

Friday 03 May 2019

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: Asian bourses stayed within tight ranges today amid thin holiday trade while investors await the release of the April's US employment situation report (12:30GMT). China and Japan remained closed today for public holidays and will re-open on Monday and Tuesday, respectively. In FX markets, the DXY index retained a firm tone, supported by the Fed Chair's recent comments, which downplayed some investors' expectations for lower interest rates by the end of this year. Besides the US employment situation report, focus today is also on the euro area preliminary inflation prints for March.

GREECE: Decisions made yesterday by the EFSF and ESM on the back of Greece's compliance to the EPPS commitments will lead to a total benefit for the country of the order of €973 million. Meanwhile, the Eurogroup Working Group (EWG) greenlighted the early repayment of €3.7 million of IMF's loans, which bear an interest rate of 5.13% and mature in 2019 and 2020.

SOUTH EASTERN EUROPE

CESEE MACRO DEVELOPMENTS: This week's major economic events in the region are considered the Monetary Policy Meetings held yesterday in Hungary and the Czech Republic. The National Bank of Hungary (MNB) left both the policy and the overnight deposit rate unchanged at 0.9% and -0.05%, respectively. The Czech Central Bank (CNB) increased its main interest rate by 25bps to 2.0%, the eighth hike over the last two years. Both decisions were broadly in line with market expectations.

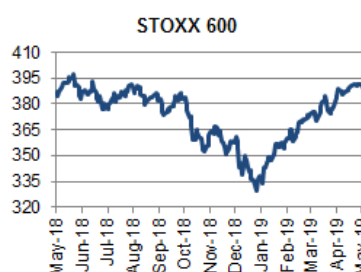
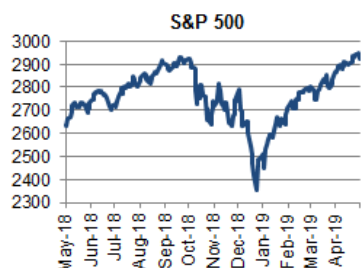
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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian bourses stayed within tight ranges today amid thin holiday trade while investors await the release of the April's US employment situation report (12:30GMT). Market consensus is for another solid rise of 190k in nonfarm payrolls following a 196k increase in March, the employment rate is expected to remain unchanged at 3.8% recorded a month earlier while average hourly earnings are likely to rise to an annual rate of 3.3% from 3.2% in March. Overall, the US labor market remains strong with the ADP employment report released earlier this week revealing that private employers added 257k jobs in April, the highest since last July. Certainly, with Fed Chairman Jerome Powell making clear at this week's post-meeting press conference that the current monetary policy stance is "appropriate" and the official statement reiterating that the Committee will be "patient" in determining whether to make any future adjustments to the federal funds target range, today's US labor market report is not anticipated to seriously affect short-term rate expectations. China and Japan remained closed today for public holidays and will re-open on Monday and Tuesday, respectively.

Turning to core fixed income markets, the 10-yr US government bond yield was hovering around yesterday's 2.56% one-week intraday high in European trade at the time of writing, a tad higher compared to yesterday's close and up c. 10bps from Wednesday's one-month intraday low, following Jerome Powell's comments this week that the recent decline in inflation was probably due to "some transitory factors" and, as a result, the Fed sees no compelling reason to consider a rate cut. In spite of its latest upward move, the 10-yr US yield remains comfortably within the 2.40-2.61% range that has been prevailing since early April. Meanwhile, the 10-yr German Bund yield was trading between 0.02% and 0.04%, barely changed on the day ahead of today's euro area preliminary headline and core inflation for March, which are both expected to rise due to the Easter effect and higher energy prices. In FX markets, the DXY index retained a firm tone hovering around 97.918 at the time of writing, 0.1% higher on the day and up 0.8% from Wednesday's multi-session intraday low, supported by the Fed Chair's recent comments, which downplayed some investors' expectations for lower interest rates by the end of this year.

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GREECE

The Board of Directors of the EFSF decided yesterday to reimburse the €103 million step-up margin paid by Greece for the period from 1 January to 17 June 2018. Additionally, the EFSF decided for the period from 17 June 2018 to 17 June 2019, to reduce to zero the 2% step-up margin that would otherwise be payable on certain EFSF loans, leading thus to a saving of €226 million. At the same time, the ESM decided to make a transfer of amounts equivalent to the income earned on SMP/ANFA holdings in the order of €644.42 million. The total benefit for Greece from the aforementioned decisions is €973 million. Meanwhile, the Eurogroup Working Group (EWG) greenlighted the early repayment of €3.7 million of IMF's loans, which bear an interest rate of 5.13% and mature in 2019 and 2020.

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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

Latest economic & market developments in the CESEE region

CESEE MACRO DEVELOPMENTS

This week's major economic events in the region are considered the Monetary Policy Meetings held yesterday in Hungary and the Czech Republic.

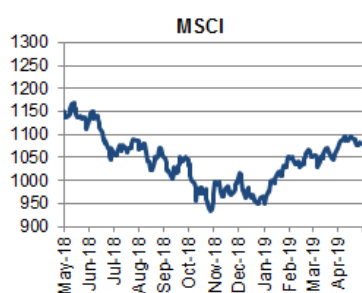
The National Bank of Hungary (MNB) left both the policy rate and the overnight deposit rate unchanged at 0.9% and -0.05%, respectively. The decision was broadly in line with market expectations despite the visible inflation pressures in March, which are considered by the MNB as a temporary event.

The Czech Central Bank (CNB) increased its main interest rate by 25bps to 2.0%, the eighth hike over the last two years. The decision came as no surprise to the markets as it was well justified on the grounds of relatively high inflation due to a tight labor market.

Despite the inflation pick up in many of the CEE countries lately which could justify higher interest rates within the year, the Bank's Governor Jiri Rusnok stated that, as things stand, no further tightening will take place within 2019.

Finally, in Serbia, the flash Q1 GDP growth print at 2.3% YoY from 3.4% YoY in Q4 2018 was surrounded by disappointing industrial output data (down by 2.8% YoY in March vs up by 2.4% YoY in February) and robust retail sales growth (+9.5% YoY in March from +10.8% YoY in February), leading to a mixed image for the economy at the time being which will be less vague by the end of May when the breakdown of the GDP components will be released.

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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+

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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	2917.52	-0.2%	16.4%	EUR/USD	1.1165	-0.1%	-2.7%	UST - 10yr	2.55	1	-14	GOLD	1272	0.1%	-0.8%
Nikkei 225	22258.73	-0.2%	11.2%	GBP/USD	1.3026	-0.1%	2.1%	Bund-10yr	0.03	0	-21	BRENT CRUDE	71	-0.3%	31.1%
STOXX 600	388.84	-0.6%	15.2%	USD/JPY	111.5	0.0%	-1.6%	JGB - 10yr	-0.04	0	-4	LME X	2883	-0.8%	2.9%

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	3.04	-1	-2
5Y RSD	3.76	0	26
7Y RSD	4.02	0	-14

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.30	-1	-69

CDS

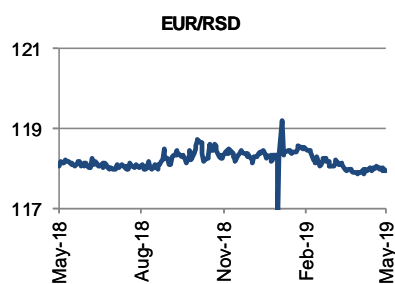
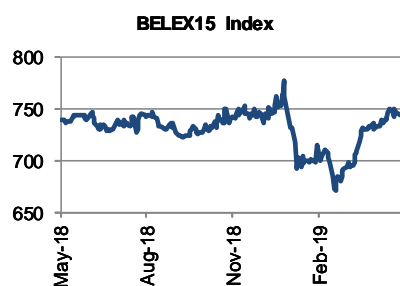
	Last	ΔDbps	ΔYTD bps
5-year	104	-2	-14
10-year	149	-3	-13

STOCKS

	Last	ΔD	ΔYTD
BELEX15	744.0	-0.30%	-2.32%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.90	-0.19%	0.29%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.86	0	177
1-month	3.22	0	135
3-month	3.32	0	127
6-month	3.39	0	112
12-month	3.51	0	119

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.75	0	-29
5Y RON	4.41	0	7
10Y RON	4.95	0	14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.39	-	-15
USD Jan-24	3.34	0	-90

CDS

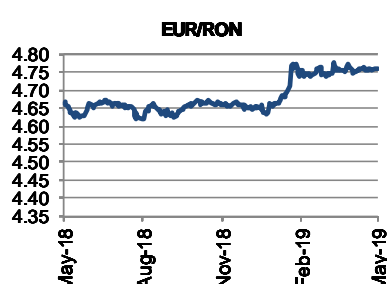
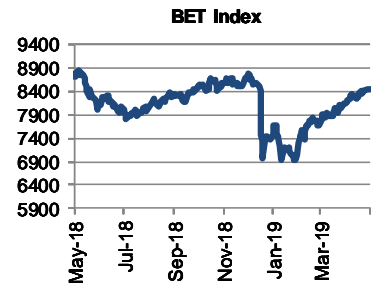
	Last	ΔDbps	ΔYTD bps
5-year	90	0	0
10-year	133	1	0

STOCKS

	Last	ΔD	ΔYTD
BET	8450.1	0.10%	14.44%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7581	0.00%	-2.19%



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	-1	-15
5Y BGN	0.01	0	-10
10Y BGN	0.47	0	-28

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.11	0	-6
EUR Sep-24	0.18	0	-30

CDS

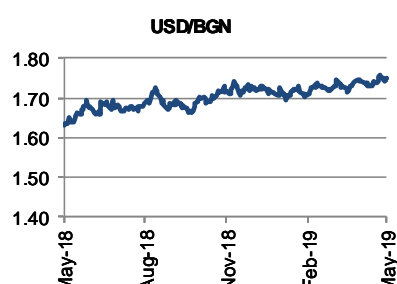
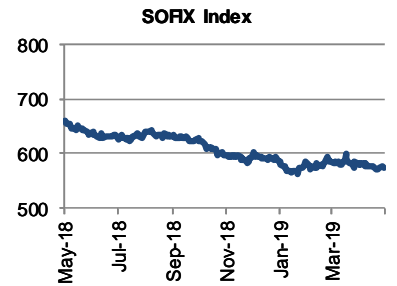
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-16
10-year	128	1	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	572.1	-0.51%	-3.76%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7518	-0.07%	-2.64%



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

Data updated as of 10:05 EEST

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