

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Mar 26:
 - Housing Starts & Building Permits (Feb.)
 - CB Consumer Confidence (Mar.)
- Mar 27:
 - Trade Balance (Jan.)
 - Current Account Balance (Q4)
 - MBA Mortgage Applications (22/03)
- Mar 28:
 - Initial Jobless Claims (23/03)
 - GDP (Q4, 3rd estimate)
 - Pending Home Sales (Feb.)
- Mar 29:
 - Personal Income (Feb.)
 - Personal spending (Jan.)
 - PCE Core Inflation (Jan.)
 - New Home Sales
 - Chicago PMI (Mar.)
 - UM Consumer Confidence (Mar.)

EUROZONE

- Mar 25: German IFO Business Climate (Mar.)
- Mar 26: France's INSEE Business Climate (Mar.)
- Mar 28: Economic Sentiment Indicator (ESI, Mar.)
- Mar 29: CPI (Mar.)

GREECE

- Mar 28: Economic Sentiment Indicator (Mar.)
- Mar 29:
 - CPI (Feb. prel.)
 - Retail Sales (Mar.)

SEE

BULGARIA

- Mar 29:
 - Gross External Debt (Jan)
 - Budget Balance (Feb)
 - KPR Meeting

SERBIA

- Mar 25:
 - Real Gross Wages (Jan.)
- Mar 29:
 - Retail Sales (Feb.)
 - Trade Balance (Feb.)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: All eyes today are on the UK House of Commons which will hold so-called "indicative votes" on alternatives to PM Theresa May's Brexit strategy. MPs will reportedly put forward a number of options and the House of Commons Speaker will select which of them will be put to a vote. Voting is expected to start at 20:00 GMT and the Speaker is anticipated to announce the result after 21:00 GMT. Amid ongoing Brexit uncertainty, lingering trade war jitters and mounting worries over the growth prospects of the global economy following a flurry of disappointing data from both sides of the Atlantic, US Treasuries and European government bonds, especially Bunds, remained well supported. The US Treasury yield curve, as measured by the spread between the 10-yr note and the 3-month T-bill remained inverted, while the 10-yr Bund yield fell further below zero to a 2 ½ year low of -0.05% following dovish comments by ECB President Mario Draghi at a conference in Frankfurt earlier today.

GREECE: The bill for the amendment of the household insolvency framework was tabled yesterday to Parliament and in broad lines it is stricter than the government's initial proposal but still more generous than the institutions would favour. In any case, deliberations between the Greek government and the institutions will reportedly continue in order to fine-tune the bill in view of the 5 April Eurogroup.

SOUTH EASTERN EUROPE

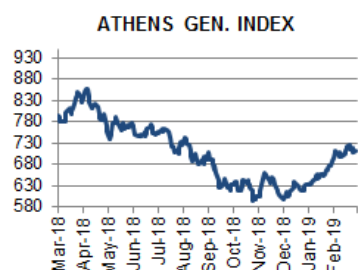
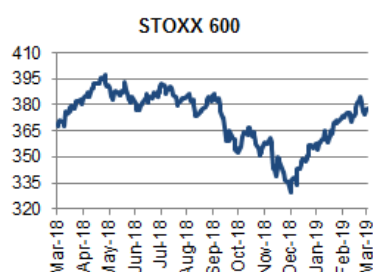
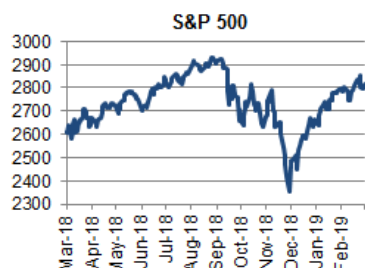
CYPRUS: International organizations increasingly incorporate downside global environment risks in their economic forecasts for Cyprus in 2019-2020.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank
Research

All eyes today are on the UK House of Commons, which will hold so-called “indicative votes” on alternatives to PM Theresa May’s Brexit strategy. MPs will reportedly put forward a number of options and the House of Commons Speaker will select which of them will be put to a vote. Voting is expected to start at 20:00 GMT and the Speaker is anticipated to announce the result after 21:00 GMT. MPs could support as many options as they like, but whether a consensus can be reached depends largely on whether they will be allowed to vote freely or will have to follow party line. Another obstacle is whether the government will implement the result of the indicative Brexit votes as it would not necessarily be bound to accept any option deemed most popular. In case consensus is reached for a softer form of Brexit, PM Theresa May is likely to bring her deal back for a third vote tomorrow, Speaker permitting. Should her deal be rejected again and the PM refuses to implement a softer form of Brexit, Theresa May is likely to resign or possibly call a general election to break the deadlock. Awaiting the outcome of today’s “indicative votes”, the GBP moved slightly lower against a broadly firmer USD, while the EUR/GBP remained below 0.8600 as mounting worries over the Eurozone’s growth outlook continued to weigh on the common currency. Meanwhile, the EUR/USD extended recent losses standing 0.2% lower on the day at around 1.1270/75 at the time of writing, albeit still within the 1.1300-1.1500 range that prevails so far this year. Turning to fixed-income markets, US Treasuries and European government bonds, especially Bunds, remained well supported amid ongoing Brexit uncertainty, lingering trade war jitters and mounting worries over the growth prospects of the global economy following a flurry of disappointing data from both sides of the Atlantic. The US Treasury yield curve, as measured by the spread between the 10-yr note and the 3-month T-bill remained inverted, suggesting, according to a San Francisco Fed study, rising risk of recession over the next 12 months. Meanwhile, the 10-yr Bund yield fell further below zero to a 2 ½ year low of -0.05% following dovish comments by ECB President Mario Draghi at a conference in Frankfurt earlier today that the Central Bank is willing to further delay a planned rate hike if necessary.

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GREECE

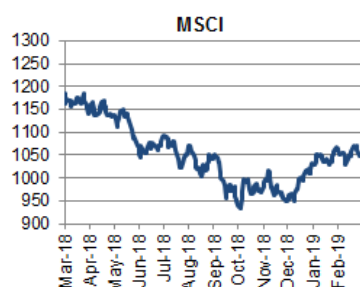
The bill for the amendment of the household insolvency framework was tabled yesterday to Parliament and in broad lines it is stricter than the government’s initial proposal but still more generous than the institutions would favour. Among its main provisions are: 1) debtholders may pay up to 120% of the value of their main residence at a low interest rate and for a period of up to 25 years, 2) the state may subsidize the installments conditional on the financial situation of the debtholder, 3) the value of the protected first residence should not exceed €175,000 for corporate debts and €250,000 for personal debts, 4) the value of other property or vehicles of the debtholder should not exceed €80,000 provided that the outstanding debt is above €20,000, 5) the value of cash deposits, financial products or precious metals should not exceed €15,000, 6) the debtor’s annual income should not exceed €12,500, increased by €8,500 for the spouse and by €5,000 for each protected family member, 7) the outstanding debt for settlement should not exceed €130,000, and 8) all settlement requests should be submitted through the electronic platform that has been set up for this purpose and will remain open up to 31 December 2019. In any case, deliberations between the Greek government and the institutions will reportedly continue in order to fine-tune the bill in view of the 5 April Eurogroup.

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Wednesday 27 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

CESEE MARKETS

On Friday, ESM published a statement on the occasion of the conclusion of the sixth post-programme surveillance mission to Cyprus. The mission comprised of staff of the European Commission, the ECB and the ESM which visited Cyprus in mid to late March. According to the findings of the mission, although Cyprus expanded strongly by 3.8% in 2018 driven by tourism and recovering domestic demand, external headwinds are increasing and important national vulnerabilities remain. From that point of view, the growth momentum is expected to ease in 2019 on the back of weaker external environment. These challenges are further compounded by key vulnerabilities of the Cypriot economy, notably the still very high levels of NPLs, private, public and external debt in a context of low productivity growth and high dependency on foreign capital flows. In the fiscal domain, the mission's statement identified as the main outlook risks those related to the fiscal impact of the healthcare reform and the outcome of court rulings on past measures to reign in the public sector wage bill. In the banking sector, the mission's conclusion called for a rigorous implementation of the amended foreclosure and insolvency frameworks in order to continue with NPLs resolution. Overall, the Troika urges the Cypriot authorities to take advantage of the prevailing favorable economic conditions in order to step up the pace of structural reforms and boost potential growth.

Overall, international organizations forecasts increasingly recognize downside global environment risks in their economic forecast for Cyprus in 2019-2020. In that direction, the EU Commission downgraded the GDP growth forecasts for the Cypriot economy in its Winter-forecasts published in February 2019. The EU Commission now sees Cyprus expanding at 3.3% in 2019, down from 3.5% in the Autumn-forecasts, unchanged from 3.3% in the Spring-forecasts, up from 2.8% in the previous Winter-forecasts. GDP growth is now forecasted to decelerate to 2.7% in 2020 vs. 2.9% in the Autumn-forecasts. The growth momentum is supported by solid private consumption, the latter driven by the boost in confidence and disposable incomes following further employment gains and higher wages. Public consumption is also expected to grow amid rising wages and employment in the public sector. In addition, investment should make a positive contribution on the back of strong construction activity. Yet, the EU Commission underlined the risks from the less favorable external environment in 2019-2020. Slowing growth in the euro area and persistent uncertainties in major trading partners weigh on Cyprus' outlook and increase downside risks.

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Wednesday 27 March 2019

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	2818.46	0.7%	12.4%	EUR/USD	1.1263	0.0%	-1.8%	UST - 10yr	2.39	-3	-29	GOLD	1315	-0.1%	2.5%
Nikkei 225	21378.73	-0.2%	6.8%	GBP/USD	1.3195	-0.1%	3.4%	Bund-10yr	-0.04	-3	-28	BRENT CRUDE	68	0.3%	26.7%
STOXX 600	377.68	0.1%	11.9%	USD/JPY	110.58	0.0%	-0.8%	JGB - 10yr	-0.07	0	-7	LME X	3004	0.2%	7.2%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	-2	-15
1-week	2.40	-2	-16
1-month	2.63	-2	-10
3-month	2.97	-1	-6
6-month	3.08	-3	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.17	-1	11
5Y RSD	3.78	0	27
7Y RSD	4.03	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.55	-1	-44

CDS

	Last	ΔDbps	ΔYTD bps
5-year	110	-1	-8
10-year	156	-1	-6

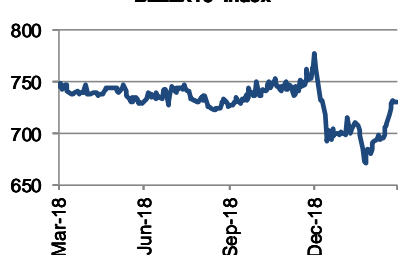
STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.1	-0.02%	-4.15%

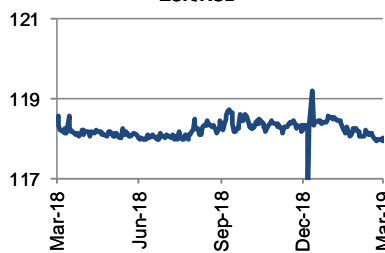
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.96	-0.31%	0.23%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.52	0	243
1-month	3.21	0	134
3-month	3.23	0	118
6-month	3.32	0	105
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.68	0	-35
5Y RON	4.33	0	-1
10Y RON	4.79	0	-2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.43	-	-11
USD Jan-24	3.36	-1	-88

CDS

	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	149	0	15

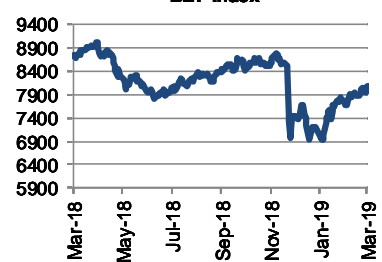
STOCKS

	Last	ΔD	ΔYTD
BET	8062.6	0.23%	9.19%

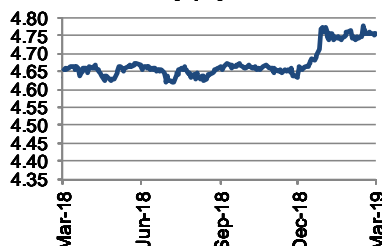
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7559	-0.05%	-2.14%

BET Index



EUR/RON



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	0.03	0	-8
10Y BGN	0.52	1	-23

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	-2	-3
EUR Sep-24	0.19	-4	-30

CDS

	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	118	0	-24

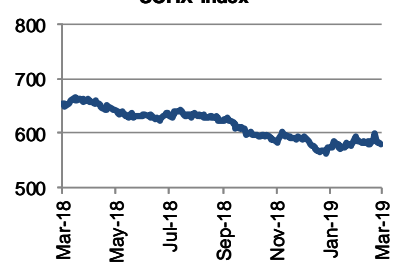
STOCKS

	Last	ΔD	ΔYTD
SOFIX	580.1	0.29%	-2.42%

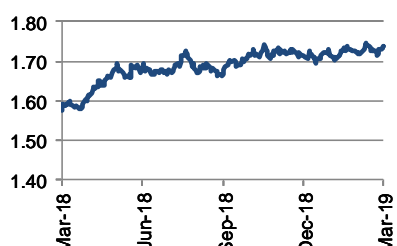
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7367	-0.04%	-1.80%

SORFX Index



USD/BGN



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

Data updated as of 10:05 EES

Wednesday 27 March 2019

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