

### 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, 3<sup>rd</sup> 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:** The bull-run in US Treasuries and core EU government bonds continues amid mounting Brexit-related worries and expectations for more monetary policy easing by major CBs amid heightened concerns about a more pronounced than expected slowdown in the global economy. UK MPs voted last night on eight options as alternatives to PM Theresa May's Brexit plan but none of them received a majority. Meanwhile, speaking at a conference in Frankfurt yesterday morning, ECB President Mario Draghi sounded dovish saying that the Central Bank is willing to further delay a planned rate hike if necessary and warned that risks to growth are on the rise. German Bunds extended recent gains with the 10-yr yield falling to -0.0.9% earlier today, the lowest level since mid-2016 while the US Treasury yield curve, as measured by the yield spread between the 10-yr note and the 3-month T-bill inverted further. In FX markets, the GBP weakened on mounting Brexit uncertainty following the inconclusive outcome of yesterday's vote in the House of Commons.

**GREECE:** The institutions have still reportedly a number of concerns regarding the new household insolvency bill tabled yesterday by the Greek government, which however, may be resolved by the 5 April Eurogroup.

### SOUTH EASTERN EUROPE

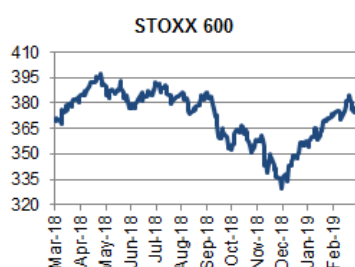
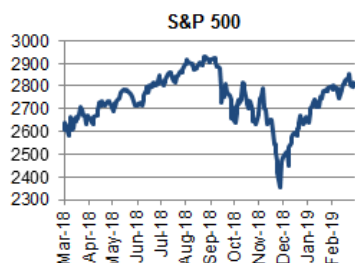
**BULGARIA:** The latest IMF Article IV consultation report forecasts GDP growth to reach 3.3% in 2019.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The bull-run in US Treasuries and core EU government bonds continues amid mounting Brexit-related worries and expectations for more monetary policy easing by major CBs amid heightened concerns about a more pronounced than expected slowdown in the global economy. UK MPs voted last night on eight options as alternatives to PM Theresa May's Brexit plan but none of them received a majority. The alternative with the most positive votes was for holding a second referendum which was rejected by 295 votes to 268 votes while the option for a permanent customs union was defeated by a margin of just 8 votes. Yesterday's vote in the House of Commons occurred soon after the PM announced that she would resign if her Brexit plan was passed and she would not lead the next phase of UK/EU negotiations, aiming to increase the chances that her deal could secure a majority. In reaction to the above, a number of pro-Brexit Conservative MPs said that they would now back the PM's deal if it were put to a third vote this week but the junior coalition partner, the DUP, said that, at this stage, it still cannot support the deal. Theresa May is highly likely to bring her deal back for a third vote by the end of this week and, if it fails again, a second set of "indicative votes" is likely to be held on Monday. Meanwhile, speaking at a conference in Frankfurt yesterday morning, ECB President Mario Draghi sounded dovish saying that the Central Bank is willing to further delay a planned rate hike if necessary and warned that risks to growth are on the rise.

Against this background, German Bunds extended recent gains with the 10-yr yield falling to -0.09% earlier today, the lowest level since mid-2016, with the investors looking now at the -0.02% level which marks an all-time low. Turning to the US, the 10-yr note yield fell to a fresh 15-month low of 2.34% today with the Treasury yield curve, as measured by the yield spread between the 10-yr note and the 3-month T-bill inverted further, flashing, according to a San Francisco Fed study, a warning of US recession over the next 12 months. In FX markets, the GBP lost ground on mounting Brexit uncertainty following the inconclusive outcome of yesterday's vote in the House of Commons. The GBP/USD was 0.3% weaker on the day while the EUR/GBP was 0.9% firmer compared to yesterday's 0.8550/55 multi-session intraday low, albeit still below Monday's peak close to 0.8600. Meanwhile, the EUR/USD marked a two-week intraday low of 1.1230 earlier today before recovering modestly to levels around 1.1250 at the time of writing, though still 0.5% weaker so far this week. Broad EUR weakness spread to the EUR/CHF, which was consolidating around 1.1200 at the time of writing, modestly higher from yesterday's 1.1170 trough, the lowest level since late July 2017.

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### GREECE

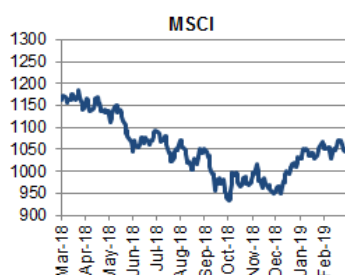
The institutions have still reportedly a number of concerns regarding the new household insolvency bill tabled yesterday by the Greek government which however, may be resolved by the 5 April Eurogroup. According to press, these are: 1) the maximum value of the property to be protected in case of corporate loans. The bill foresees a ceiling of €170,000 but the institutions, which were against the eligibility of such loans to begin with – opt for a much lower ceiling. 2) The institutions consider that there are still not adequate provisions to the law to exclude strategic defaulters. 3) The institutions object to the temporary suspension of auction against all creditors – public and private – if the debtor has been declared eligible during the pre-audit.

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Thursday 28 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

### BULGARIA

According to the latest IMF Article IV consultation report on Bulgaria, GDP growth is now expected to reach 3.3% in 2019, 0.2ppts higher than in the WEO autumn forecast, up from 3.2% in 2018. The report underlined that capacity constraints are becoming more binding yet inflationary pressure has eased after peaking in August last year, reflecting developments in commodity and tourism-related prices. The unemployment rate has reached a historical low and wages are rising rapidly amid increasing skill shortages. The current account surplus remained sizable at 4.6% of GDP in 2018 but is projected to decline to 2.2% in 2019. Risks are tilted to the downside especially from weaker-than-expected growth of trading partners. The main challenge is to translate the recent recovery into sustained and inclusive growth and convergence with other EU countries. Bulgaria's per capita income is only half of the EU average and income inequality is higher than EU average. GDP growth is projected to moderate to 2.75% percent over the medium-term, reflecting capacity constraints and unfavorable demographics.

In our view, solid growth momentum continues in 2019 – our forecast stands at 3.5% currently – on sound domestic demand dynamics. Private consumption will be in the driver's seat, receiving support from a tighter labor market, relatively low energy prices, convergence of wages towards EU average, a vibrant manufacturing sector despite the increasing world trade tensions and increasing tourism revenue. Investment, especially public investment, which has not been impressive in the last two years, will receive a boost from improved EU funds absorption. With the end of the programming period 2014-2020 approaching, the government will need to step up spending for a number of mature projects. Moreover, domestic credit conditions have turned more growth supportive. Credit activity expanded by 8.7% YoY in February – at the highest rate since June 2009 – up from 8.5% YoY in January. The February reading is favorable compared to 7.7% in 2018, 4.7% in 2017 vs. only 1.5% in 2016, and -1.2% in 2015. Appetite for credit will increase further on the back of sentiment improvement and improved economic fundamentals matched by banking sector abundant liquidity.

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Thursday 28 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	2805.37	-0.5%	11.9%	EUR/USD	1.1248	0.0%	-1.9%	UST - 10yr	2.37	1	-31	GOLD	1308	-0.1%	2.0%
Nikkei 225	21033.76	-1.6%	5.1%	GBP/USD	1.3147	-0.3%	3.0%	Bund-10yr	-0.07	1	-31	BRENT CRUDE	67	-0.6%	25.3%
STOXX 600	377.59	0.1%	11.8%	USD/JPY	110.24	0.2%	-0.5%	JGB - 10yr	-0.09	-2	-9	LMEX	3016	0.4%	7.7%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-15
1-week	2.39	-1	-17
1-month	2.62	-1	-11
3-month	2.96	-1	-7
6-month	3.08	0	-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	-45

**CDS**

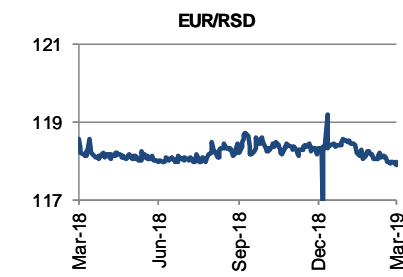
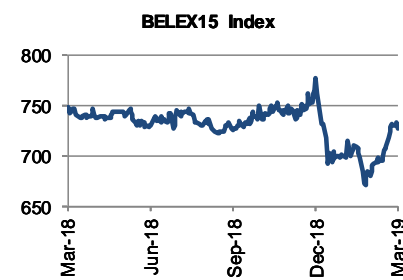
	Last	ΔDbps	ΔYTD bps
5-year	109	-1	-9
10-year	155	-1	-7

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	727.6	-0.67%	-4.47%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.07	-0.13%	0.14%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.46	0	237
1-month	3.19	0	132
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	3.66	0	-37
5Y RON	4.31	0	-3
10Y RON	4.78	0	-4

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.48	-	-6
USD Jan-24	3.36	0	-88

**CDS**

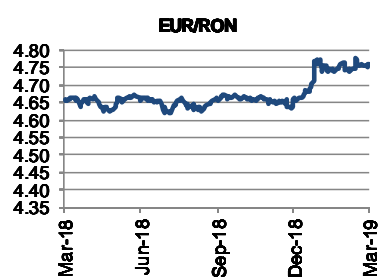
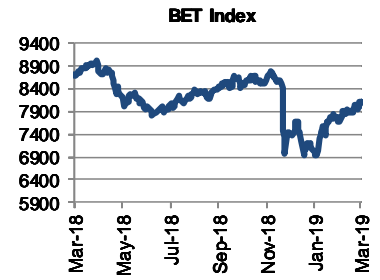
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	149	0	15

**STOCKS**

	Last	ΔD	ΔYTD
BET	8101.2	-0.24%	9.72%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.7602	-0.02%	-2.23%



**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	-0.29	-3	-23
5Y BGN	0.00	-1	-11
10Y BGN	0.56	0	-19

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.08	0	-4
EUR Sep-24	0.18	0	-30

**CDS**

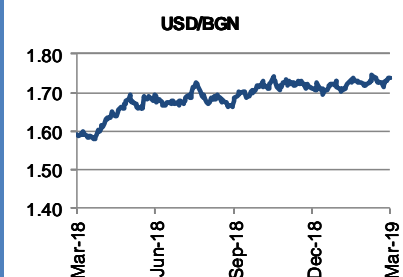
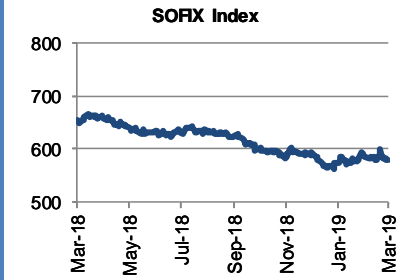
	Last	ΔDbps	ΔYTD bps
5-year	78	-1	-19
10-year	117	-1	-25

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	578.3	-0.09%	-2.72%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.739	-0.01%	-1.93%



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

Data updated as of 10:05 EES

Thursday 28 March 2019

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