

### 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:** European equity markets opened little changed today as investors adopt a cautious stance ahead of this week's two-day FOMC monetary policy meeting, which commences later today. Meanwhile, Brexit-related uncertainty prevails. The Speaker of the UK House of Commons announced yesterday that, unless the PM's Brexit deal is substantially changed, Theresa May cannot hold another vote on her plan in the same parliamentary session. Given the lack of clarity on the Brexit process, the GBP remains volatile. Elsewhere, the EUR/USD retained a firm tone standing close to Monday's two-week intraday highs supported by a recent dovish shift in short-term FOMC rate tightening expectations.

**GREECE:** The impasse in deliberations between the Greek government and the institutions regarding the new household insolvency framework has not yet been resolved as, according to press reports, the ECB in particular pushes for stricter eligibility criteria. On the economic data front, according to the Bank of Greece, in January – February 2019 the central government cash balance recorded a deficit of €380mn, compared to a surplus of €843mn in the same period of 2018.

### SOUTH EASTERN EUROPE

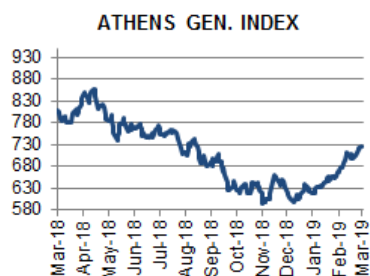
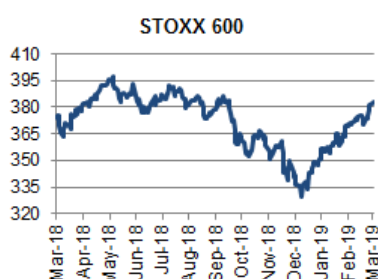
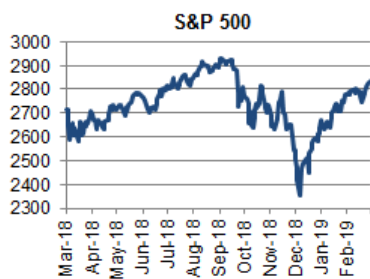
**CYPRUS:** Non-performing exposures (NPEs) posted a minor increase by €10mn in November.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

European equity markets opened little changed today as investors adopt a cautious stance ahead of this week's two-day FOMC monetary policy meeting, which commences later today. Amid slowing global growth momentum and a recent string of soft US data, the Fed is widely expected to stay on hold and retain a wait-and-see stance on its monetary policy. More specifically, it is expected to reiterate the data dependence of its monetary policy and its patience to further rate hikes. The updated median dot plot is likely to show one rate hike for 2019, down from two previously, while it is likely to announce that the balance sheet normalization will conclude by the end of this year. Meanwhile, Brexit-related uncertainty prevails. The Speaker of the UK House of Commons announced yesterday that, unless the PM's Brexit deal is substantially changed, Theresa May cannot hold another vote on her plan in the same parliamentary session, dashing the government's hopes for a third vote ahead of this week's European Council meeting on 21-22 March. As a result, there is ambiguity over the duration of the extension the UK PM will request. In the meantime, unnamed senior EU diplomats were quoted saying that the EU leaders could call off reaching any final decision on a potential Article 50 extension, long or short, unless there is a third vote in the House of Commons ahead of the meeting. Given the lack of clarity on the Brexit process, the GBP remains volatile. In reaction to the announcement by the Speaker of the House of Commons yesterday, the GBP/USD marked a multi-session low of 1.3180, but managed to recover all of its losses hovering around 1.3265/70 in early European trade at the time of writing, slightly higher compared to Monday's close. Elsewhere, the EUR/USD retained a firm tone standing close to Monday's two-week intraday peak of 1.1359 at the time of writing, supported by a recent dovish shift in short-term FOMC rate tightening expectations, following a string of poor US data. Meanwhile, German Bunds and US Treasuries remained well supported, with yields remaining bound within recent ranges. Looking at today's calendar, German ZEW survey for March and UK employment data for January lure market attention.

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### GREECE

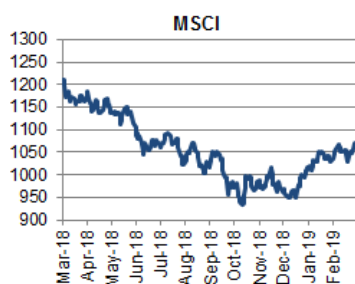
The impasse in deliberations between the Greek government and the institutions regarding the new household insolvency framework has not yet been resolved. According to press reports, the ECB in particular pushes for stricter eligibility criteria, namely: exclusion from protection of corporate debts where the first residence of the debtholder has been used as collateral, a lower threshold of between €100,000-€150,000 for the value of the protected first residence against €250,000 that the Greek side has proposed, 3) the deadline up to which a debt has been deemed non-performing to be 31 October 2018, instead of 31 December 2018, 4) the limit for the real estate property and deposits of eligible debtholders to be set at €100,000 and €5,000 respectively instead of €260,000 and €65,000, 5) the duration of the electronic platform for settlements to be no longer than six months, and 6) the abolition of a parallel judicial procedure. On the economic data front, according to the Bank of Greece, in January – February 2019 the central government cash balance recorded a deficit of €380mn, compared to a surplus of €843mn in the same period of 2018. Ordinary budget revenue stood at €7,409mn compared to €8,216 in the corresponding period of 2018, while ordinary budget expenditure amounted to €7,973mn up from €7,265mn in January-February 2018.

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Tuesday 19 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+

## Latest economic & market developments in the CESEE region

### CYPRUS

On the data front, non-performing exposures (NPEs) posted a minor increase by €10mn in November. Recall that, NPEs decreased by €5.6bn in September – reflecting the carve out of the Cyprus Cooperative Bank (CCB) bad loans – after registering minor decreases in August and July compared to €3.3bn in June, bringing the stock of NPEs down by 59.3% over the period from December 2014 to November 2018. Having decreased by €6.6bn from €41.3bn in June 2018 to €34.6bn in September 2018, loan exposures (performing plus non-performing) expanded by €42mn in November, which is a higher increase than the rise in their non-performing component alone. Despite the loans rise, the ratio of NPEs (non-performing to total exposures) remained flat at 31.8% in November vs. the previous two months, down from 40.3% in June 2018, compared to 43.7% in December 2017, 47.2% in December 2016, 45.8% in December 2015 and 47.8% in December 2014. Recall that according to the EBA conservative definition, a restructured NPE is still classified as an NPE for a probation period of at least 12 months, even if it is properly serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified as NPEs (€4.9bn out of €7.1bn in November 2018).

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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	2832.94	0.4%	13.0%	EUR/USD	1.1355	0.2%	-1.0%	UST - 10yr	2.59	-1	-10	GOLD	1306	0.2%	1.8%
Nikkei 225	21566.85	-0.1%	7.8%	GBP/USD	1.3261	0.1%	3.9%	Bund-10yr	0.08	-1	-17	BRENT CRUDE	68	0.5%	26.2%
STOXX 600	383.25	0.3%	13.5%	USD/JPY	111.28	0.1%	-1.4%	JGB - 10yr	-0.04	-1	-4	LME X	3027	0.2%	8.1%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	3	-14
1-week	2.42	3	-14
1-month	2.64	3	-9
3-month	2.97	3	-6
6-month	3.11	3	-7

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.16	0	10
5Y RSD	3.77	0	27
7Y RSD	4.06	0	-10

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.71	-1	-29

**CDS**

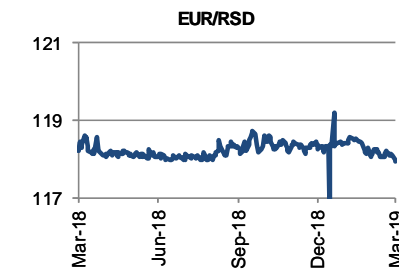
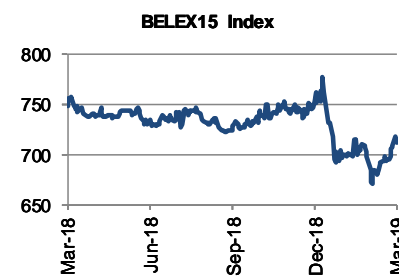
	Last	ΔDbps	ΔYTD bps
5-year	104	-1	-14
10-year	143	-1	-19

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	712.0	-0.74%	-6.52%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.14	0.01%	0.08%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.51	0	142
1-month	2.87	0	100
3-month	3.1	0	105
6-month	3.3	0	103
12-month	3.49	0	117

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.70	0	-33
5Y RON	4.37	0	3
10Y RON	4.78	0	-3

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.43	-	-10
USD Jan-24	3.55	-4	-68

**CDS**

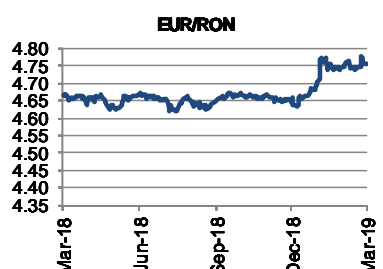
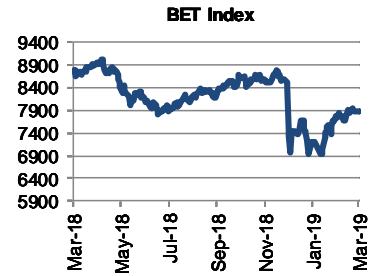
	Last	ΔDbps	ΔYTD bps
5-year	99	0	9
10-year	146	0	13

**STOCKS**

	Last	ΔD	ΔYTD
BET	7889.2	0.07%	6.85%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.755	0.01%	-2.12%



**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	-9
5Y BGN	0.05	4	-7
10Y BGN	0.57	0	-18

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	-2
EUR Sep-24	0.22	0	-27

**CDS**

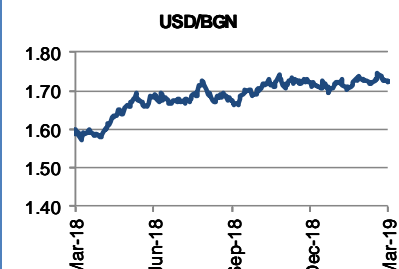
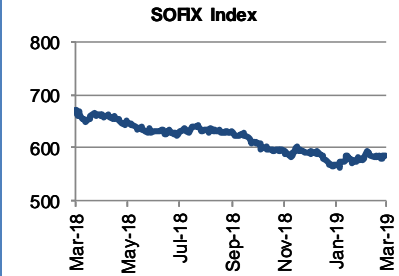
	Last	ΔDbps	ΔYTD bps
5-year	77	0	-19
10-year	120	1	-22

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	585.6	-0.08%	-1.50%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7225	0.14%	-0.99%



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

Data updated as of 10:35 EEST

Tuesday 19 March 2019

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