

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 18 March 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Mar 18:
NAHB Housing Market index (Mar.)
- Mar 19:
 - Durable Goods Orders (Jan F.)
 - Factory Orders (Jan)
- Mar 20:
FOMC Interest Rate Decision
- Mar 21:
 - Philadelphia Fed Manufacturing (Mar.)
 - Leading indicators (Feb.)
- Mar 22:
 - Wholesale inventories (Jan.)
 - Existing home sales (Feb.)
 - Monthly Budget Statement (Feb.)

UK

- Mar 20: Parliamentary vote on Brexit

EUROZONE

- Mar 19:
ZEW Survey Expectations (Mar.)
- Mar 21:
 - ECB Economic Bulletin Publication
 - Consumer Confidence
- Mar 22:
Markit Manufacturing, Services, Composite PMIs (Mar. Prel.)

GREECE

- Mar 18 -22:
Credit expansion (Jan.)
- Mar 21:
Current Account Balance (Jan.)

SEE

BULGARIA

- Mar 22:
Current Account Balance (Jan.)

ROMANIA

- Mar 18:
Current Account Balance (Jan.)

SERBIA

- Mar 22:
Current Account Balance (Jan.)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Mirroring Wall Street's best weekly performance of the year last week, Asian equity indices advanced on Monday with Chinese stocks taking the lead. Weaker-than-expected US economic data raised expectations that the Fed could adopt a more dovish stance at its monetary policy meeting on Wednesday, sending 10-yr Treasury yield to 2.58% on Friday, its lowest level since January 4, before retreating marginally higher around 2.59% at the time of writing. In FX markets, the EUR/USD traded around a two-week high of 1.1351 in early European trade on Monday following the dovish interest rates repricing. The GBP/USD was trading around Friday's closing of 1.3289 at the time of writing, not far from last week's nine-month high of 1.3380 on rising expectations that a no-deal Brexit will likely be avoided and that the EU27 leaders will finally agree on an extension of Article 50 during the EU Council meeting on Thursday and Friday.

GREECE: Deliberations between the Greek government and the institutions on the new household insolvency framework have still not borne fruit, with the latter insisting on changes to the proposed framework that will ensure that eligibility is limited only to those that are really financially weak. On the privatisations front, the Hellenic Republic Asset Development Funds (HRADF) unsealed on Friday the three binding offers for the marina of Alimos and will reportedly now request improved offers through an e-auction. Meanwhile, according to PPC, six investor schemes expressed their interest for the lignite-fired units of Meliti and/or Megalopoli.

SOUTH EASTERN EUROPE

CESEE MARKETS: Most emerging market equities and currencies rebounded from two weeks of losses as China's development plan which was announced at the National People's Congress (NPC) that concluded on Friday seems to have soothed investors' concerns about the global growth outlook. Along these trends, the CESEE FX market remained broadly stable. Concluding, this week's CESEE calendar is considered rather light with the expected economic releases referring almost exclusively to the current account balance data as of January.

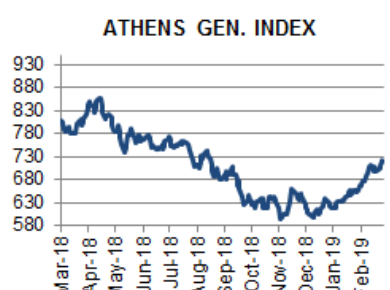
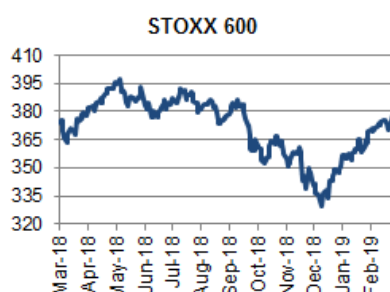
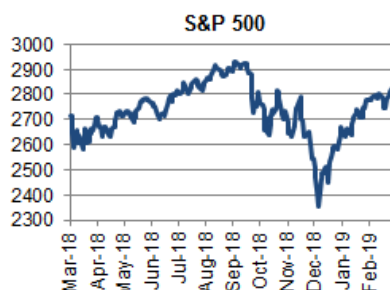
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Monday 18 March 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Mirroring Wall Street's best weekly performance of the year last week, with the S&P 500 index closing at a 5-month high of 2,822.50 points on Friday, Asian equity indices advanced on Monday with Chinese stocks taking the lead. PBoC Governor Yi Gang's comments that the US and China have agreed on many critical issues regarding trade negotiations have also had a positive impact. Weaker-than-expected US economic data raised expectations that the Fed could adopt a more dovish stance at its monetary policy meeting on Wednesday, sending 10-yr Treasury yield to 2.58% on Friday, its lowest level since January 4, before retreating marginally higher around 2.59% at the time of writing. In more detail, the Empire Manufacturing index for March came in at 3.7 from 8.8 in February vs. 10.0 expected, while the industrial and manufacturing production growth rates for February surprised to the downside at +0.1%MoM and -0.4%MoM, vs. +0.4%MoM and +0.1%MoM expected, respectively. The domestic inflation picture also continues to wane, as US CPI inflation stayed soft despite strong wages the week before, while the NY Fed's survey of consumer inflation expectations (-0.2pps to 2.8% in February from 3.0% in the prior month) was the data point that likely inspired the bullish reversal. In FX markets, the EUR/USD traded around a two-week high of 1.1351 in early European trade on Monday following the dovish interest rates repricing with the Fed funds futures pricing in around 40% probability of a rate cut in 2019, compared to almost 0% at the beginning of March driving a compression of the UST-Bund spread differential. The GBP/USD was trading around Friday's closing of 1.3289 at the time of writing, not far from last week's nine-month high of 1.3380 on rising expectations that a no-deal Brexit will likely be avoided and that the EU27 leaders will finally agree on an extension of Article 50 during the EU Council meeting on Thursday and Friday.

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GREECE

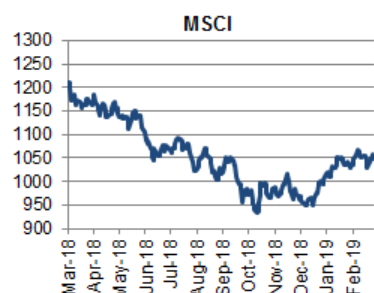
Deliberations between the Greek government and the institutions on the new household insolvency framework have still not borne fruit, with the latter insisting on changes to the proposed framework that will ensure that eligibility is limited only to those that are really financially weak. A solution to the impasse should be found by the 25 March Eurogroup Working Group, which will advise the Eurogroup on whether to approve the further debt relief measures for Greece at its 5 April meeting. On the privatisations front, the Hellenic Republic Asset Development Funds (HRADF) unsealed on Friday the three binding offers for the marina of Alimos and will reportedly now request improved offers through an e-auction. The date and terms of the e-auction will likely be determined at the 26 March HRADF BoD meeting. Meanwhile, according to PPC, six investor schemes expressed their interest for the lignite-fired units of Meliti and/or Megalopoli: 1) BEIJING GUOHUA POWER COMPANY LIMITED and DAMCO ENERGY S.A. (consortium), 2) CHINA WESTERN POWER INDUSTRIAL Co LTD, 3) SEVEN ENERGY AG – INDOVERSE (CZECH) COAL INVESTMENTS LIMITED (consortium), 4) GEK TERNA S.A., 5) ELVALHALCOR HELLENIC COPPER AND ALUMINIUM INDUSTRY S.A. and 6) MYTILINEOS S.A. Five of these investors had also expressed their interest during the first phase of the previous tender, with the only new investor now being CHINA WESTERN POWER INDUSTRIAL Co LTD.

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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 MARKETS

Most emerging market equities and currencies rebounded from two weeks of losses as China's development plan which was announced at the National People's Congress (NPC) that concluded on Friday seems to have soothed investors' concerns about the global growth outlook. As such, on a weekly basis, the MSCI Emerging Markets Equity index registered gains of 2.6% while the respective Currency Index firmed by 0.5%.

Elsewhere in the CESEE region, the picture is broadly aligned with the regional FX market remaining broadly stable, apart from the Hungarian Forint which appreciated slightly amid markets anticipation on the next Central Bank meeting in late March, when gradual monetary policy tightening may appear. The bank has kept the key policy interest rate at a record low of 0.9% since 2016 and some relevant market surveys project a prudent interest rate hike within the H1-2019. In Serbia, despite the inflation pickup in February, EUR/RSD remained within the range bound of 117.95 – 118.25 without any directional bias. On Friday, the pair lost all gains gathered from Monday to Wednesday, dipping to a monthly and annual low of 117.95.

Furthermore, with respect to local bourses, the main Bulgarian equity index SOFIX managed to register modest gains of 0.22% on a weekly basis, concluding on Friday to 583.8 points. In Bulgaria, external government yields continued to move within a 1-3 bps range, while local yields concluded an eventful week, with the 6 year tenor dropping almost 10 bps.

Concluding, this week's regional calendar is considered rather light, filled with the current account balance economic releases of January.

Given the lack of market moving data, region's investors will most probably focus on the global major events of the week which are the FOMC Interest Rate Decision and the Brexit 3rd parliamentary vote both on Wednesday.

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**We would like to thank Zoran Korac from Eurobank Beograd and Ruslan Raychev Eurobank Postbank for their contribution in today's issue*

Monday 18 March 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	2822.48	0.5%	12.6%	EUR/USD	1.1347	0.2%	-1.1%	UST - 10yr	2.60	1	-9	GOLD	1304	0.1%	1.7%
Nikkei 225	21584.50	0.6%	7.8%	GBP/USD	1.3298	0.1%	4.2%	Bund-10yr	0.09	1	-15	BRENT CRUDE	67	0.1%	24.9%
STOXX 600	381.10	0.7%	12.9%	USD/JPY	111.52	0.0%	-1.6%	JGB - 10yr	-0.04	0	-4	LMEX	3020	-0.1%	7.8%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.27	0	-17
1-week	2.39	0	-17
1-month	2.61	0	-12
3-month	2.94	0	-9
6-month	3.08	0	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.16	0	10
5Y RSD	3.77	0	27
7Y RSD	4.05	0	-10

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.74	-2	-26

CDS

	Last	ΔDbps	ΔYTD bps
5-year	105	0	-13
10-year	144	0	-18

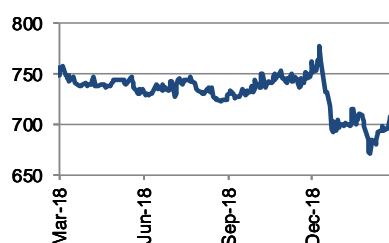
STOCKS

	Last	ΔD	ΔYTD
BELEX15	708.6	0.21%	-6.97%

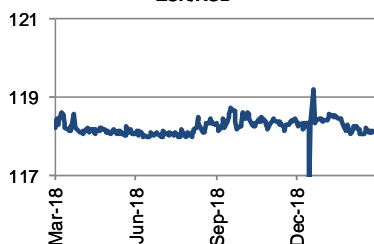
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.22	0.01%	0.02%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.71	0	62
1-month	2.82	0	95
3-month	3.09	0	104
6-month	3.29	0	102
12-month	3.5	0	118

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.75	0	-29
5Y RON	4.40	0	6
10Y RON	4.82	0	1

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.45	-	-9
USD Jan-24	3.58	-1	-66

CDS

	Last	ΔDbps	ΔYTD bps
5-year	99	0	9
10-year	146	0	13

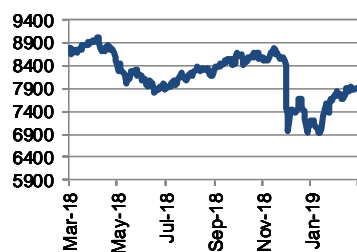
STOCKS

	Last	ΔD	ΔYTD
BET	7911.4	0.63%	7.15%

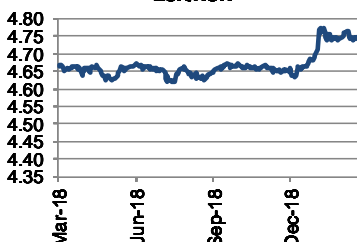
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7515	0.13%	-2.05%

BET Index



EUR/RON



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	-0.16	-1	-10
5Y BGN	0.04	0	-7
10Y BGN	0.60	0	-15

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	-2
EUR Sep-24	0.22	0	-26

CDS

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

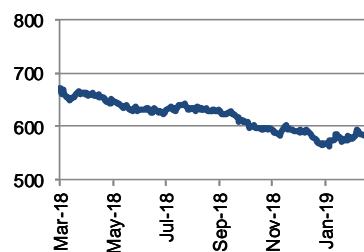
STOCKS

	Last	ΔD	ΔYTD
SOFIX	583.8	0.74%	-1.79%

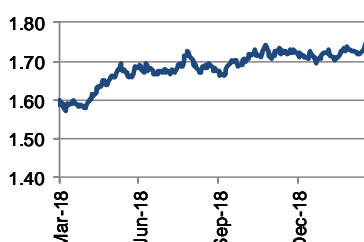
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7239	0.16%	-1.07%

SOFIX Index



USD/BGN



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

Data updated as of 10:05 EEST

Monday 18 March 2019

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