

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Mar 11: Retail sales (Jan.)
- Mar 12: CPI (Feb.)
- Mar 13:
 - Durable goods orders (Jan. P.)
 - PPI (Feb.)
 - Construction spending (Jan.)
- Mar 14:
 - Initial jobless claims (09/03)
 - Import price index (Feb.)
 - New home sales (Jan.)
- Mar 15:
 - Empire State manufacturing (Mar.)
 - Industrial production (Feb.)
 - UM consumer confidence (Mar. P.)

EUROZONE

- Mar 13: Industrial production (Jan.)
- Mar 15: CPI (Feb.)

UK

- Mar 12: Start of the Brexit votes

GREECE

- Mar 12:
 - CPI (Feb.)
 - Unemployment rate (Q4 2018.)

SEE

BULGARIA

- Mar 13: Trade balance (Jan.)
- Mar 14: CPI (Feb.)

CYPRUS

- Mar 15: CPI (Feb.)

ROMANIA

- Mar 12:
 - CPI (Feb.)
 - Trade balance (Jan.)

SERBIA

- Mar 12:
 - CPI (Feb.)
 - Trade balance (Jan.)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The GBP was firmer across the board in early European trade on Tuesday and European bourses opened higher amid increased hopes for parliamentary approval of the UK PM Theresa May's Brexit plan at today's "meaningful vote" in the House of Commons. This came after European Commission President Jean-Claude Juncker and UK Prime Minister Theresa May agreed late last night on a revised Brexit deal that is likely to allow the government's Attorney General, Geoffrey Cox, to change his previous legal assessment that the Irish backstop could "endure indefinitely", one of the key prerequisites for Conservative Brexiteers and the government's coalition partner, the DUP, to support Theresa May's Brexit deal. In terms of data releases, focus today is on US inflation numbers for February, which are unlikely to lead to a meaningful repricing of Fed monetary policy expectations.

GREECE: The Eurogroup that convened yesterday took stock of the 2nd enhanced surveillance report and decided to consider the implementation of further debt relief measures at the April meeting. On the privatisations front, the tender for the sale of the lignite – fired units of PPC was relaunched on 8 March and the deadline for the expression of interest expires on 15 March 2019 while the deadline for the submission of final offers expires on 6 May 2019.

SOUTH EASTERN EUROPE

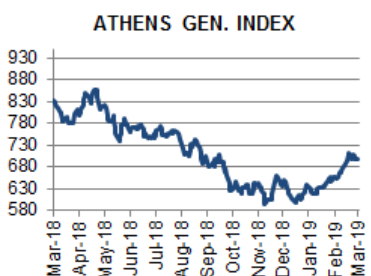
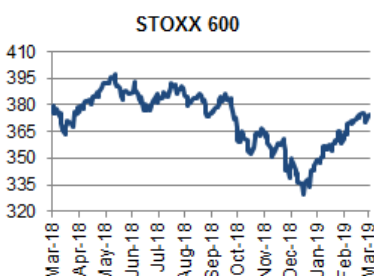
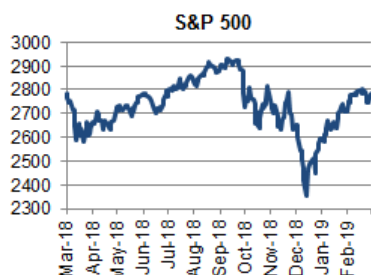
CYPRUS: According to the second estimate, real GDP expanded by 1.0% QoQ/3.8% YoY in Q4 bringing the FY 2018 performance at 3.9%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The GBP was firmer across the board in early European trade on Tuesday and European bourses opened higher amid increased hopes for parliamentary approval of the UK PM Theresa May's Brexit plan at today's "meaningful vote" in the House of Commons. This came after European Commission President Jean-Claude Juncker and UK Prime Minister Theresa May agreed late last night on a revised Brexit deal that is likely to allow the UK government's Attorney General, Geoffrey Cox, to change his previous legal assessment that the Irish backstop could "endure indefinitely", one of the key prerequisites for Conservative Brexiters and the government's coalition partner, the DUP, to support Theresa May's Brexit deal.

The EUR/GBP troughed at 0.8474 earlier today, the lowest level since mid-2017 while the GBP/USD hit a two-week high of 1.3288, 2.2% higher from Monday's intraday low, before easing to levels around 1.3220/25 in European trade at the time of writing. If Theresa May's Brexit deal passes at today's vote, the GBP is likely to extend today's gains with 1.3350 (22 Feb. peak) presenting the next upside target for GBP-bulls. However, if the deal does not pass, the reaction of the GBP will likely depend on the margin of defeat as this is expected to determine the further course of the Brexit process.

Hopes that Theresa May's Brexit deal may be close to securing approval at today's vote in the UK parliament, dented the safe-haven appeal of US Treasuries and German Bunds. Halting a four-session falling streak, the 10-yr UST yield rose to 2.67% earlier today, 2.5bps higher on the day and some 6bps higher from last Friday's two-month lows. Market cautiousness ahead of government debt auctions of \$24bn in 10-yr notes today and \$16bn in 30-year bonds on Wednesday, also weighed on market sentiment towards US sovereign paper. The 10-yr Bund yield was up by a similar amount, moving away from more than a two-year low of 0.05% hit last week in the wake of ECB's more dovish than expected tone at the latest monetary policy meeting. In terms of data releases, focus today is on US inflation numbers for February, which are unlikely to lead to a meaningful repricing of Fed monetary policy expectations.

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GREECE

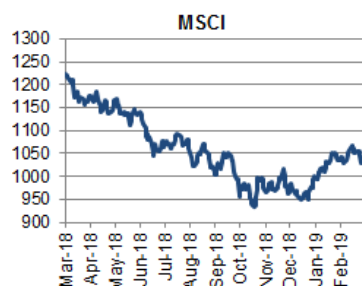
The Eurogroup that convened yesterday took stock of the 2nd enhanced surveillance report which has found good progress in a number of areas but delays in others, with the main outstanding issue being the new legal framework for the protection of primary residences. As a result, the Eurogroup decided to consider the implementation of further debt relief measures – namely the abolition of the step-up interest rate margin related to the debt buy-back tranche of the 2nd Greek programme from 2018 onwards and the return of the AMP/ANFA profits – at the April meeting. On the privatisations front, the tender for the sale of the lignite – fired units of PPC, i.e. Meliti and Megalopoli, was relaunched on 8 March and the deadline for the expression of interest expires on 15 March 2019 while the deadline for the submission of final offers expires on 6 May 2019. Meanwhile, according to press reports, the tender for the sale of DEPA Commercial is expected to be launched around 7 or 8 April 2019.

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Tuesday 12 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+

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CYPRUS

The second estimate of Q4-2018 trimmed 0.1ppts off the flash estimate, but confirmed that economic activity remained strong in the last quarter of the past year. Real GDP expanded by 1.0% (down from 1.1% in the flash estimate) on a quarterly basis bringing the annual rate of expansion at 3.8% YoY in Q4-2018 on a seasonally adjusted basis flat compared to Q3-2018 vs. 3.7% YoY in Q4-2017.

From a demand side point of view, final consumption made the strongest contribution. Final consumption expanded by 2.7% QoQ/5.3% YoY in Q4-2018, which is the highest reading in the post-Lehman period, up from 1.0% QoQ/3.8% YoY in Q3-2018 compared to 1.0% QoQ/3.4% YoY in Q4-2017. Sustained sentiment improvement, a flourishing tourism sector (arrivals 7.8% YoY in 2018), improved labor market conditions (unemployment at 8.7% in Q4-2018, now standing very close to EA-19 levels), further property market stabilization (RPPI index in positive territory in the last six quarters) and the impact from fiscal relaxation after the graduation from the programme are among the main drivers behind final consumption revival.

Investments (-11.1% QoQ/-16.5% YoY in Q3) were not as buoyant as in the previous quarters, thus making a negative contribution to this quarter's GDP. Investments have been receiving strong support from the stream of ongoing residential and tourism infrastructure construction projects. The program "citizenship through inward investment" has helped to attract foreign investment in the real estate sector in the form of high-rise residential towers, particularly in the Limassol & Paphos areas. The concomitant imports decline on an annual basis (-6.3% YoY in Q4 vs. 5.9% YoY in Q3), combined with the mediocre exports performance (-0.9% YoY in Q4 vs. -7.2% YoY in Q3) resulted in a positive net exports contribution which offset investments' negative one.

Factoring in the performance of Q4, real GDP is expected to have expanded by 3.9% in 2018 compared to 4.2% in 2017, 4.8% in 2016 and only 2.0% in 2015. The full year output reading vindicated our earlier forecasts and expectations that the solid performance of the Cypriot economy would continue and upside risks to the consensus forecasts existed because of the outstanding investments performance. Looking ahead, the growth trajectory suggests that the economic cycle peak is most probably behind us. The growth dynamics are expected to remain relatively strong in 2019 - yet still weaker than last year- driven primarily again by buoyant foreign-funded investments and solid private consumption.

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Tuesday 12 March 2019

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	0	-14
1-week	2.42	0	-14
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	3.18	-1	11
5Y RSD	3.78	0	27
7Y RSD	3.98	-4	-18

RS Eurobonds

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

CDS

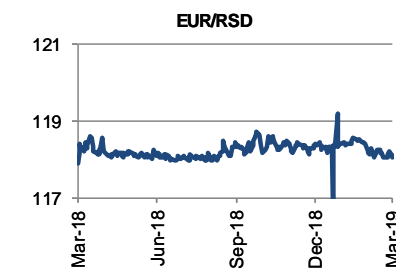
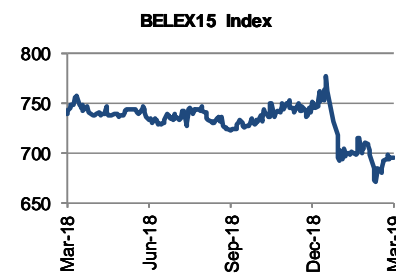
	Last	ΔDbps	ΔYTD bps
5-year	100	-2	-18
10-year	152	-3	-10

STOCKS

	Last	ΔD	ΔYTD
BELEX15	695.0	-0.07%	-8.76%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.10	0.00%	0.12%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.75	0	66
1-month	2.84	0	97
3-month	3.1	0	105
6-month	3.28	0	101
12-month	3.47	0	115

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.64	0	-39
5Y RON	4.22	0	-12
10Y RON	4.67	0	-14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.39	-	-15
USD Jan-24	3.66	0	-57

CDS

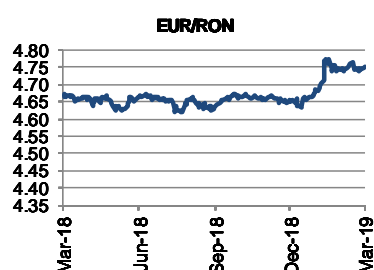
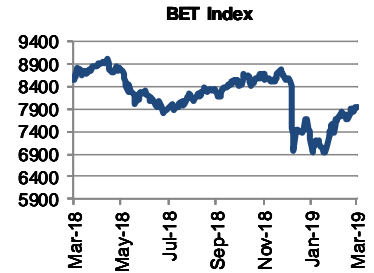
	Last	ΔDbps	ΔYTD bps
5-year	102	0	12
10-year	148	0	15

STOCKS

	Last	ΔD	ΔYTD
BET	7940.4	0.06%	7.54%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7512	-0.04%	-2.04%



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	0.03	3	-9
10Y BGN	0.63	0	-12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	-5	-1
EUR Sep-24	0.22	0	-27

CDS

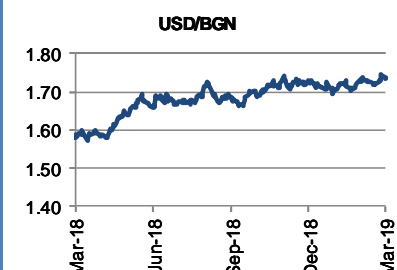
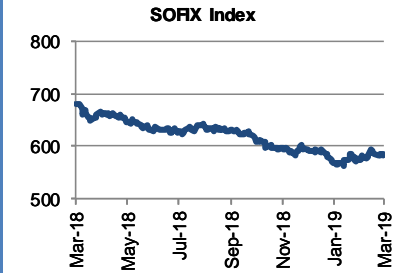
	Last	ΔDbps	ΔYTD bps
5-year	77	0	-19
10-year	119	0	-22

STOCKS

	Last	ΔD	ΔYTD
SOFIX	583.6	-0.02%	-1.82%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7353	0.23%	-1.72%



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

Data updated as of 10:05 EEST

Tuesday 12 March 2019

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