



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 04 March 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Mar 04: Construction spending (Dec.)
- Mar 05
 - ISM Non-manufacturing (Feb.)
 - New home sales (Dec.)
- Mar 06
 - ADP employment change (Feb.)
 - Trade balance (Dec.)
- Mar 07:
 - Initial jobless claims (02/03)
 - Continuing claims (23/02)
 - Fed's Brainard speaks
- Mar 08:
 - Non farm payrolls (Feb.)
 - Building permits (Jan.)
 - Housing starts (Jan.)

EUROZONE

- Mar 05:
 - Retail sales (Jan)
 - Markit services and composite PMI (Feb.)
- Mar 06: OECD interim economic outlook
- Mar 07:
 - GDP (Q4)
 - ECB policy meeting

GREECE

- Mar 07:
 - Unemployment rate (Dec.)
 - GDP (Q4)

SEE

BULGARIA

- Mar 07: GDP (Q4)
- Mar 08:
 - Industrial production (Jan)
 - Retail sales (Jan.)

CYPRUS:

- Mar 07: CPI (Feb.)

ROMANIA

- Mar 05: Retail sales (Jan.)
- Mar 07: GDP (Q4)

SERBIA

- Mar 07: Key Policy Interest Rate announcement

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian equity markets ended higher and European bourses were standing in the black in the early trading hours today, on press reports suggesting that the US and China are close to finalizing a trade deal at a summit around March 27 in a meeting between US President Donald Trump and Chinese President Xi Jinping. In reaction to increasing hopes for a US/China deal, US government bonds came under renewed pressure with the 10-yr yield hitting a one-month peak close to 2.77% earlier today, failing to capitalize on a string of poor US data released on Friday. On the data front, this week's major releases include Friday's US non-farm payrolls for February. Focus will also be on Thursday's ECB monetary policy meeting.

GREECE: On Friday Moody's upgraded Greece's rating from B₃ to B₁, which however, is still four notches below investment grade. The key drivers for the upgrade are: the progress in the reform programme, a track record of strong fiscal performance based largely on structural measures and the enhancement of public debt sustainability over the medium term after last June's debt relief package. Meanwhile, the 10-year GGB yield dropped to 3.60% earlier today, its lowest level in over 12 years. In other news, according to the Greek Tourism Confederation Intelligence (INSETE Intelligence), in January 2019 traffic to Greece's main international airports rose by 10.4%YoY while for the same month, Greece stood first in the Global Review Index (GRI) for hotel satisfaction, scoring 86.4% followed by Spain (84.8%) and Cyprus (84.6%).

SOUTH EASTERN EUROPE

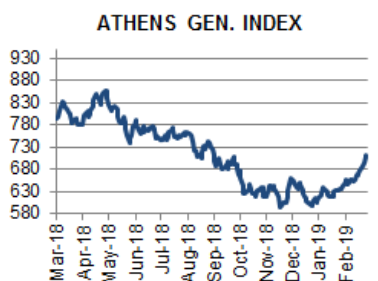
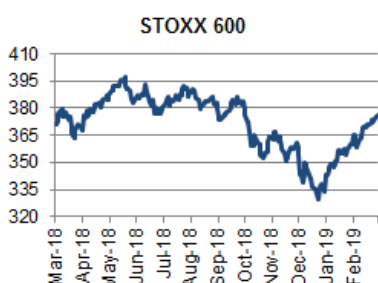
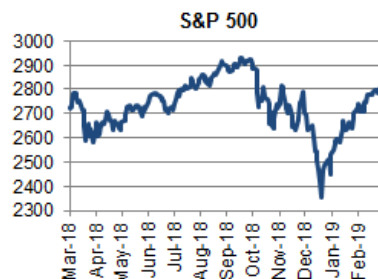
SERBIA: According to the final estimate, GDP grew by 3.4% YoY in Q4 2018, slightly lower compared to the flash estimate of 3.5% released in late January. Serbia's growth pace remained on a solid trajectory but at a slower gear compared to the previous quarters of 2018 (Q1-Q3 average at 4.6%YoY), due to base effects as well as subdued industrial production. The industrial output in December 2018 was lower by 6.3% YoY and the decrease is attributed to output shortfalls across all industrial sectors with the pattern looking similar in January, following data released on Friday that indicate an industrial production decrease of 5.5% YoY. In terms of expenditure, all GDP components, apart from net exports, contributed positively to the Q4 reading, setting the full year's growth at 4.3%YoY.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian equity markets ended higher and European bourses were standing in the black in the early trading hours today, on press reports suggesting that the US and China are close to finalizing a trade deal at a summit around March 27 in a meeting between US President Donald Trump and Chinese President Xi Jinping. The above followed an announcement by the US President last week that he would postpone the 1 March deadline of imposing tariffs on Chinese goods worth \$200bn until further notice and that most, if not all, tariffs imposed on Chinese imports since 2018, will be removed. On its part, aiming to facilitate a trade deal, China is reported to be offering lower tariffs on US agricultural products, chemicals and car imports as well as other structural measures including reducing government subsidies. In reaction to increasing hopes for a US/China deal, US government bonds came under renewed pressure with the 10-yr yield hitting a one-month peak close to 2.77% earlier today, failing to capitalize on a string of poor US data released on Friday. Suggesting a slowing US global growth momentum as the impact of the US fiscal stimulus fades and higher interest rates take a toll on domestic economic activity, the ISM manufacturing index dropped to a more than two-year low of 54.2 in November, personal income fell 0.1% mom in January, the first decline since November 2015 and January's personal spending dropped 0.5% mom, the biggest fall since September 2009. Positive news on US/China trade talks and the perceived diminishing risk of a no-deal Brexit following last week's UK political developments, also kept German Bunds under pressure with the 10-yr yield standing close to 0.18% in early European trade at the time of writing, not far from Friday's five-week high near 0.21%. In FX markets, the DXY index consolidated recent gains in early European trade today while the EUR/USD pulled back to levels around 1.1340 after failing to break above 1.1390/1.1400 earlier today. On the data front, this week's major releases include Friday's US non-farm payrolls for February. Market consensus is for a pickup in wage growth to 3.4%YoY that, if materialized, could raise doubts that the Fed will not hike rates any more this year. Focus will also be on Thursday's ECB monetary policy meeting where two issues are expected to lure market attention: whether there will be a change in the forward guidance and whether there will be indications concerning liquidity operations.

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GREECE

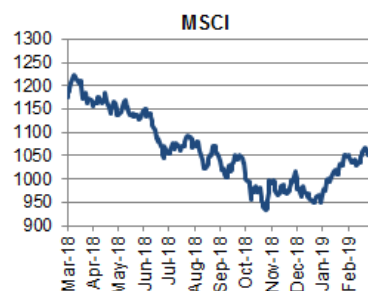
On Friday Moody's upgraded Greece's rating from B3 to B1, which however, is still four notches below investment grade. The key drivers for the upgrade are: the progress in the reform programme, a track record of strong fiscal performance based largely on structural measures and the enhancement of public debt sustainability over the medium term after last June's debt relief package. According to the Ministry of Finance the upgrade shows that "reforms have started to produce results and the successive upgrades of the Greek economy show its steady upward trajectory and the regaining of investor confidence". Meanwhile, the 10-year GGB yield dropped to 3.60% earlier today, its lowest level in over 12 years. At the same time, according to press reports the Greek government is examining tapping the financial markets with the issuance of a 10-year bond, even perhaps by the end of this week, with the aim of raising around €2 bn. In other news, according to the Greek Tourism Confederation Intelligence (INSETI Intelligence), in January 2019 traffic to Greece's main international airports rose by 10.4%YoY while for the same month, Greece stood first in the Global Review Index (GRI) for hotel satisfaction, scoring 86.4% followed by Spain (84.8%) and Cyprus (84.6%).

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Monday 04 March 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

SERBIA

According to the final estimate, GDP grew by 3.4% YoY in Q4 2018, slightly lower compared to the flash estimate of 3.5% released in late January. Serbia's growth pace remained on a solid trajectory but at a slower gear compared to the previous quarters of 2018 (Q1-Q3 average at 4.6%YoY), due to base effects as well as subdued industrial production. The industrial output in December 2018 was lower by 6.3% YoY and the decrease is attributed to output shortfalls across all industrial sectors with the pattern looking similar in January, following data released on Friday that indicate an industrial production decrease of 5.5% YoY. In terms of expenditure, all GDP components, apart from net exports, contributed positively to the Q4 reading, setting the full year's growth at 4.3%YoY.

According to the National Bank of Serbia (NBS), GDP growth is expected at 3.5%YoY in 2019, broadly based on domestic demand. Private consumption will remain one of the pivotal growth pillars in Serbia, following the public wages and pensions' increases, which are ongoing for at least the past twelve months. That said, according to official statistical data released within the previous week, the average net salary in the public sector for FY2018 was increased by 4.4%YoY in real and 6.5%YoY in nominal terms. The disposable income in Serbia will most probably continue its positive footing within 2019 as the fiscal budget for 2019 envisaged back in November a deficit ca 0.5% of the projected for 2019 GDP in order for fiscal space to be created that will fuel further wage and pension increases. Concluding, the private consumption is also supported by the robust credit expansion taking place in the country the past 12 months. In detail, the asset side of local banks expanded by 10.1%YoY in December compared to 5.1%YoY in December 2017. The reading, which is considered an 8-year high, was backed, inter alia, by increased demand, modest borrowing costs, picking competition among local banks and NPLS volume reduction that allowed the latter to cover the demand.

Finally, regarding country's foreign currency market developments within the previous week, the EUR/RSD kept hovering around the 118.00 figure with a slightly bearish bias on a weekly chart. With the National Bank of Serbia (NBS) having proven the past few years that it does not allow the rate to fall decisively below the 118.0 threshold, the market anticipates that if further pressure continues on the EUR/RSD, fresh interventions by the NBS take place.

In this week's calendar, the most notable news refer to the key policy rate meeting on Thursday, where no surprises are anticipated, despite the imminent monetary tightening in some countries of the region.

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*We would like to thank Zoran Korac from Eurobank Beograd for his assistance in today's issue.

Monday 04 March 2019

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities													
<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tr> <td>S&P 500</td> <td>2803.69</td> <td>0.7%</td> <td>11.8%</td> </tr> <tr> <td>Nikkei 225</td> <td>21822.04</td> <td>1.0%</td> <td>9.0%</td> </tr> <tr> <td>STOXX 600</td> <td>375.83</td> <td>0.4%</td> <td>11.3%</td> </tr> </table>		Last	ΔD	ΔYTD	S&P 500	2803.69	0.7%	11.8%	Nikkei 225	21822.04	1.0%	9.0%	STOXX 600	375.83	0.4%	11.3%
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 | | Last | ΔD | ΔYTD | |---------|--------|-------|-------| | EUR/USD | 1.1335 | -0.3% | -1.2% | | GBP/USD | 1.3229 | 0.2% | 3.7% | | USD/JPY | 111.9 | 0.0% | -2.0% | | | (yields) | Last | ΔDbps | ΔYTD bps | |------------|------|-------|----------| | UST - 10yr | 2.75 | 0 | 7 | | Bund-10yr | 0.17 | -1 | -7 | | JGB - 10yr | 0.00 | 1 | 0 | | | | Last | ΔD | ΔYTD | |-------------|------|-------|-------| | GOLD | 1290 | -0.3% | 0.6% | | BRENT CRUDE | 65 | 0.5% | 21.6% | | LMEX | 3055 | -0.1% | 9.1% | |

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	0	-14
1-week	2.45	0	-11
1-month	2.66	0	-7
3-month	2.98	0	-5
6-month	3.12	0	-6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.16	-1	10
5Y RSD	3.77	0	27
7Y RSD	3.98	0	-18

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.82	2	-18

CDS

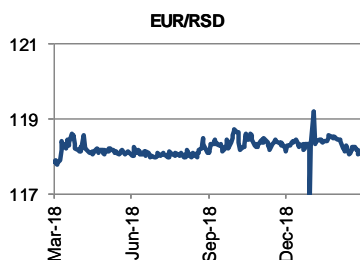
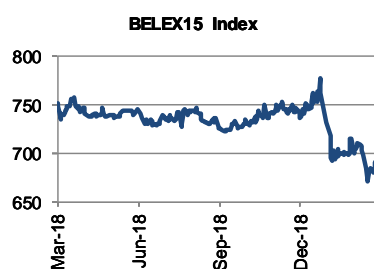
	Last	ΔDbps	ΔYTD bps
5-year	101	-1	-17
10-year	153	-1	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	691.5	0.18%	-9.21%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.96	0.15%	0.23%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.27	0	218
1-month	3.3	0	143
3-month	3.28	0	123
6-month	3.39	0	112
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.81	0	-22
5Y RON	4.33	0	-1
10Y RON	4.78	0	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.50	-	-4
USD Jan-24	3.70	1	-53

CDS

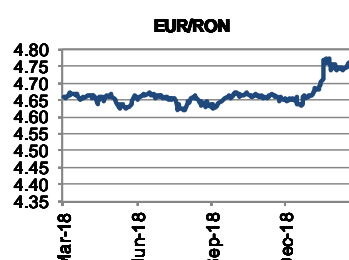
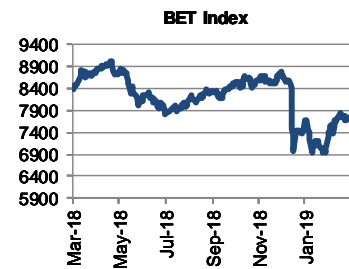
	Last	ΔDbps	ΔYTD bps
5-year	107	0	17
10-year	153	0	20

STOCKS

	Last	ΔD	ΔYTD
BET	7737.7	0.97%	4.80%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7408	0.09%	-1.83%



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	-0.13	#N/A	N/A
5Y BGN	0.07	-4	-5
10Y BGN	0.66	0	-10

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.08	0	-3
EUR Sep-24	0.23	-1	-26

CDS

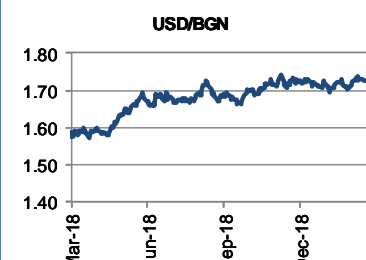
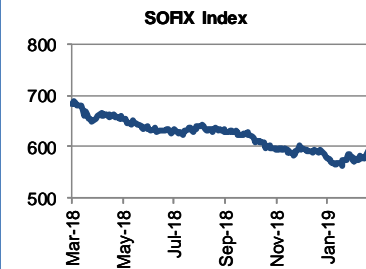
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-19
10-year	120	0	-22

STOCKS

	Last	ΔD	ΔYTD
SOFIX	585.1	-0.05%	-1.58%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7194	0.08%	-0.81%



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

Data updated as of 10:25 EEST

Monday 04 March 2019

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