

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Apr 29:
 - Personal Income & Spending (Mar)
 - Dallas Fed Manufacturing Activity (Apr)
- Apr 30: Conference Board Consumer Confidence (Apr)
- May 01:
 - MBA Mortgage Applications (Apr 26)
 - ADP Employment Change (Apr)
 - Markit Manufacturing PMI (Apr F)
 - ISM Manufacturing (Apr)
 - Construction Spending (Mar)
 - FOMC Meeting
- May 02:
 - Durable Goods Orders (Mar F)
 - Initial Jobless Claims (April 27)
 - Factory Orders (Mar)
- May 03:
 - Change in Nonfarm Payrolls (Apr)
 - Unemployment Rate (Apr)

EUROZONE

- Apr 29:
 - M3 Money Supply (Mar)
 - Economic Confidence (Apr)
- Apr 30:
 - Unemployment Rate (Mar)
 - GDP (Q1 A)
- May 02: Markit Eurozone Manufacturing (Apr F)
- May 03: CPI Core (Apr A)

GREECE

- May 02: Markit Manufacturing PMI (Apr)

SEE

BULGARIA:

- Apr 30: Gross External Debt (Feb)

CYPRUS:

- Apr 25: CPI (Apr)

SERBIA

- Apr 30:
 - Industrial Output (Mar)
 - GDP (Q1 P)
 - Trade Balance (Mar)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: As expected, the Fed left the target range for the federal funds rate at 2.25-2.50% at this week's two-day monetary policy meeting, which concluded yesterday. The Fed reiterated its data-dependent and patient approach towards future policy adjustments with Chairman Jerome Powell making clear that the Fed sees no compelling reason to consider a rate cut in response to weak inflation. Taking markets by surprise, the Fed cut the interest paid on excess reserves (known as the IOER) by 5bps to 2.35% from 2.40% but Chairman Jerome Powell clarified that this was a "small technical adjustment" and does not reflect any shift in the monetary policy stance. In a knee-jerk reaction to the IOER rate cut, US government bond yields moved lower late yesterday but reversed course soon after the Fed Chairman insisted that the Fed is firmly on hold and the current inflation weakness is probably transitory. With the FOMC monetary policy meeting out of the way, focus today is on the BoE, which will publish the decision of the MPC and the May Inflation Report.

GREECE: According to the latest EU business and consumer survey, the economic sentiment for Greece contracted in April by 1.0 unit standing at 100.3 after having stood at 101.3 units for the two previous months. Meanwhile, according to the IHS Markit data, the seasonally adjusted Manufacturing PMI for Greece increased for the third consecutive month, standing at 56.6 in April, up from 54.7 in March, which constituted the strongest improvement in the health of the Greek manufacturing sector since June 2000. Finally, according to the Economic Bulletin released by the Ministry of Finance on 26 April, data for Q1-2019 shows that the state budget primary surplus amounted to €1.44 billion, overshooting the target – a deficit of €960 million – by €2.4 billion.

SOUTH EASTERN EUROPE

BULGARIA: Based on preliminary data and estimates released earlier today, the Consolidated Fiscal Programme (CFP) balance on a cash basis as of April 2019 is expected to be positive, amounting to BGN 2.7bn or 2.3% of projected GDP for 2019. At the same time, according to the latest data released by the Ministry of Finance, central government debt remained flat on a monthly basis, standing at EUR 11.7bn or 19.6% of projected GDP for 2019 at the end of March.

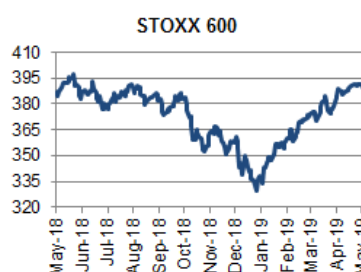
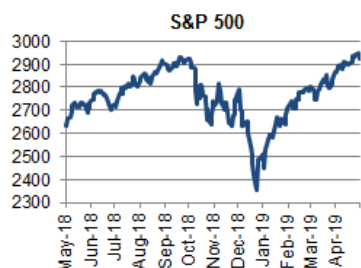
SERBIA: According to the flash estimate released on Tuesday by the Serbian statistical office, GDP growth slowed down to 2.3% YoY in Q1 2019 from 3.4% YoY in Q4 2018. Detailed data on national accounts will be published on May 31.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

As expected, the Fed left the target range for the federal funds rate at 2.25-2.50% at this week's two-day monetary policy meeting, which concluded yesterday. The official statement was little changed compared to that in March with the Fed noting that economic growth and labor market remain strong. The sole noticeable change was a reference to both overall and core inflation, which have recently declined and are running below the 2.0% target. However, speaking at the post-meeting press conference, Chairman Jerome Powell expressed the view that the recent decline in inflation was probably due to "some transitory factors" and it is expected to return to the 2.0% target over time on the back of a strong labor market and continued economic growth. The Fed reiterated its data-dependent and patient approach towards future policy adjustments with Jerome Powell making clear that the Fed sees no compelling reason to consider a rate cut in response to weak inflation. The Fed cut the interest paid on excess reserves (known as the IOER) by 5bps to 2.35% from 2.40% but Chairman Jerome Powell clarified that this was a "small technical adjustment" and does not reflect any shift in the monetary policy stance.

In a knee-jerk reaction to the IOER rate cut, US government bond yields moved lower late yesterday but reversed course soon after the Fed Chairman insisted that the Fed is firmly on hold and the current inflation weakness is probably transitory. In FX markets, the USD recovered yesterday's losses supported by Jerome Powell's comments which confounded some investors' expectations for a rather dovish Fed tone. Against this background, the EUR/USD was hovering around 1.1200/20 in European trade at the time of writing, having retreated from a temporary spike to a two-week high of 1.1265 yesterday in reaction to the IOER rate cut. With the FOMC monetary policy meeting out of the way, focus today is on the BoE, which will publish the decision of the MPC and the May Inflation Report.

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GREECE

According to the latest EU business and consumer survey, the economic sentiment for Greece contracted in April by 1.0 unit standing at 100.3 after having stood at 101.3 units for the two previous months. The contractions comes from a reduction in expectations in retail trade (-6.0 units), in services (-4.9 units) and in construction (-1.5 units). On the other hand, expectations in industry and within consumers ameliorated with the relevant indices increasing by 1.4 and 0.7 units respectively. Meanwhile, according to the IHS Markit data, the seasonally adjusted Manufacturing PMI for Greece increased for the third consecutive month, standing at 56.6 in April, up from 54.7 in March, which constituted the strongest improvement in the health of the Greek manufacturing sector since June 2000. The overall growth is attributed to quicker upturns in output, new orders and the fastest increase in employment since data collection for the series began in May 1999. According to panelists, the upturn was driven by stronger domestic and foreign client demand and greater new order volumes. Finally, according to the Economic Bulletin released by the Ministry of Finance on 26 April, data for Q1-2019 shows that the state budget primary surplus amounted to €1.44 billion, overshooting the target – a deficit of €960 million – by €2.4 billion. The over-performance stems partly from the one-off revenue that is related to the extension of the concession rights of the Athens International Airport (€1.4 billion incl. VAT) and partly from buoyant VAT revenues, which according to the bulletin reflect the sustained rebound in household consumption, and lower expenditure.

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Thursday 02 May 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**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

Latest economic & market developments in the CESEE region

BULGARIA

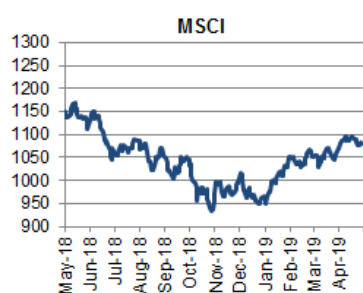
Based on preliminary data and estimates released earlier today, the Consolidated Fiscal Programme (CFP) balance on a cash basis as of April 2019 is expected to be positive, amounting to BGN 2.7bn (2.3% of projected GDP). Traditionally, April is characterised by an excess of CFP revenues over expenditures due to the specifics of the tax calendar. The amounts reimbursed by the European Commission in the grants part also contribute to the improved budget position this month.

Total revenues rose by 16.5% YoY to BGN 15.1mn in Jan-Apr, accounting for 34.5% of the annual target while total government expenditure rose by 5.6% YoY to BGN 11.9bn in Jan-Apr, excluding Bulgaria's contribution to the EU.

At the same time, according to the latest data released by the Ministry of Finance, central government debt remained flat on a monthly basis, standing at EUR 11.7bn at the end of March. The debt accounted for 19.6% of projected GDP for 2019, similar to the previous month. The external government debt remained unchanged at EUR 9.1bn, as in the previous two months while domestic government debt went down by 0.8% MoM to EUR 2.6bn at end-March due to loan repayments. Moreover, no auctions of domestic government bonds were held during the month. Concluding, Eurobonds continued to represent the highest share (56.9%) of the total central government debt.

SERBIA

According to the flash estimate released on Tuesday by the Serbian statistical office, GDP growth slowed down to 2.3% YoY in Q1 2019 from 3.4% YoY in Q4 2018. Detailed data on national accounts will be published on May 31. In other news, in the past week, the Board of Directors of the World Bank (WB) approved two new projects for Serbia worth USD102mn. According to the relevant press release, the Enabling Digital Governance Project (USD 50mn) and Tax Administration Modernization Project (USD 52mn) will help provide better public services and will also enable the government to improve revenue collection, while making the tax system more efficient and easier for citizens to deal with, and reduce corruption.

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**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+

Thursday 02 May 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	2923.73	-0.8%	16.6%	EUR/USD	1.1199	0.0%	-2.4%	UST - 10yr	2.52	2	-16	GOLD	1272	-0.3%	-0.8%
Nikkei 225	22258.73	-0.2%	11.2%	GBP/USD	1.3065	0.1%	2.4%	Bund-10yr	0.02	1	-22	BRENT CRUDE	72	-0.6%	33.4%
STOXX 600	389.82	-0.3%	15.5%	USD/JPY	111.48	-0.1%	-1.6%	JGB - 10yr	-0.04	0	-4	LME X	2905	-1.8%	3.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	0	-16
1-week	2.39	0	-17
1-month	2.60	0	-13
3-month	2.98	0	-5
6-month	3.10	0	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.05	-2	-1
5Y RSD	3.76	0	26
7Y RSD	4.02	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.32	-2	-68

CDS

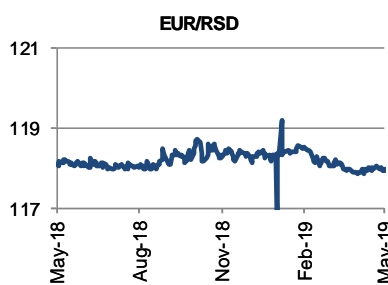
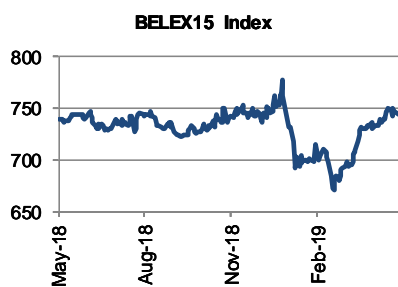
	Last	ΔDbps	ΔYTD bps
5-year	106	0	-11
10-year	152	0	-10

STOCKS

	Last	ΔD	ΔYTD
BELEX15	744.0	-0.30%	-2.32%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.88	0.01%	0.30%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.26	#VALUE!	217
1-month	3.35	#VALUE!	148
3-month	3.37	#VALUE!	132
6-month	3.42	#VALUE!	115
12-month	3.55	#VALUE!	123

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.75	0	-28
5Y RON	4.42	0	8
10Y RON	4.93	0	12

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.41	-	-12
USD Jan-24	3.35	-1	-88

CDS

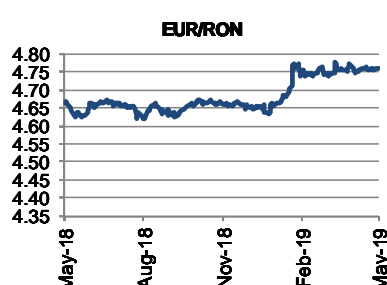
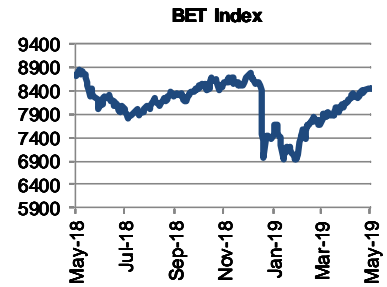
	Last	ΔDbps	ΔYTD bps
5-year	90	-6	0
10-year	132	-7	-1

STOCKS

	Last	ΔD	ΔYTD
BET	8438.1	-0.05%	14.28%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7593	0.00%	-2.21%



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	-0.21	#N/A	N/A
5Y BGN	0.02	-1	-10
10Y BGN	0.45	#N/A	N/A

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.11	-1	-6
EUR Sep-24	0.18	-3	-30

CDS

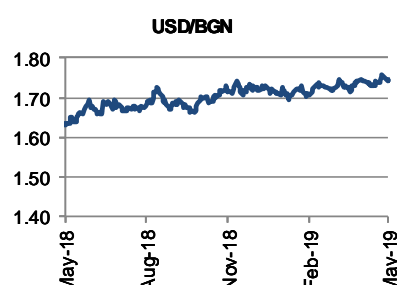
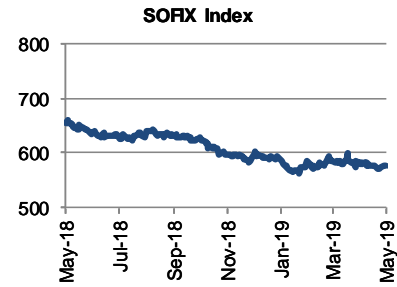
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-16
10-year	127	2	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	575.1	0.00%	-3.26%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7466	0.02%	-2.35%



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

Data updated as of 10:05 EEST

Thursday 02 May 2019

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