

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Tuesday 26 February 2019

KEY UPCOMING DATA
& EVENTS THIS WEEK

US

- Feb 25: Wholesale inventories (Jan)
- Feb 26
 - Housing starts & permits (Jan)
 - CB consumer confidence (Feb)
 - Fed Chair testifies before Senate Banking Committee
- Feb 27:
 - Factory orders (Dec)
 - Pending home sales (Dec)
- Feb 28:
 - GDP (Q4 2018)
 - Chicago PMI (Feb.)
- Mar 01:
 - Personal income * spending (Dec)
 - ISM manufacturing (Feb)
 - UM consumer confidence (Feb., final)

EUROZONE

- Feb 27:
 - M3 money supply (Jan)
 - Economic confidence (Feb)
- Mar 01:
 - Markit manufacturing PMI (Feb., final)
 - CPI (Feb., prel.)
 - Unemployment rate (Jan)

GREECE

- Feb 28: Retail sales (Dec)
- Mar 01: Markit manufacturing PMI (Feb)

SEE

BULGARIA

- Feb 28
 - Gross external debt (Dec)
 - Budget balance (Jan)
 - Key Policy Interest Rate announcement

ROMANIA

- Mar 01:
 - Unemployment rate (Jan.)
 - International reserves (Feb)

SERBIA

- Feb 25: Real gross wages (Dec)
- Feb 28: GDP (Q4)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian bourses ended lower today and major European bourses opened under some pressure as investors curb their enthusiasm about a constructive outcome in US/China trade talks and wait for more details, including, for how long the tariff deadline will be extended and when the US President will meet his Chinese counterpart to conclude a potential “meaningful deal”. Meanwhile, US Treasury and German Bund yields were little changed on the day, ahead of Fed Chair Jerome Powell’s semi-annual testimony on “Monetary Policy and the State of the Economy” before the Senate Banking Committee later today (16:00 CET). In FX markets, EUR/USD consolidation within the 1.1300-1.1400 range continues while the GBP gained ground on hopes that the 29 March Brexit deadline may be extended. The UK Labour Party confirmed last night that, at the key vote on the government’s Brexit strategy on Wednesday, it will vote in favour of the Cooper amendment, which suggests extension of Article 50 if Theresa May’s Brexit deal has not passed the House of Commons by 13 March.

GREECE: The institutions and Greek banks reportedly still have some concerns with regard to the proposed new household insolvency framework but the government may be willing to reach a compromise in order to close the issue as soon as possible. The 2nd EPPS review is expected tomorrow while the 11 March Eurogroup is expected to decide on the return of the SMP/ANFA profits and the abolition of the step-up interest rate. The Minister of Finance Euclid Tsakalotos and the Governor of the Bank of Greece Yiannis Stournaras met yesterday to discuss the two schemes proposed by the HFSF and the BoG for the reduction of NPLs. The HFSF proposal has already been submitted to DGComp for approval.

SOUTH EASTERN EUROPE

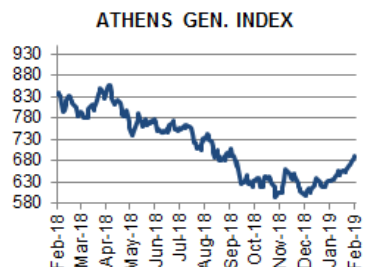
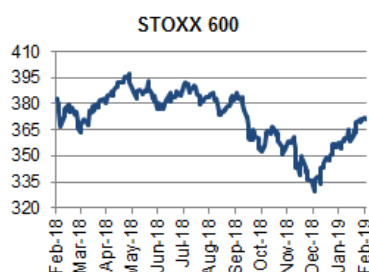
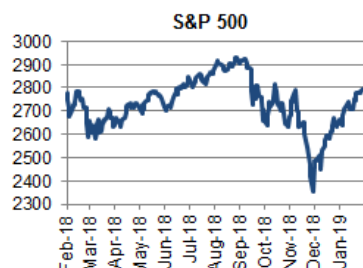
BULGARIA: Credit activity edged up to 8.5% YoY in January 2019 – at the highest rate since June 2009 – up from 8.4% YoY in December 2018.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian bourses ended lower today and major European bourses opened under some pressure as investors curb their enthusiasm about a constructive outcome in US/China trade talks and wait for more details, including, for how long the tariff deadline will be extended and when the US President will meet his Chinese counterpart to conclude a potential “meaningful deal”. Meanwhile, US Treasury and German Bund yields were little changed on the day, ahead of Fed Chair Jerome Powell’s semi-annual testimony on “Monetary Policy and the State of the Economy” before the Senate Banking Committee later today (16:00 CET). The tone of his prepared remarks should be similar to that of his recent speeches and the minutes of the 29-30 FOMC policy meeting released last week (the Fed’s monetary policy report itself was already published last Friday). However, in the Q&A session, the Fed Chair may provide hints on the balance-sheet adjustment which could have some impact on US sovereign paper. On today’s data front, key releases include US housing data and CB consumer confidence but investors may pay more attention to the data releases scheduled for the remainder of the week including the advance estimate of US Q4 GDP 2018 on Thursday and Eurozone February inflation data on Friday. In FX markets, EUR/USD consolidation within the 1.1300-1.1400 range continues while the GBP gained ground hitting a one-month high of 1.3173 against the USD earlier today on hopes that the 29 March Brexit deadline may be extended. The UK Labour Party confirmed last night that, at the key vote on the government’s Brexit strategy on Wednesday, it will vote in favour of the Cooper amendment which suggests extension of Article 50 if Theresa May’s Brexit deal has not passed the House of Commons by 13 March. In her speech tomorrow, the UK PM will inform MPs about the progress in Brexit negotiations and is reportedly expected to offer the chance to Remain-leaning Conservative MPs to vote freely to take no-deal Brexit off the table, if they want so, in order to prevent the resignation of a number of pro-EU Ministers.

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GREECE

The institutions and Greek banks reportedly still have some concerns with regard to the proposed new household insolvency framework but the government may be willing to reach a compromise in order to close the issue as soon as possible. The 2nd EPPS review is expected tomorrow while the 11 March Eurogroup is expected to decide on the return of the SMP/ANFA profits and the abolition of the step-up interest rate and the new household insolvency framework will be critical to that decision. Meanwhile, the Minister of Finance Euclid Tsakalotos and the Governor of the Bank of Greece Yiannis Stournaras met yesterday to discuss the two schemes proposed by the HFSF and the BoG for the reduction of NPLs. The HFSF proposal has already been submitted to DGComp for approval. On the economic data front, according to the Bank of Greece’s Balance Sheet and Profit and Loss Account for financial year 2018, the amount that will be transferred to the Government in accordance with the central bank’s Statute is €644.3 million.

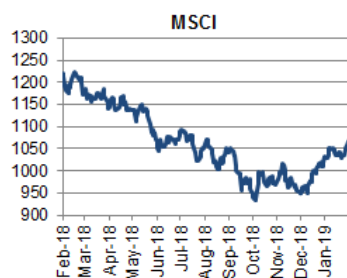
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BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* 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

BULGARIA

Credit activity expanded by 8.5% YoY in January 2019 – at the highest rate since June 2009 – compared to 8.4% YoY in December, up from 7.2% YoY in November. The December reading is favorably compared to 4.7% in 2017 vs. only 1.5% YoY in 2016, up from -1.2% YoY in 2015. Credit to households eased in the same month but remained in double digits for a third consecutive month for the first time since 2008-2009. It rallied by 10.8% YoY in January down from 11.2% YoY in December marginally up from 10.0% YoY in November, compared to 6.0% YoY in 2017 vs. only 2.0% YoY in 2016, up from -1.3% YoY in 2015. Credit to the non-financial corporations has also been growing by 5.8% YoY in January compared to 5.4% YoY in December up from 5.5% YoY in November compared to 4.7% YoY in 2017, up from 2.0% YoY in 2016 down from -1.7% YoY in 2015. The system's total private sector loans-to-deposits ratio and the liquidity coverage ratio stood at 73.9% in January and 294.1% in December respectively. This, along with the high Tier 1 capital ratio (19.0 % in September 2018), illustrates the still strong funding capacity and strong capital position of the banking system. NPLs kept declining for another quarter in Q4-2018. The NPLs ratio declined to 7.6% in Q4-2018 down from 8.5% in Q3-2018 and 10.2% in Q4-2017. Private sector credit as a percentage of GDP stood at 49.9% in January down from 53.1% in December. The rebound of credit activity is among the key drivers behind GDP growth acceleration in 2017-2018 and is expected to extend into 2019 as well.

Deposits growth also remained strong for yet another month. Deposits accelerated to 8.6% YoY in January up from 7.3% YoY in December compared to 7.9% in November, up from 6.2% in 2017, 7% YoY in 2016 and 10.5% YoY in 2015.

Among the top priority issues in the banking sector this year is going to be the ECB comprehensive assessment. In mid-November, the ECB announced that it will conduct a comprehensive assessment of six Bulgarian banks in 2019. The exercise which comprises of an asset quality review and a stress test for UniCredit Bulbank AD, DSK Bank EAD, United Bulgarian Bank AD, First Investment Bank AD, Central Cooperative Bank AD, and Investbank AD. The exercise's aggregate and bank-by-bank results are expected to be published in July 2019. The exercise follows the Bulgaria's official request to establish close co-operation with the ECB in July 2018 as part of its endorsed strategy to simultaneously join the ERM2 mechanism and the Banking Union.

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Tuesday 26 February 2019

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.36	0	-8
1-week	2.48	0	-8
1-month	2.68	-1	-5
3-month	3.01	0	-2
6-month	3.14	-1	-4

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.16	-1	10
5Y RSD	3.77	0	27
7Y RSD	4.06	0	-10

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.80	-1	-20

CDS

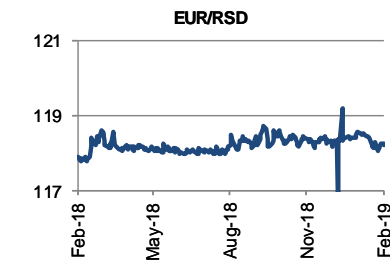
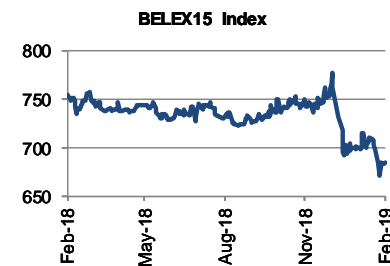
	Last	ΔDbps	ΔYTD bps
5-year	108	-1	-10
10-year	158	-1	-4

STOCKS

	Last	ΔD	ΔYTD
BELEX15	684.9	0.19%	-10.08%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.24	0.05%	0.00%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.56	-4	247
1-month	3.35	0	148
3-month	3.29	1	124
6-month	3.41	0	114
12-month	3.55	1	123

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.84	0	-19
5Y RON	4.32	0	-2
10Y RON	4.79	0	-2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	-	-1
USD Jan-24	3.70	-1	-53

CDS

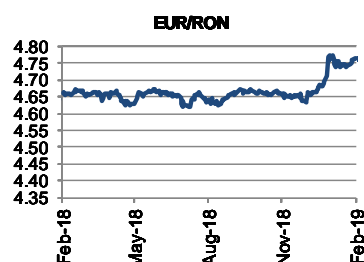
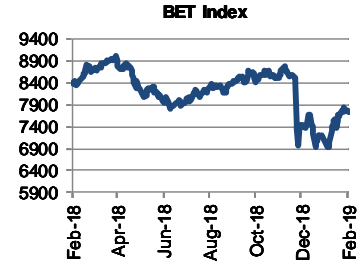
	Last	ΔDbps	ΔYTD bps
5-year	107	-1	17
10-year	150	-2	17

STOCKS

	Last	ΔD	ΔYTD
BET	7740.7	-0.40%	4.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7629	0.05%	-2.28%



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	-10
5Y BGN	0.06	5	-5
10Y BGN	0.66	0	-9

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	-2
EUR Sep-24	0.23	0	-26

CDS

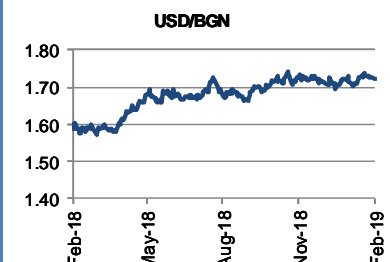
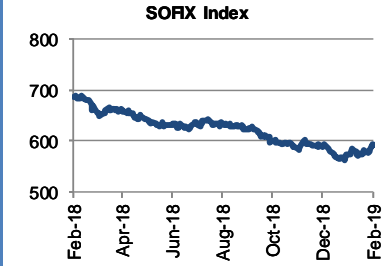
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-19
10-year	119	-1	-22

STOCKS

	Last	ΔD	ΔYTD
SOFIX	591.0	-0.35%	-0.58%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7214	0.04%	-0.92%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:35 EEST

Tuesday 26 February 2019

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