

### 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:** Awaiting the conclusion of the Fed's monetary policy meeting, European bourses opened lower today on appetite for some profit taking following yesterday's hefty gains. Headlines suggesting that a final trade agreement between the US and China may be reached later than expected, might have also had an impact. Meanwhile, Brexit discussions continue to lure market attention with UK PM Theresa May expected to send a letter to EU Council President Donald Tusk today, outlining her request for an extension of the Article 50 deadline. Core government bond yields were lower on the day, while, in FX markets, the USD regained some ground favored by reports of further US/China tensions.

**GREECE:** The teleconference that took place yesterday between the Greek government and the institutions regarding the new household insolvency framework did not lead to an agreement. The two sides aim at resolving the issue ahead of the 25 March Euroworking Group so that the 5 April Eurogroup may consent to the implementation of the further debt relief measures for Greece. The tender for the privatisation of DEPA Commercial will reportedly be launched on 8 April while binding offers for HELPE are expected in the first week of April, if no further extension is given.

### SOUTH EASTERN EUROPE

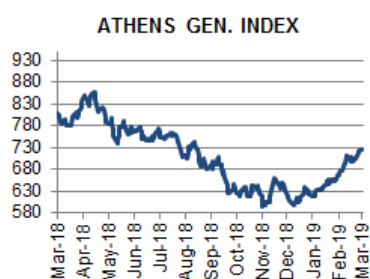
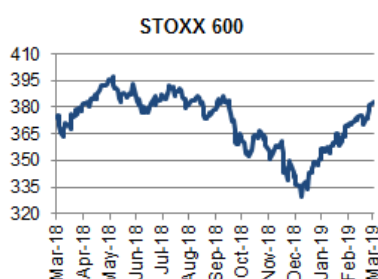
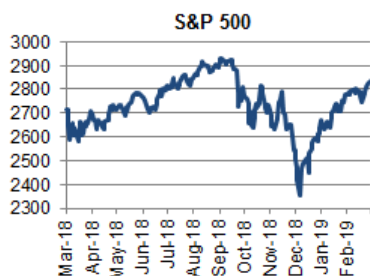
**ROMANIA:** The Standard & Poor's (S&P) global ratings agency affirmed the BBB-/A-3 rating with a stable outlook for the short term and long term sovereign debt both in national and foreign currencies on past Friday. The decision came with a two weeks delay regarding the outlook at the request of the Romanian Government which pledged to revise some of the crucial provisions included in the controversial fiscal emergency ordinance 114. Following the 4.1% GDP growth rate in 2018, S&P projects a slowdown of the economy at 3.5% for 2019 due to softer external demand and weaker private investments with moderate growth dynamics of around 3.0% annually for the next three years.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market focus is on the FOMC monetary policy meeting, which concludes tonight. Amid slowing global growth momentum and relatively subdued US inflation pressures, the Fed is widely expected to stay on hold, keeping the federal funds rate unchanged at 2.25-2.50%. The post-meeting statement will likely reiterate its data dependence monetary policy and its patience to further rate hikes. The updated Summary of Economic Projections is likely to continue pointing to a positive US growth outlook but inflation estimates might be revised slightly lower. As regards the updated median dots, they are likely to show fewer rate hikes throughout the forecast horizon, while the Fed is also likely to announce that it will conclude the balance sheet normalization by the end of this year.

Awaiting the conclusion of the Fed's monetary policy meeting, European bourses opened lower today on appetite for some profit taking following yesterday's hefty gains. Headlines suggesting that a final trade agreement between the US and China may be reached later than expected, might have also had an impact. Unnamed senior officials were quoted saying that China is pushing back against US demands, and assuming that all open issues will be successfully addressed, US President Donald Trump and his Chinese counterpart Xi Jinping may meet in June and not April, as recently reported. Meanwhile, Brexit discussions continue to lure market attention. UK PM Theresa May is expected to send a letter to EU Council President Donald Tusk today, outlining her request for an extension of the Article 50 deadline. According to some press report, the PM is likely to request a short extension on the condition that her Brexit deal will get through the House of Commons by mid-April, otherwise the choice would be a long extension that would request the UK to participate in the European Parliament election. Core government bond yields were lower on the day with the 10-yr Bund yield moving back within the recent zone of 0.05-0.10% following a near two-week peak of 0.124% yesterday. In FX markets, the USD regained some ground favored by reports of further US/China tensions. The DXY index was hovering around 95.520 in early European trade at the time of writing, 0.2% higher from yesterday's two-week highs, but still well below 97.710 recent high (7 March).

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### GREECE

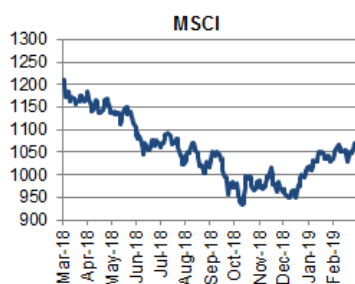
The teleconference that took place yesterday between the Greek government – with the participation of the FinMin Euclid Tsakalotos among others – and the institutions regarding the new household insolvency framework did not lead to an agreement. The differences between the two sides concern the eligibility criteria for the protection of the primary residence in the government's proposal, which the institutions consider too lax, leaving room for strategic defaulters to take advantage of the law and not contributing the development of a payment culture. In any case, the two sides aim at resolving the issue ahead of the 25 March Euroworking Group so that the 5 April Eurogroup may consent to the implementation of the further debt relief measures for Greece. On the privatisations' front, the tender for the privatisation of DEPA Commercial will reportedly be launched on 8 April while binding offers for HELPE are expected in the first week of April, if no further extension is given.

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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

### ROMANIA

The Standard & Poor's (S&P) global ratings agency affirmed the BBB-/A-3 rating with a stable outlook for the short term and long term sovereign debt both in national and foreign currencies on past Friday. The decision came with a two weeks delay regarding the outlook at the request of the Romanian Government, which pledged to revise some of the crucial provisions included in the controversial fiscal emergency ordinance 114. Despite the rating affirmation, S&P stated that there is a sizeable probability of a downgrade in the next 12 to 24 months if the pledged fiscal policy reversal proves insufficient in preventing a pronounced economic downturn.

The controversial governmental decree, issued in late December imposes, inter alia, domestic natural gas producers to sell their output to suppliers at regulated prices, enforces new taxes on banks depending on the assets they are holding on their balance sheets with the taxes being tied to the money market interest rates and establishes new rules for the operation of private pension funds. It was seriously criticized by the European Central Bank, the European Commission, the country's President Klaus Iohannis, local market participants and private investors resulting, thus, in a scrutinizing review of the emergency ordinance.

Apart from the firm governmental reassurance that the aforementioned legislation will be thoroughly recalibrated, S&P grounded its decision for keeping Romania's rating unchanged on the country's moderate external private and public debt levels and still strong growth prospects.

Following the 4.1% GDP growth rate in 2018, S&P projects a slowdown of the economy at 3.5% for 2019 due to softer external demand and weaker private investments with moderate growth dynamics of around 3.0% annually for the next three years.

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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	2832.57	0.0%	13.0%	EUR/USD	1.1346	0.0%	-1.1%	UST - 10yr	2.60	-1	-8	GOLD	1303	-0.3%	1.6%
Nikkei 225	21608.92	0.2%	8.0%	GBP/USD	1.3236	-0.2%	3.7%	Bund-10yr	0.10	1	-14	BRENT CRUDE	68	0.3%	26.0%
STOXX 600	384.29	0.6%	13.8%	USD/JPY	111.6	-0.2%	-1.7%	JGB - 10yr	-0.04	0	-4	LMEX	3050	0.8%	8.9%

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	0	-14
1-week	2.41	-1	-15
1-month	2.63	-1	-10
3-month	2.97	0	-6
6-month	3.09	-2	-9

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.16	0	9
5Y RSD	3.77	0	27
7Y RSD	4.06	0	-10

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.70	-1	-30

#### CDS

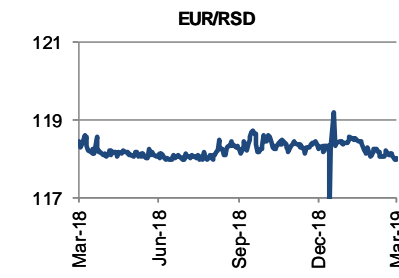
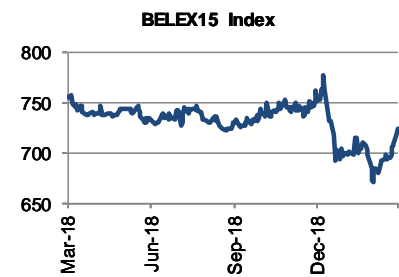
	Last	ΔDbps	ΔYTD bps
5-year	102	-2	-16
10-year	142	-1	-20

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	722.5	0.72%	-5.14%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.94	0.14%	0.25%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.91	0	82
1-month	2.91	0	104
3-month	3.12	0	107
6-month	3.31	0	104
12-month	3.51	0	119

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.64	0	-39
5Y RON	4.35	0	1
10Y RON	4.76	0	-5

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.45	-	-9
USD Jan-24	3.58	0	-66

#### CDS

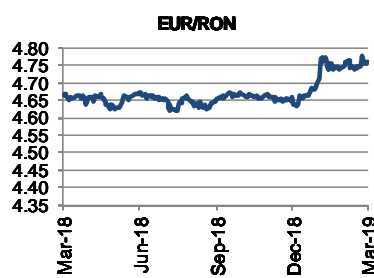
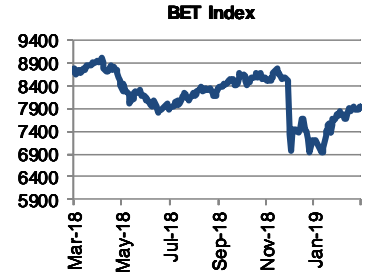
	Last	ΔDbps	ΔYTD bps
5-year	95	-5	5
10-year	139	-7	6

#### STOCKS

	Last	ΔD	ΔYTD
BET	7947.7	0.82%	7.64%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7608	0.02%	-2.24%



### 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	-0.14	0	-9
5Y BGN	0.05	0	-6
10Y BGN	0.55	0	-20

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	-1	-2
EUR Sep-24	0.22	0	-26

#### CDS

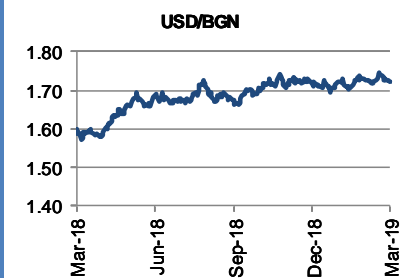
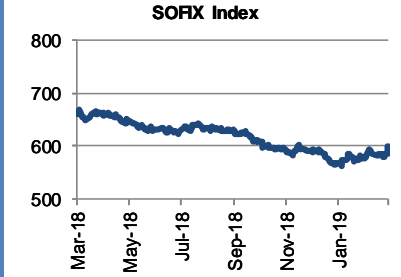
	Last	ΔDbps	ΔYTD bps
5-year	75	-3	-22
10-year	118	-1	-23

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	600.4	2.45%	1.00%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7239	-0.05%	-1.07%



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

Data updated as of 9:15 EEST

Wednesday 20 March 2019

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