

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: The FOMC surprised markets on the dovish side at this week's policy meeting, which concluded late yesterday. The updated dots revealed that the Committee removed both of its implied rate hikes for this year and announced its intention to conclude the balance normalization at the end of September, a bit earlier than expected. In reaction to the more dovish than expected FOMC policy outcome, the USD weakened and US Treasuries firmed. A two-day EU Council summit starts today, where the EU27 leaders will discuss UK PM Theresa May's written request in a letter sent to European Council President Donald Tusk yesterday, for a three-month extension of the Article 50 deadline to 30 June. However, given the lack of clarity on how the PM can get her Brexit deal through the parliament, no final decision is expected to be reached this week. Meanwhile, trade war jitters prevail, with US President Donald Trump announcing yesterday that the US may leave tariffs on Chinese goods for a "substantial" period to ensure that China complies with any trade agreement.

GREECE: No agreement was reached between the Greek government and the European Commission, the ESM and the IMF on the new primary residence protection scheme aiming to replace Law 3869/2010.

SOUTH EASTERN EUROPE

ROMANIA: According to preliminary data published by the National Bank of Romania (NBR), the current account (CA) deficit widened sizably to EUR114mn in January 2019 compared to EUR7mn in January 2018. Since last October, the country's current account has entered into a widening spiral which is largely attributed to a broadening trade deficit. In terms of financing, total FDI in January almost doubled in a year as it reached EUR362mn. Finally, external debt in January decreased slightly by EUR91mn (0.1% MoM). As such, Romania's gross external debt decreased to 46.0% of the projected for 2019 GDP compared to 46.4% in December 2018.

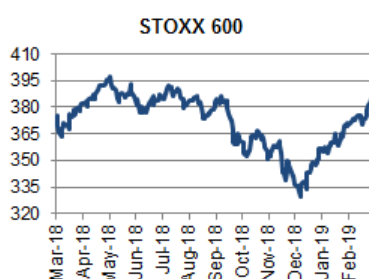
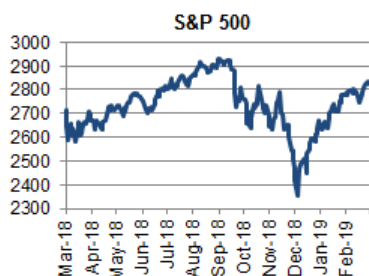
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Thursday 21 March 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The FOMC surprised markets on the dovish side at this week's policy meeting which concluded late yesterday. The Committee left the federal funds rate unchanged at 2.25%-2.50% and reiterated the data dependence of its monetary policy, as it was expected. However, adopting a more dovish than expected stance, the updated dots revealed that it removed both of its implied rate hikes for this year. For 2020, the dot plot implied one rate hike, as was the case previously, but the federal funds rate is now not expected to reach the longer-run natural rate over the three-year forecast period. According to the updated Summary of Economic Projections, GDP growth projection for both 2019 and 2020 was revised lower to 2.1% and 1.9%, respectively, the unemployment rate is now seen slightly higher over the coming three years, while the inflation rate is not expected to move above the 2.0% target over the three-year forecast period. Finally, the Committee announced its intention to conclude the balance normalization at the end of September, a bit earlier than expected, while, aiming to ensure a smooth transition, it will start as soon as in May to reduce its monthly caps on Treasuries reinvestment to \$15bn, from \$30bn currently. In reaction to the more dovish than expected FOMC policy outcome, the USD weakened with the DXY index hovering around 96.100 in early European trade at the time of writing, not too far from yesterday's six-week post-FOMC trough of 95.740. Meanwhile, US Treasuries firmed with long-dated paper outperforming, taking the 2/10-yr yield spread close to 12.50bps, the narrowest since mid-December 2018. Turning to global equity markets, European bourses were mixed in early trade, as the dovish surprise by the Fed was counterbalanced by lingering Brexit uncertainty and ongoing trade war jitters. A two-day EU Council summit starts today, where the EU27 leaders will discuss UK PM Theresa May's written request in a letter sent to European Council President Donald Tusk yesterday, for a three-month extension of the Article 50 deadline to 30 June. However, given the lack of clarity on how the PM can get her Brexit deal through the parliament, no final decision is expected to be reached this week. In a statement published yesterday, Donald Tusk left open the door to an extraordinary EU Council meeting later this month, following comments by UK PM in a live TV address that she intends to bring back her deal for a third vote next week. Adding to market jitters, US President Donald Trump said yesterday that the US may leave tariffs on Chinese goods for a "substantial" period to ensure that China complies with any trade agreement. Looking at the remainder of the day, the BoE MPC is expected to stay put at today's meeting while, on the data front, the European Commission Economic Sentiment Indicator (ESI) and the US Philly Fed Business Outlook Survey, both for March, lure market attention.

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GREECE

No agreement was reached between the Greek government and the European Commission, the ESM and the IMF on the new primary residence protection scheme aiming to replace Law 3869/2010 (Katseli's Law). According to press reports the main area of disagreement is related to the size of the perimeter of the loans that can be included in the new protection scheme. At a conference in Athens yesterday, Declan Costello, the Head of the European Commission's mission of Greece, mentioned that he was optimistic for a solution even though there is still some way to go for the finalization of the new scheme. According to press reports the Greek government aims to submit to parliament the new primary residence protection scheme by March 22 2019. However, this does not preclude further changes and amendments ahead of the vote.

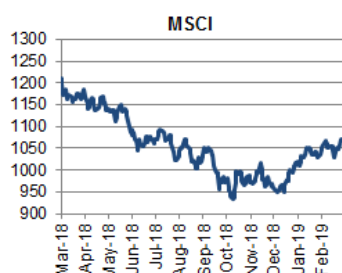
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BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* 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

According to preliminary data published by the National Bank of Romania (NBR), the current account (CA) deficit widened sizably to EUR114mn in January 2019 compared to EUR7mn in January 2018. Since last October, the country's current account has entered into a widening spiral, which is largely attributed to a broadening trade deficit. That said, the CA deficit in FY2018 exceeded the warning threshold of 4% of GDP compared to 3.2% and 2.1% in 2017 and 2016 respectively. Similarly, in January, the trade deficit increased by 61.1% YoY reaching EUR1.3bn. The strong imports growth dynamics (+9.6% YoY) on the back of robust private consumption outpaced the modest exports growth (+1.5% YoY).

Breaking down the CA components, the trade component was the only element weighing negatively on the overall balance in January. That said, the services balance posted a surplus of EUR623mn, enhanced by 8.2% surplus compared to January 2018, attributed to the internet and telecommunications (ITC) and transport segments. Moreover, the net primary income surplus came in at EUR250mn, which is more than 3 times higher compared to January 2018 while the secondary income balance posted a higher by 111% YoY surplus of EUR268mn.

In terms of financing, total FDI in January almost doubled in a year as it reached EUR362mn, out of which almost 95% pertains to equity placements (including reinvestments of net earnings) and only 5% referred to intragroup lending.

While current account, and specifically trade accounts dynamics in January appear burdened and, thus, their future trajectory will remain on our focus, the country's external debt decreased slightly by EUR91mn (0.1% MoM) in January. As such, Romania's gross external debt decreased to 46.0% of the projected for 2019 GDP compared to 46.4% in December 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	2824.23	-0.3%	12.7%	EUR/USD	1.1422	0.1%	-0.4%	UST - 10yr	2.52	-1	-17	GOLD	1320	0.6%	2.9%
Nikkei 225	21608.92	0.2%	8.0%	GBP/USD	1.3196	0.0%	3.4%	Bund-10yr	0.06	-3	-18	BRENT CRUDE	69	0.0%	27.4%
STOXX 600	380.84	-0.9%	12.8%	USD/JPY	110.41	0.3%	-0.6%	JGB - 10yr	-0.04	0	-4	LME X	3056	0.2%	9.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	0	-14
1-week	2.40	-1	-16
1-month	2.64	1	-9
3-month	2.98	1	-5
6-month	3.09	0	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.15	-1	8
5Y RSD	3.77	0	27
7Y RSD	4.05	-1	-10

RS Eurobonds

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

CDS

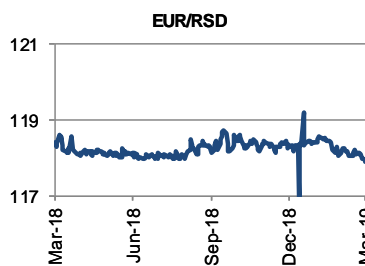
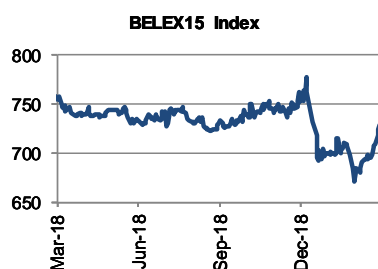
	Last	ΔDbps	ΔYTD bps
5-year	108	6	-10
10-year	145	2	-18

STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.1	0.65%	-4.41%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.97	0.51%	0.23%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.74	0	65
1-month	2.95	0	108
3-month	3.13	0	108
6-month	3.3	0	103
12-month	3.5	0	118

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.65	0	-39
5Y RON	4.34	0	0
10Y RON	4.77	0	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.46	-	-8
USD Jan-24	3.58	0	-65

CDS

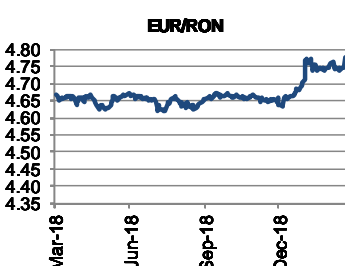
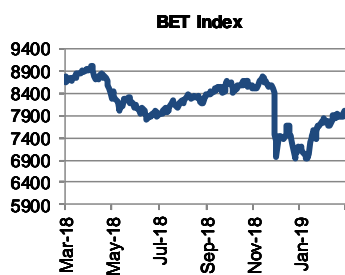
	Last	ΔDbps	ΔYTD bps
5-year	103	3	13
10-year	141	2	8

STOCKS

	Last	ΔD	ΔYTD
BET	8019.0	0.90%	8.60%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7538	0.03%	-2.10%



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	-2	-9
5Y BGN	0.07	1	-5
10Y BGN	0.57	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	-3
EUR Sep-24	0.22	0	-26

CDS

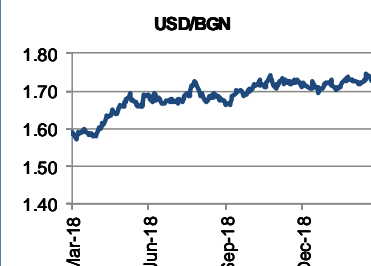
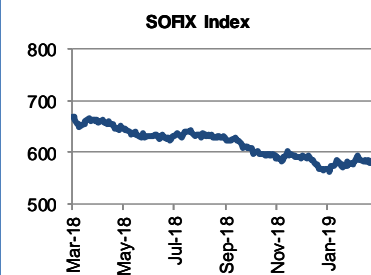
	Last	ΔDbps	ΔYTD bps
5-year	83	8	-14
10-year	120	2	-22

STOCKS

	Last	ΔD	ΔYTD
SOFIX	588.9	-1.92%	-0.94%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7123	0.08%	-0.40%



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

Data updated as of 9:15 EEST

Thursday 21 March 2019

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