

### 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:** The ECB surprised markets to the dovish side at its monetary policy meeting yesterday, moving more quickly than expected in an attempt to counter the Eurozone's economic slowdown and preserve accommodative financial conditions. In more detail, the ECB decided unanimously on three key policy steps: (i) the forward guidance on policy rates was extended by one quarter; (ii) the launch of a new series of seven quarterly TLTRO III operations; and (iii) fixed-rate full allotment at the refinancing operations to be extended until March 2021. In reaction to the ECB's dovish surprise, the EUR/USD came under significant pressure, German Bunds gained sharply while Eurozone periphery sovereign bond markets also firmed, mainly favored by the ECB's TLTROs announcement. With the ECB monetary policy meeting out of the way, focus today is on US February's labor market report.

**GREECE:** According to the Hellenic Statistical Authority (ELSTAT) quarterly national accounts, in Q4 2018 GDP in volume terms decreased by 0.1%QoQ (seasonal and calendar adjustment) and increased by 1.6%YoY (chain linked volume measure). According to the first estimate of the GDP for 2018, in volume terms it amounted to €190.8 bn compared with €187.2 bn in 2017, recording an increase of 1.9%. The estimate is very close to the Eurobank Research estimate for an 1.8% real GDP growth for 2018, which was published in July 2018. According to the labour force survey, in December 2018 the s.a. unemployment rate was 18.0% compared to downwards revised 20.8% in December 2017 and the downwards revised 18.3% in November 2018. The overall turnover index in accommodation and food service activities sector in Q4 2018 increased by 2.8%YoY (against an increase of 7.0%YoY in Q4 2017).

### SOUTH EASTERN EUROPE

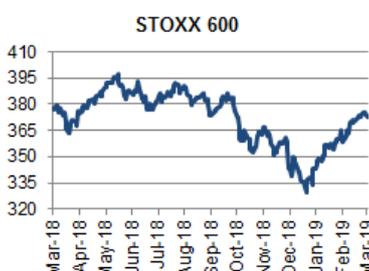
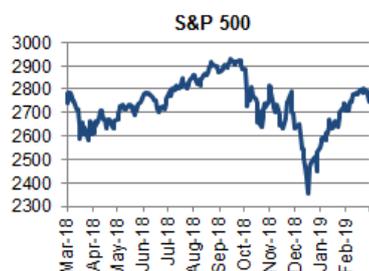
**SERBIA:** In line with market expectations, the National Bank of Serbia (NBS) decided to keep the key policy rate (KPR) at 3.0%, remaining unchanged since April 2018.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The ECB surprised markets to the dovish side at its monetary policy meeting yesterday, moving more quickly than expected in an attempt to counter the Eurozone's economic slowdown and preserve accommodative financial conditions. In more detail, the ECB decided unanimously on three key policy steps: (i) the forward guidance on policy rates was extended by one quarter, with the ECB expecting now interest rates to remain at their current levels "at least through the end of 2019" from "at least through the summer 2019" previously; (ii) the launch of a new series of seven quarterly TLTRO III operations, starting in September 2019 and ending in March 2021, with a maturity of two years and an interest rate indexed to the MRO rate over the life of each operation; and (iii) fixed-rate full allotment at the refinancing operations to be extended until March 2021. The new staff projections revealed a downward revision in GDP growth and inflation projections, while the ECB maintained its assessment that risks remain skewed to the downside. The 2019 GDP growth estimate was downgraded to 1.1% from 1.7% previously while the respective figures for 2020 and 2021 were little changed compared to the December estimates. Inflation was downgraded throughout the forecast horizon and more significantly for 2019 to 1.2% from 1.6% previously.

In reaction to the ECB's dovish surprise, the EUR/USD came under significant pressure, testing levels below 1.1200 for the first time since June 2017. German Bunds gained sharply with long-dated paper outperforming. The 10-yr yield marked a fresh 2 ½ year low of 0.05% earlier today, poised for a weekly drop of around 12bps, with the 2/10-yr yield spread narrowing close to 61bps, the lowest since early October 2016. Eurozone periphery sovereign bond markets also firmed, favored by the ECB's TLTROs announcement with Italy outperforming. Meanwhile, European bourses opened lower today weighed by mounting global growth fears in the wake of the ECB's more dovish than expected tone and China's poor trade data released earlier today. With the ECB monetary policy meeting out of the way, focus today is on US February's labor market report.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

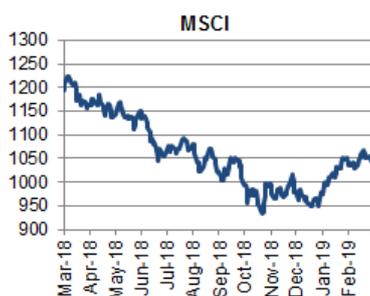
### GREECE

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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

### SERBIA

As broadly expected, the National Bank of Serbia (NBS) decided to keep the key policy rate (KPR) at 3.0%, remaining at the same level since April 2018. The NBS based its decision on the modest inflationary fluctuations and the underlying factors behind those. In detail, inflationary pressures remain subdued, as has been the case for the last five years, despite robust economic growth. Headline inflation came in at 2.1% YoY in January compared to 2.0% YoY in December, 3.0% YoY in January 2018 and 4.0% in April 2017, the highest reading in the past five years. The core inflation was also benign in January, standing at 1.2% YoY. The NBS's inflation outlook within the next 12 months remained almost unchanged compared to that in the previous Executive Board Meeting that took place one month ago. Inflation expectations are well anchored around the 3.0% midpoint of the target tolerance band (3.0%±1.5%).

However, the NBS outlined that caution in monetary policy conduct is still required, mostly due to the challenges looming in the external environment. As global economic growth slows, the monetary policy conduct by the leading central banks, the Fed and the ECB, is expected to be channeled accordingly but it remains uncertain to what extent any adjustments will be slower and different from market expectations, with substantial lags and differentiations triggering volatility in global capital flows.

Other factors, currently at play, that may affect Serbia's economy and as such may require more attention are the global oil prices' trajectory, which after sliding in late 2018, has regained some ground early this year along with trade tensions between the world's leading economies, which, however seem to have abated recently, and signs of rising protectionism in international trade.

In the same announcement, the NBS praised the economy's resilience against the aforementioned possible external headwinds. Based on recent data from the Ministry of Finance, Serbia's budget balance recorded, for a second year in a row, a surplus of 0.6% of GDP in FY2018. In addition, the current account deficit as a percentage of the GDP in 2018 remained unchanged at the same levels of 2017, i.e. at -5.7%, despite increased imports for investment purposes, higher oil prices and softening external demand and for the consecutive fourth year it was more than fully covered by the FDI inflows that reached EUR3.2bn in 2018.

[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

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## 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&amp;P 500</td> <td>2748.93</td> <td>-0.8%</td> <td>9.7%</td> </tr> <tr> <td>Nikkei 225</td> <td>21025.56</td> <td>-2.0%</td> <td>5.1%</td> </tr> <tr> <td>STOXX 600</td> <td>372.60</td> <td>-0.3%</td> <td>10.4%</td> </tr> </table>		Last	ΔD	ΔYTD	S&P 500	2748.93	-0.8%	9.7%	Nikkei 225	21025.56	-2.0%	5.1%	STOXX 600	372.60	-0.3%	10.4%
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 |         | Last   | ΔD   | ΔYTD  | |---------|--------|------|-------| | EUR/USD | 1.1202 | 0.1% | -2.3% | | GBP/USD | 1.3088 | 0.0% | 2.6%  | | USD/JPY | 111.06 | 0.5% | -1.2% | | | (yields)   | Last  | ΔDbps | ΔYTD bps | |------------|-------|-------|----------| | UST - 10yr | 2.64  | 0     | -5       | | Bund-10yr  | 0.06  | -1    | -18      | | JGB - 10yr | -0.03 | -3    | -4       | | |             | Last | ΔD    | ΔYTD  | |-------------|------|-------|-------| | GOLD        | 1293 | 0.6%  | 0.8%  | | BRENT CRUDE | 65   | -1.4% | 21.6% | | LMEX        | 3010 | -0.7% | 7.5%  | |

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	0	-14
1-week	2.43	-1	-13
1-month	2.65	0	-8
3-month	2.97	-1	-6
6-month	3.10	-1	-8

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.17	-1	10
5Y RSD	3.78	0	27
7Y RSD	4.01	0	-15

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.75	-1	-25

#### CDS

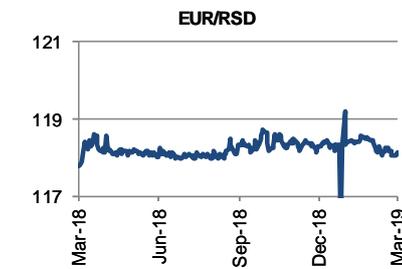
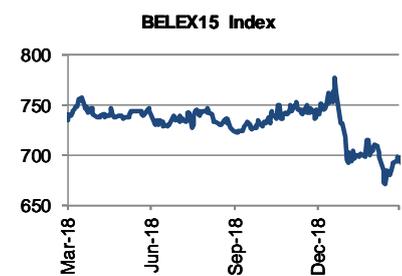
	Last	ΔDbps	ΔYTD bps
5-year	101	1	-17
10-year	154	1	-9

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	693.5	-0.60%	-8.96%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.14	-1.11%	0.08%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.13	0	104
1-month	2.96	0	109
3-month	3.13	0	108
6-month	3.27	0	100
12-month	3.47	0	115

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.72	0	-31
5Y RON	4.23	0	-11
10Y RON	4.67	0	-14

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.40	-	-14
USD Jan-24	3.65	0	-58

#### CDS

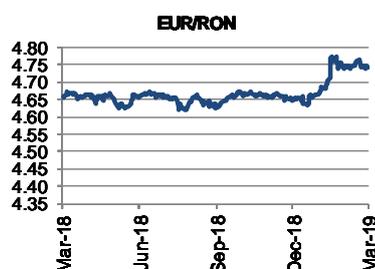
	Last	ΔDbps	ΔYTD bps
5-year	102	-5	12
10-year	147	-5	14

#### STOCKS

	Last	ΔD	ΔYTD
BET	7883.7	0.20%	6.77%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7425	0.00%	-1.86%



### 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	-0.15	0	-10
5Y BGN	0.04	0	-8
10Y BGN	0.66	0	-9

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	-3
EUR Sep-24	0.21	4	-27

#### CDS

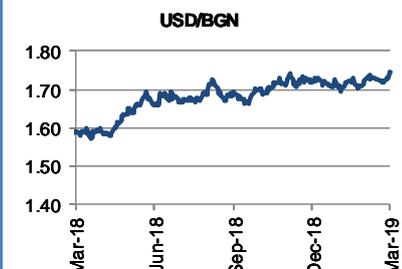
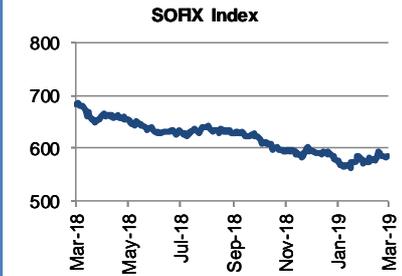
	Last	ΔDbps	ΔYTD bps
5-year	77	-1	-19
10-year	119	-1	-23

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	584.1	0.00%	-1.74%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7462	0.07%	-2.33%



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

Data updated as of 10:05 EEST

Friday 08 March 2019

## Contributors

**Paraskevi Petropoulou**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Ioannis Gkionis**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma**  
(Special Contributor)  
Research Economist, Eurobank  
Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Stelios Gogos**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371226  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

**Theodoros Stamatiou**  
(Special Contributor)  
Senior Economist, Eurobank  
Ergasias  
+30 210 3371228  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

**Maria Kasola**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371224  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Tasos Anastasatos: Group Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Marisa Yiannissis: Administrator**  
[magiannisi@eurobank.gr](mailto:magiannisi@eurobank.gr), +210 3371242

**Ioannis Gkionis: Senior Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Dr. Stylianos Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Maria Kasola: Economic Analyst**  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr), +30 210 3371224

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Paraskevi Petropoulou: Senior Economist**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Dr. Theodoros Stamatiou: Senior Economist**  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto:etsiampaou@eurobank.gr), +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [Research@eurobank.gr](mailto:Research@eurobank.gr)

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