

Friday 22 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: The majority of European bourses opened higher on Friday but gave back all gains standing into negative territory at the time of writing following negative surprises in the flash Eurozone PMIs for March 2019. German Bunds firmed with the 10-yr yield falling close to 0.0% earlier today for the first time since late 2016. In FX markets, the DXY index was slightly firmer on the day, albeit still poised for a second consecutive weekly drop, pressured by lower US Treasury yields. Elsewhere, the GBP bounced after recording yesterday the sharper daily drop so far this year on prolonged Brexit uncertainty.

GREECE: According to the Hellenic Statistical Authority (ELSTAT) in January 2019 the overall turnover index in industry decreased by 7.6%YoY while in January 2018, the corresponding annual rate of change of the Overall Turnover Index in Industry was 13.4%. For the period February 2018 to January 2019, the average overall turnover index in industry increased 9.4%YoY whereas in the period February 2017 to January 2018 it had increased by 10.9%.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets firmed modestly following the US Federal Reserve's dovish forward guidance on Wednesday. US Fed Chairman's statements that implied a lower trajectory of US interest rates seem to have reined, presumably temporarily, investors' sentiment over global economic slowdown and as such emerging markets benchmark indices across all asset classes moved positively. Elsewhere in the region, the landscape is quite similar amid lack of important local developments.

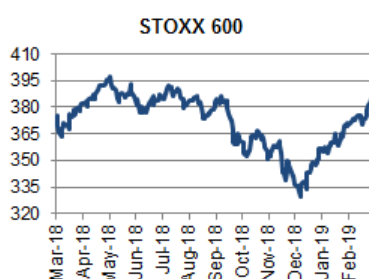
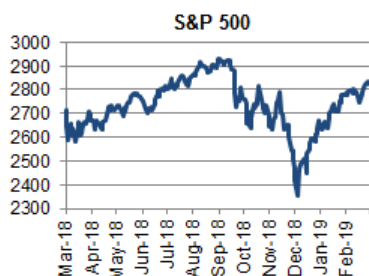
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Friday 22 March 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of European bourses opened higher on Friday but gave back all gains standing into negative territory at the time of writing following negative surprises in the flash Eurozone PMIs for March 2019. Flash Services PMI Activity Index came in at a two-month low of 52.7, as expected, from February's 52.8. However, flash Manufacturing PMI Output Index dipped further into negative territory coming in at a lower than expected 47.4, the lowest in near six years, from 49.4 in February. In reaction to the above, German Bunds firmed, with the 10-yr yield falling close to 0.0% earlier today for the first time since late 2016. Along these lines, US Treasuries retained a firm tone in early European trade as investors continue to digest the more dovish than expected outcome of this week's FOMC monetary policy meeting. Long-dated US paper continued to outperform with the 10-yr yield hovering around 2.50% at the time of writing, the lowest since early January 2018. As a result, the 2/10-yr yield curve undertook some further bullish narrowing for the sixth consecutive session with the respective spread standing close to a four-month low of 12bp. A string of positive US data releases yesterday, which somewhat eased worries over an economic hard-landing in the US, was shrugged off. The Conference Board's leading economic index rose by 0.2%MoM in February, marking the first increase in the last five months and initial jobless claims fell by a higher than expected 9,000 to a seasonally adjusted 221,000 in the week ended March 16, pointing to still positive labor market conditions, although the pace of employment growth has slowed over the last few months. The Philly Fed Business Conditions Index rebounded sharply in March, shifting back into positive territory to a higher than expected 13.7 from -4.1 in February, the first negative reading since May 2016. However, the breakdown of the survey was less rosy than the headline revealing a sharp drop in the six-month business conditions index and a subdued recovery in new orders. In FX markets, the DXY index was slightly firmer on the day, albeit still poised for a second consecutive weekly drop, pressured by lower US Treasury yields. Elsewhere, the GBP bounced after recording yesterday the sharper daily drop so far this year on prolonged Brexit uncertainty. The EU27 leaders unanimously agreed to extend the Article 50 deadline to 22 May on the condition that UK Prime Minister Theresa May's Brexit deal will be approved by the House of Commons next week. Should the deal be rejected again, a further extension to 12 April will be granted by when the UK government will have to provide the EU Council with a way forward.

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GREECE

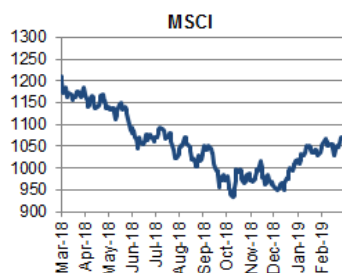
According to the Hellenic Statistical Authority (ELSTAT) in January 2019 the overall turnover index in industry decreased by 7.6%YoY while in January 2018, the corresponding annual rate of change of the Overall Turnover Index in Industry was 13.4%. It is reminded that the s.a. IHS Markit Greece Manufacturing PMI registered 53.7 in January, slightly down from 53.8 in December, but broadly in line with the levels seen since the middle of 2018 while in February it stood at 54.2. Furthermore, according to the EC business and consumer survey data, in January 2019 confidence in industry had improved by 0.4 units. For the period February 2018 to January 2019, the average overall turnover index in industry increased 9.4%YoY whereas in the period February 2017 to January 2018 it had increased by 10.9%. As regards the sub-indices of the industrial sections, in January 2019 the turnover index in mining and quarrying decreased by 24.1%YoY, while the turnover index in manufacturing dropped by 7.4%.

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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

Emerging market assets firmed modestly following the US Federal Reserve's dovish forward guidance on Wednesday. Jerome Powell's statements that implied a lower trajectory of US interest rates seem to have reined, presumably temporarily, investors' sentiment over global economic slowdown and consequently Emerging markets MSCI equity index concluded yesterday's session marginally higher at 1.070 after touching almost weeks ago a 7 month high at 1.071. The respective currency index stood at 1.653, continuing a 4 days positive streak and approaching end of January's level at 1.656, which is considered a nine month high.

Concluding, pressure on emerging markets sovereign bond spreads also eased with the JP Morgan Emerging markets Bond Index (EMBI plus) moving lower by 1% and returning to end of January's mid-levels.

Elsewhere in the region, the landscape is quite similar amid lack of important data announcements. Most regional currencies firmed modestly against the euro apart from the Polish Zloty, which concluded yesterday's session depreciated by 0.15% but has kicked off the day on a positive footing, standing at the time of writing at 4.290 compared to yesterday's 4.285 closing price. Most regional bourses such as in Prague, Bucharest and Belgrade posted insignificant gains while equity markets in Budapest and Sofia closed marginally in the red.

This week's regional calendar was rather light filled with current account balance data for January. The week concludes with Serbia's reading, which will be released later today by the National Bank of Serbia (NBS).

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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	2854.88	1.1%	13.9%	EUR/USD	1.1321	-0.5%	-1.3%	UST - 10yr	2.52	-2	-17	GOLD	1311	0.1%	2.2%
Nikkei 225	21627.34	0.1%	8.1%	GBP/USD	1.3108	0.0%	2.7%	Bund-10yr	0.02	-2	-22	BRENT CRUDE	68	-0.2%	25.9%
STOXX 600	381.40	0.2%	13.0%	USD/JPY	110.7	0.1%	-0.9%	JGB - 10yr	-0.07	-3	-7	LME X	3027	-1.0%	8.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.30	0	-14
1-week	2.41	1	-15
1-month	2.64	0	-9
3-month	2.97	-1	-6
6-month	3.09	0	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.15	0	9
5Y RSD	3.77	0	27
7Y RSD	4.06	0	-10

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.66	-1	-34

CDS

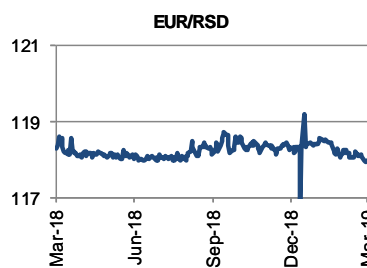
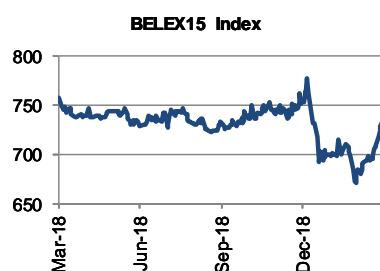
	Last	ΔDbps	ΔYTD bps
5-year	108	0	-10
10-year	145	0	-18

STOCKS

	Last	ΔD	ΔYTD
BELEX15	731.7	0.50%	-3.93%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.99	-0.02%	0.21%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.76	0	67
1-month	3	0	113
3-month	3.14	0	109
6-month	3.31	0	104
12-month	3.5	0	118

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.62	0	-41
5Y RON	4.28	0	-6
10Y RON	4.73	0	-8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.43	-	-11
USD Jan-24	3.44	-4	-80

CDS

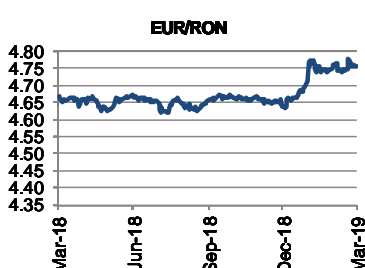
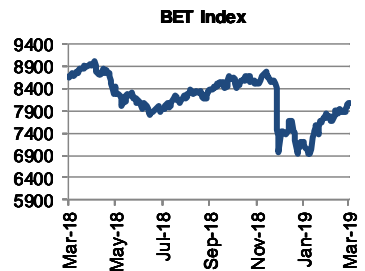
	Last	ΔDbps	ΔYTD bps
5-year	103	0	13
10-year	141	0	8

STOCKS

	Last	ΔD	ΔYTD
BET	8066.4	0.23%	9.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.756	-0.08%	-2.14%



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	-0.25	-2	-20
5Y BGN	0.04	0	-7
10Y BGN	0.56	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.06	-3	-2
EUR Sep-24	0.20	1	-28

CDS

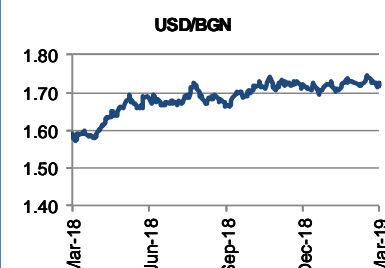
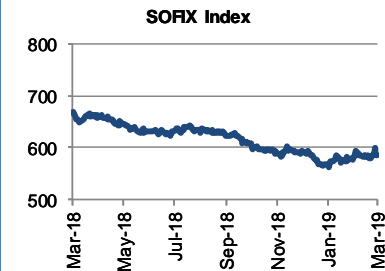
	Last	ΔDbps	ΔYTD bps
5-year	80	-3	-17
10-year	125	5	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	585.7	-0.04%	-1.47%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7276	-0.48%	-1.28%



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

Data updated as of 10:05 EEST

Friday 22 March 2019

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