

Friday 05 April 2019

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: US Treasury and Bund yields were higher today, reacting to the US President's comments that a trade deal may be reached within the next four weeks. The 10-yr UST yield seems poised for the highest weekly rise so far this year, while the 10-yr Bund yield moved back in positive territory. In addition, German data surprised positively with industrial production rising by 0.7%MoM in February as mild weather favored construction activity. Turning to FX markets, optimism for a US/China trade deal in the not too distant future weighed on the JPY pushing the USD/JPY to a three-week high of 111.80 while the GBP was little changed on the day, shrugging off market talk that the EU may offer a long but flexible extensions of up to a one year at next week's extraordinary EU summit. Focus today is on US non-farm payrolls for March which are expected to show a rise by a solid 195k.

GREECE: The Eurogroup that convened today endorsed the return of the SMP/ANFA profits to Greece after the positive recommendation of the European Commission and the Euroworking Group in the previous days. On the privatisations front, the PPC and the investors that have participated in the first phase of the tender are negotiating the terms of the Sale and Purchase Agreement which is expected to be finalised also by 19 April.

SOUTH EASTERN EUROPE

CESEE MACRO AND MARKETS DEVELOPMENTS: This week, in the CESEE, two MPC meetings took place. The Executive Board of Romania's National Bank (NBR) convened on Tuesday, while the respective body in Poland's National Bank (NBP) assembled on Wednesday. In both sessions, the MPC of both countries decided to leave interest rates unchanged but the key take aways were different, mirroring each country's economic realities.

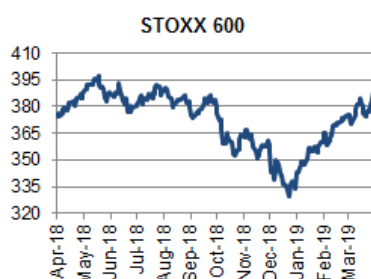
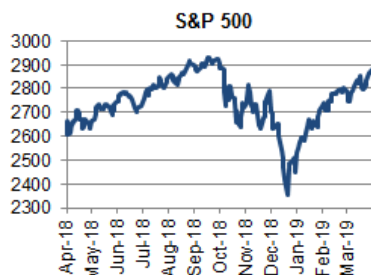
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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

European equity markets opened mixed earlier today with no clear direction, taking their lead from Wall Street's mixed performance overnight with the Dow Jones Industrial Average closing modestly higher (+0.6%) and the Nasdaq Composite Index ending slightly in the red (-0.1%). US/China trade talks continue to progress, but slowly, and so far no fixed scheduled meeting between US President Donald Trump and his Chinese counterpart Xi Jinping has been announced for the signature of a final deal. The US President commented yesterday that some of the tougher points of a deal have been agreed, but there are still differences to be bridged on issues including tariffs and intellectual property theft adding, though, that a deal could be announced in about four weeks. The release of the account of the March ECB Governing Council meeting yesterday did not provide any additional insights beyond what was already known on the launch of TLTRO III operations and the possibility of a tiered reserve charging system, while data released in the US yesterday were mixed. US initial jobless claims unexpectedly dropped by 10k to a 49-year low of 202k in the week ended 30 March, boding well for today's US non-farm payrolls report for March. On the flip side, announced layoffs in Q1 2019 jumped 10.3%YoY to 190,410, the highest since Q5 2015, reflecting employers' fears of an upcoming economic downturn on the back of slowing global growth, fading fiscal stimulus, US/China trade war jitters and uncertainty over Brexit. Meanwhile, negotiations between UK PM Theresa May and Labour Party leader Jeremy Corbyn are set to continue today with investors looking for any breakthroughs ahead of the new Brexit deadline on 12 April.

Turning to core fixed income, US Treasury and Bund yields were higher today, reacting to the US President's comments that a trade deal may be reached within the next few weeks. The 10-yr UST yield rose close to 2.54% earlier today for the first time since 21 March and poised for a weekly rise of around 11bps, the highest so far this year, while the 10-yr Bund yield moved back in positive territory standing at a two-week high of 0.002% at the time of writing. In addition, German data surprised positively, with industrial production rising by 0.7%MoM in February as mild weather favored construction activity. Turning to FX markets, optimism for a US/China trade deal in the not too distant future weighed on the JPY pushing the USD/JPY to a three-week high of 111.80, while the GBP was little changed on the day, shrugging off market talk that the EU may offer a long but flexible extension of up to a one year at next week's extraordinary EU summit.

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GREECE

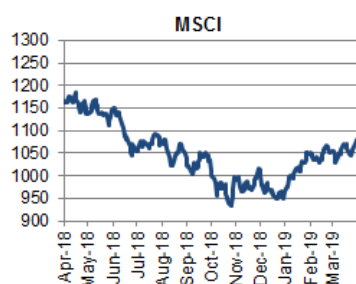
The Eurogroup that convened today endorsed the return of the SMP/ANFA profits to Greece after the positive recommendation of the European Commission and the Euroworking Group in the previous days. According to press, the amount that will be disbursed is €758mn (€468mn SMP/ANFA profits and €110mn that the Hellenic Republic paid as an interest rate penalty in H2 2018 and is now being returned) while the remaining amount from the total of €970mn granted, reportedly concerns an interest rate penalty for 2019, which Greece will be exempt from paying. On the privatisations front, the PPC has reportedly asked the investors that submitted expressions of interest to inform the company by 19 April about the potential consortia that they will form either among them or with third parties with which they will participate in the binding offers phase. At the same time, the PPC and investors are negotiating the terms of the Sale and Purchase Agreement which is expected to be finalised also by 19 April.

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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

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

CESEE MACRO AND MARKETS DEVELOPMENTS

This week, in the CESEE, two MPC meetings took place. The Executive Board of Romania's National Bank (NBR) convened on Tuesday, while the respective body in Poland's National Bank (NBP) assembled on Wednesday.

As expected, the NBR kept rates on hold at 2.5% but its tone took a hawkish swift. Governor Isarescu added to his statement that the Bank will maintain "strict control over money market liquidity" while he also pointed out the upside risks regarding the Central Bank's inflation forecast. At this point, we bring to mind that the inflation's reading in February came in substantially higher, i.e. 3.8% YoY, compared to 3.3% YoY in January. The print was both above the 3.4% YoY market consensus and the upper bound of the NBR's target interval (2.5%+/-1pp).

Governor Mugur Isarescu stated that the uncertainties and risks surrounding the inflation outlook stem from the fiscal policy while the evolution of the current account deficit, which widened by 61.1% YoY in January remains a source of concern. Regarding the external risks, he focused on euro area and global economic growth, the international oil price developments, the monetary policy stances of the ECB and regional central banks and the effect of Brexit.

Moving on to Poland, the Key Policy Rate (KPR) was kept unchanged at 1.5% on the grounds of expectations over modest inflation and softer, compared to 2018, GDP growth. NBP Governor Adam Glapinski stated that interest rates could not change until 2022 and that they would definitely be left on hold in 2019 and very likely in 2020 as well. Mr. Glapinski praised the recently announced by the government fiscal package, which will substantially increase fiscal deficit by noting that that public deficit was just 0.4% of GDP in 2018, which is very low taking into account Poland's economic growth that reached 5.1% YoY. Finally, regarding the growth outlook, the NBR anticipates a GDP growth rate close to 4.5% YoY for 2019, which is expected to lose some steam in 2020, landing at some 3.5-3.7% YoY.

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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	2879.39	0.2%	14.9%	EUR/USD	1.1226	0.1%	-2.1%	UST - 10yr	2.52	1	-16	GOLD	1290	-0.2%	0.5%
Nikkei 225	21807.50	0.4%	9.0%	GBP/USD	1.3096	0.2%	2.6%	Bund-10yr	0.01	1	-24	BRENT CRUDE	69	-0.3%	28.6%
STOXX 600	387.87	-0.3%	14.9%	USD/JPY	111.63	0.0%	-1.7%	JGB - 10yr	-0.03	1	-3	LMEX	3036	-0.6%	8.4%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	0	-16
1-week	2.39	0	-17
1-month	2.59	0	-14
3-month	2.94	-1	-9
6-month	3.06	0	-12

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.13	-1	7
5Y RSD	3.76	0	26
7Y RSD	4.02	0	-13

RS Eurobonds

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

CDS

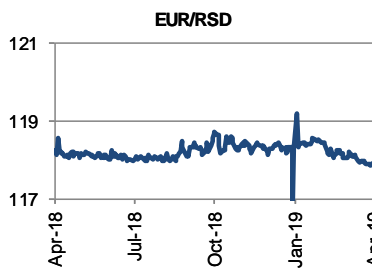
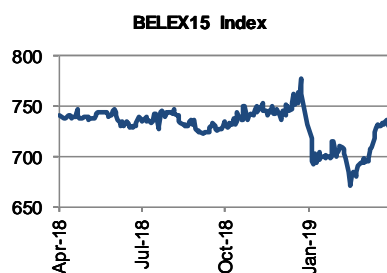
	Last	ΔDbps	ΔYTD bps
5-year	109	-1	-9
10-year	155	-1	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.4	0.01%	-3.85%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.02	-0.05%	0.19%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.54	0	245
1-month	3.36	0	149
3-month	3.38	0	133
6-month	3.42	0	115
12-month	3.58	0	126

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.79	0	-24
5Y RON	4.41	0	7
10Y RON	4.89	0	8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.47	-	-6
USD Jan-24	3.37	0	-86

CDS

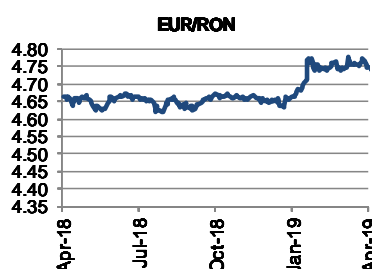
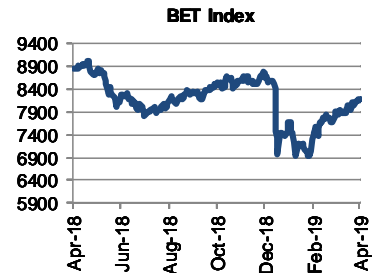
	Last	ΔDbps	ΔYTD bps
5-year	116	0	26
10-year	166	0	32

STOCKS

	Last	ΔD	ΔYTD
BET	8175.8	0.07%	10.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7478	-0.01%	-1.97%



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	-0.24	0	-19
5Y BGN	0.00	1	-11
10Y BGN	0.49	1	-26

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.10	-4	-5
EUR Sep-24	0.17	1	-31

CDS

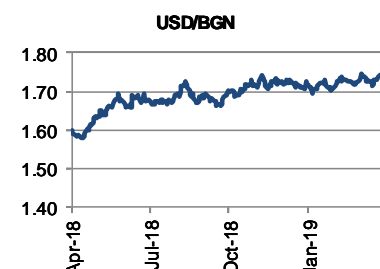
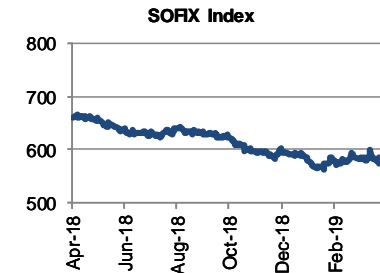
	Last	ΔDbps	ΔYTD bps
5-year	81	0	-15
10-year	121	1	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	581.1	-0.14%	-2.25%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7425	0.01%	-2.12%



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

Data updated as of 10:05 EES

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