYPRUS

On Friday, Moody's became the second agency in a row to postpone the scheduled sovereign rating assessment of Cyprus. Recall, that Standard & Poor's postponed its own on March 9th. This is not the first time rating agencies do that. For instance, Moody's had done the exact same thing in February 2018. Nevertheless, it was widely expected that Moody's would upgrade the sovereign rating of Cyprus by at least one notch. In the press release, Moody's cited that it had completed a periodic review of sovereign issuers, which includes Cyprus. However, it clarified that the review did not involve a rating committee, and its publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future.

According to Moody's, the credit profile of Cyprus is supported by the country's moderate economic strength, which reflects the country's 2% medium- to long-term growth potential and balances the country's high wealth levels against its small size and relatively undiversified economy. Cyprus's high institutional strength reflects both the effectiveness of domestic institutions and the fact that the country defaulted on private-sector obligations in 2013; its moderate fiscal strength, takes account of the country's high debt burden as well as its affordable debt-servicing burden; and its high susceptibility to event risk is driven by the still-substantial risks that persist in the banking sector given high levels of NPEs.

In September 2018, 2.5 years after its exit from the economic adjustment program in late March 2016, Cyprus regained its investment grade status for the first time in the post-Lehman era. On September 14, 2018, S&P was the first rating agency to upgrade the long-term sovereign rating of Cyprus in the post-Lehman era by one notch from BB+ to BBB- with a stable outlook. On October 19, Fitch became the second rating agency to upgrade the long-term sovereign rating of Cyprus in the post-Lehman era by one notch from BB+ to BBB- with a stable outlook. Earlier, on July 27, Moody's had upgraded the long-term sovereign rating of Cyprus by one notch from Ba3 to Ba2 with a stable outlook. Overall, all major rating agencies (FITCH, DBRS, Moody's and S&P) upgraded their long-term sovereign rating of Cyprus in 2018, awarding at least one notch in their respective rankings. Following the last round of assessments, there still remains a slight divergence of views between the rating agencies on the sovereign rating of Cyprus. Moody's is the only agency among the four major ones, which classifies Cyprus two notches below investment grade status.

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Tuesday 02 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	2867.19	1.2%	14.4%	EUR/USD	1.1195	-0.2%	-2.4%	UST - 10yr	2.48	-2	-21	GOLD	1287	-0.1%	0.3%
Nikkei 225	21505.31	0.0%	7.4%	GBP/USD	1.3032	-0.5%	2.1%	Bund-10yr	-0.04	-1	-28	BRENT CRUDE	69	0.3%	28.6%
STOXX 600	383.61	0.0%	13.6%	USD/JPY	111.4	0.0%	-1.5%	JGB - 10yr	-0.06	1	-7	LMEX	3051	-0.2%	8.9%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-15
1-week	2.41	1	-15
1-month	2.64	4	-9
3-month	2.97	2	-6
6-month	3.10	3	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.17	-1	10
5Y RSD	3.78	0	27
7Y RSD	4.02	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.48	-1	-51

CDS

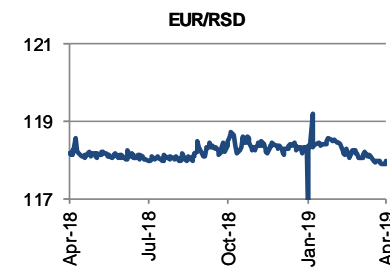
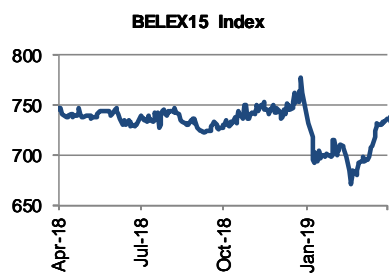
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-8
10-year	156	0	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	736.9	0.54%	-3.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.93	-0.05%	0.26%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.45	0	236
1-month	3.23	0	136
3-month	3.23	0	118
6-month	3.32	0	105
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.70	0	-33
5Y RON	4.34	0	0
10Y RON	4.83	0	2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.46	-	-8
USD Jan-24	3.38	0	-86

CDS

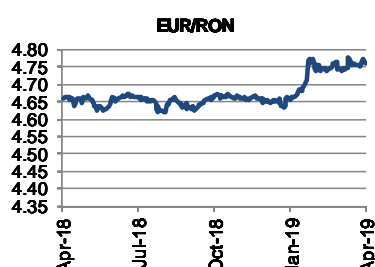
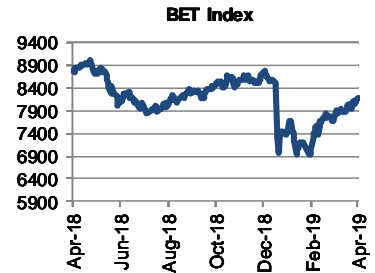
	Last	ΔDbps	ΔYTD bps
5-year	116	0	26
10-year	166	2	33

STOCKS

	Last	ΔD	ΔYTD
BET	8166.8	0.29%	10.61%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7622	0.02%	-2.27%



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	-0.28	0	-23
5Y BGN	-0.01	4	-12
10Y BGN	0.54	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	0	-4
EUR Sep-24	0.18	0	-31

CDS

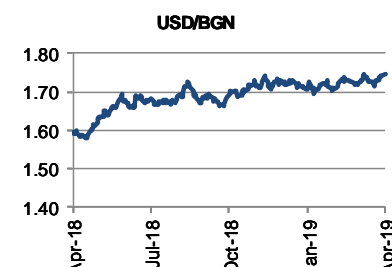
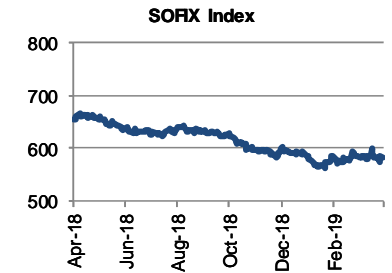
	Last	ΔDbps	ΔYTD bps
5-year	81	1	-16
10-year	120	1	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	580.9	0.00%	-2.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7472	-0.18%	-2.39%



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

Data updated as of 10:05 EES

Tuesday 02 April 2019

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