

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: The recent rally in European equity markets came to a halt today with major stock indices opening lower amid market worries over the lack of fresh positive news from the latest round of US/China trade talks, while yesterday's poor US data had also had an impact. Shrugging off weak German data, Bund yields were little changed on the day and the EUR/USD continued to consolidate within 1.1180-1.1260. Later today, Germany's main economic institutes are expected to present revised GDP growth forecasts and the ECB will publish its account of the March Governing Council meeting. Meanwhile, talks on a technical level between the teams of UK PM Theresa May and Labour Party leader Jeremy Corbyn are scheduled to resume today, as was agreed by the two party leaders in their meeting yesterday.

GREECE: According to press, the European Commission has recommended on Wednesday the disbursement of c. €970bn to Greece while at yesterday's Euroworking Group no serious objections were raised either as regards Greece's progress on its EPPS commitments. If the recommendation is endorsed at tomorrow's Eurogroup, the positive signal to the financial markets may allow the Greek government to proceed to another bond issue which, according to government sources, is tentatively scheduled for before the end of June. Meanwhile, on the privatisations front, no binding offers were submitted for the acquisition of a 50.1% stake in HELPE.

SOUTH EASTERN EUROPE

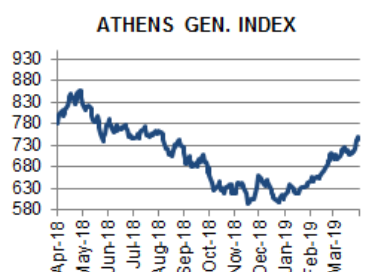
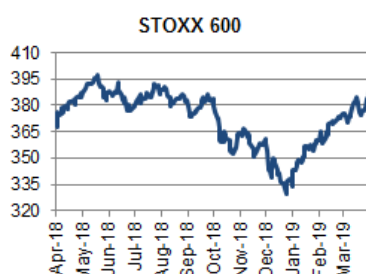
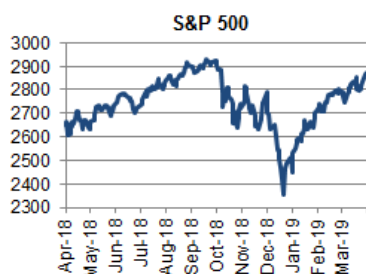
BULGARIA: Yesterday the Ministry of Finance revised downwards its GDP growth projection for 2019 to 3.4% YoY vs 3.7% YoY in October. The GDP growth forecasts for 2020 and 2021 were revised downwards as well to 3.3% YoY compared to 3.5% YoY previously while that of 2022 remain unchanged at 3.3% YoY.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank
Research

The recent rally in European equity markets came to a halt today with major stock indices opening lower amid market worries over the lack of fresh positive news from the latest round of US/China trade talks, which commenced in Washington on Wednesday. As things stand, trade talks have made progress but the two sides have yet to bridge their differences on several issues including a mechanism to enforce the trade deal and whether the US tariffs that were implemented in 2018 on imports from China will be lifted one-off upon signing the deal, or gradually, as China meets its commitments. Yesterday's weak US data had also had a negative impact on appetite for risk taking. Underscoring a loss of US growth momentum, the ISM non-manufacturing activity index fell 3.6pts to 56.1 in March, the lowest level since August 2017 mainly due to decreases in production and new export orders. Separately, the ADP National Employment Report showed that, after generating 197k positions in February, private sector employers added 129k jobs in March, the fewest since September 2017, a negative development ahead of Friday's US non-farm payrolls report. Meanwhile, US Treasuries regained some ground, with the 10-yr yield standing around 2.50% in early European trade at the time of writing, some 2.5bps lower on the day after failing to break above yesterday's intraday peak close to 2.53% earlier today, the highest since 22 March. Shrugging off weak German data, Bund yields were little changed on the day and the EUR/USD continued to consolidate within 1.1180-1.1260. Denting hopes for a rebound in the Eurozone's biggest economy, German factory orders dropped by 4.2% mom in February, the sharpest pace in more than two years, mainly driven by lower foreign demand. Later today, Germany's main economic institutes are expected to present revised GDP growth forecasts and the ECB will publish its account of the March Governing Council meeting, which could reveal further details of the TLTRO discussions and the two-tier depo system. Meanwhile, talks on a technical level between the teams of UK PM Theresa May and Labour Party leader Jeremy Corbyn are scheduled to resume today, as was agreed by the two party leaders in their meeting yesterday.

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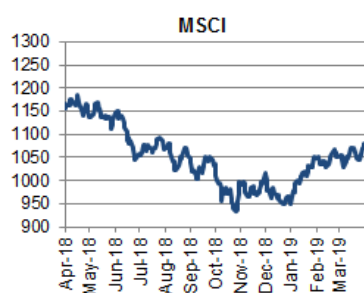
GREECE

According to press, the European Commission has recommended on Wednesday the disbursement of c. €970bn to Greece while at yesterday's Euroworking Group no serious objections were raised either as regards Greece's progress on its EPPS commitments. If the recommendation is endorsed at tomorrow's Eurogroup, the positive signal to the financial markets may allow the Greek government to proceed to another bond issue which, according to government sources, is tentatively scheduled for before the end of June. The size of the issue will reportedly be in the order of €2bn but no final decision has yet been made on its maturity or whether it will be a new issue or the reopening of an existing one. It is reminded that according to the PDMA Financing Strategy for 2019, Greece plans to issue in total between €5bn and €7bn of benchmark bonds in 2019 and so far this year it has issued a 5-year benchmark in January and a 10-year one in March raising €5bn. According to press, with these funds the government will likely seek to repay part of the outstanding €9.5bn IMF loans, particularly those which carry a higher interest rate, but this requires ESM approval. Meanwhile, on the privatisations front, no binding offers were submitted for the acquisition of a 50.1% stake in HELPE. According to press reports, the two qualified investment schemes stated that HELPE is a good company with positive prospects but cited as reasons for abstaining that the Sale & Purchase Agreement contained terms that "are unusual" in such agreements while certain international developments are also unfavourable.

Thursday 04, 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

BULGARIA

Yesterday the Ministry of Finance revised downwards its GDP growth projection for 2019 to 3.4% YoY vs 3.7% YoY in October. The GDP growth forecasts for 2020 and 2021 were revised downwards as well to 3.3% YoY compared to 3.5% YoY while the projected growth rate for 2022 remain unchanged at 3.3% YoY. Despite the downward revision which is broadly aligned with the slowing economic activity on a global scale, GDP growth in 2019 is still expected to come in higher than 2018 economic growth, i.e. 3.1% YoY. Public investment, supported by EU funds absorption, is seen as the main growth driver in 2019. On the flipside, private investments are expected to weaken on the back of prevailing uncertainty regarding external risks. Notwithstanding the foregoing, in 2020 private investment is anticipated to take the lead, presumably due to negative base effects, as far as, EU funds absorption is concerned. During 2019, private consumption is expected to decelerate due to a high base effect inherited from 2018 and the worsening consumer sentiment. Moreover, private consumption dynamics could be capped by labor market capacity constraints as unemployment is close to multi year lows and brave wage increases have realized in 2018. Finally, export growth will remain in favorable grounds despite the trade relations with Turkey, which is one of Bulgaria's main trade partners, put under question. Demand from the EU is anticipated to lose some steam amid visible signs of slowing economic activity in most EU member states.

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Thursday 04, 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	2873.40	0.2%	14.6%	EUR/USD	1.1235	0.0%	-2.0%	UST - 10yr	2.50	-2	-18	GOLD	1292	0.2%	0.8%
Nikkei 225	21724.95	0.1%	8.5%	GBP/USD	1.3174	0.1%	3.2%	Bund-10yr	-0.01	-2	-25	BRENT CRUDE	69	-0.3%	28.5%
STOXX 600	388.92	1.0%	15.2%	USD/JPY	111.39	0.1%	-1.5%	JGB - 10yr	-0.04	0	-5	LME X	3055	1.0%	9.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-1	-16
1-week	2.39	-1	-17
1-month	2.59	-2	-14
3-month	2.95	0	-8
6-month	3.06	-1	-12

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.15	-2	9
5Y RSD	3.78	0	27
7Y RSD	4.02	-1	-14

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.45	-1	-55

CDS

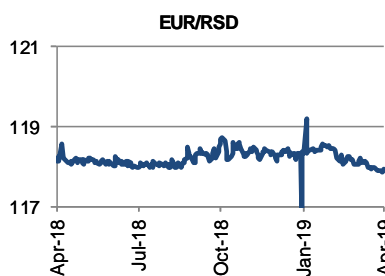
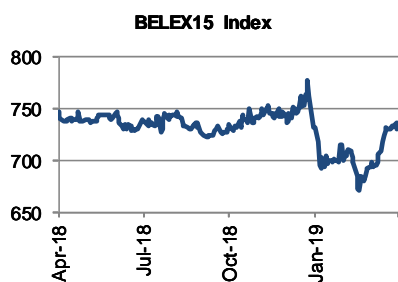
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-8
10-year	155	-1	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.3	0.39%	-3.86%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.02	-0.11%	0.18%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.54	0	245
1-month	3.34	0	147
3-month	3.34	0	129
6-month	3.39	0	112
12-month	3.57	0	125

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.78	0	-25
5Y RON	4.44	0	10
10Y RON	4.90	0	9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.46	-	-8
USD Jan-24	3.39	0	-84

CDS

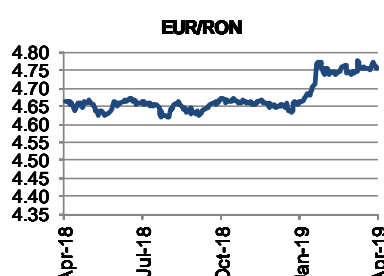
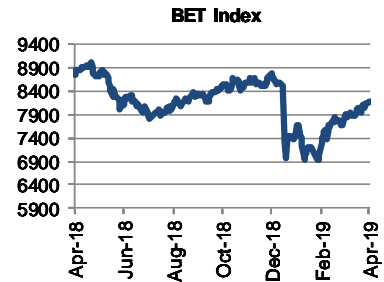
	Last	ΔDbps	ΔYTD bps
5-year	116	0	26
10-year	166	0	32

STOCKS

	Last	ΔD	ΔYTD
BET	8176.2	0.25%	10.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7572	-0.06%	-2.17%



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	-0.30	-2	-23
5Y BGN	0.00	-1	-11
10Y BGN	0.53	0	-22

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	0	-5
EUR Sep-24	0.18	2	-31

CDS

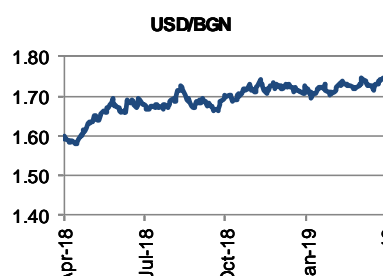
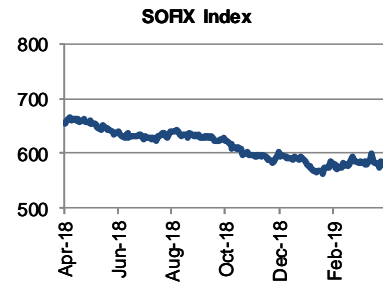
	Last	ΔDbps	ΔYTD bps
5-year	81	0	-15
10-year	121	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	581.9	0.37%	-2.11%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7408	0.02%	-2.03%



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

Data updated as of 10:05 EES

Thursday 04, April 2019

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