

DAILY OVERVIEW  
OF GLOBAL MARKETS & THE SEE REGION

Friday 29 March 2019

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 &amp; MARKET DEVELOPMENTS

**GLOBAL MARKETS:** UK PM Theresa May will bring part of her Brexit deal for vote in the House of Commons later today. However, the arithmetic in the House of Commons does not appear to have changed substantially and the PM's Brexit plan is likely to be rejected again. In spite of prolonged Brexit uncertainty, equity markets in Asia ended higher today and European bourses were standing in positive territory in early trade following comments by US officials that progress is being made on the core issues of trade talks with China, including on forced technology transfer. Reflecting the improved tone in global equity markets, US Treasuries and core EU bonds lost some ground earlier today, albeit still poised for a hefty monthly drop. In FX markets, the USD retained a firm tone while Brexit uncertainty continued to weigh on the GBP.

**GREECE:** The Greek government submitted yesterday an amendment to the proposed household insolvency framework which, according to both Greek and European sources, should suffice for the 5 April Eurogroup to consent to the implementation of further medium-term debt relief measures to Greece, including the return of SMP/ANFA profits. On the economic data front, according to the Bank of Greece, in February 2019, the annual growth rate of credit to the private sector stood at -0.6% from -1.1% in the previous month with the monthly net flow of credit to the private sector being positive at €458 million, compared with a negative net flow of €705 million in the previous month. Deposits by the private sector decreased by €789mn, compared with a decrease of €1,547mn in the previous month and the annual growth rate stood at 5.5% from 6.2% in the previous month.

## SOUTH EASTERN EUROPE

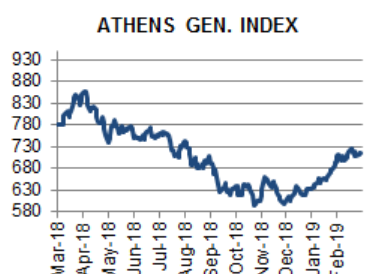
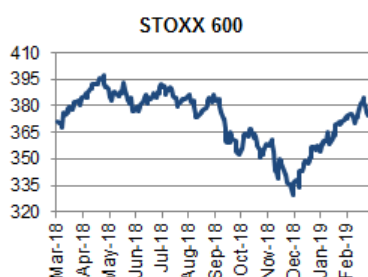
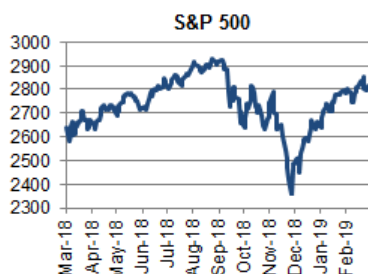
**CESEE MARKETS:** On Wednesday, 10 years were completed since the launch of the European Bank Coordination Initiative (aka the Vienna Initiative) and a conference was organised in Vienna to assess the achievements so far and set the reforms agenda in order to meet the challenges for the banking sector in the period ahead. Officials from a plethora of public and private institutions as well as many of the Initiative's architects attended to discuss among others the resolution of bad debt, the regulatory reforms, the deepening financial integration, the availability of funding for innovation along with the mobilization of the private sector's contribution to climate and energy goals.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

UK PM Theresa May will bring part of her Brexit deal for vote in the House of Commons later today. Aiming to comply with the Speaker's judgment that the deal should not be brought back for another vote unless it is substantially changed, MPs will vote solely on the legally binding Withdrawal Agreement and not the nonbinding political declaration on the future EU/UK relationship. The PM's offer to resign if her Brexit plan is approved, seems to have persuaded a number of Brexit-leaning Conservative MPs to change their view and appear ready to support the deal today. However, the leader of the coalition partner, the DUP party, insisted that they cannot support the deal as they object to the Irish border backstop which is part of the Withdrawal Agreement. Opposition MPs are also unlikely to support the deal. In all, the arithmetic in the House of Commons does not appear to have changed substantially for a majority in the PM's Brexit plan. If her deal is rejected again, then the UK will be due to exit the EU on 12 April unless next week's new set of "indicative votes" in the House of Commons display a clear majority for an alternative approach to Brexit. Should this be the case, the EU leaders are very likely to grant an extension until 22 May. However, if the outcome of next week's vote proves inconclusive again, then, a longer extension may have to be required, a scenario that would increase further the risk of early elections. In spite of prolonged Brexit uncertainty, equity markets in Asia ended higher today and European bourses were standing in positive territory in early trade following comments by US officials that progress is being made on the core issues of trade talks with China, including on forced technology transfer. Reflecting the improved tone in global equity markets, US Treasuries lost some ground with the 10-yr yield standing in early European trade some 7bps higher from yesterday's fresh 15-month low of 2.34%. However, the Treasury yield curve, as measured by the yield spread between the 10-yr note and the 3-month T-bill remained inverted. Core EU bond yields also moved modestly higher today albeit still poised for a hefty monthly drop on mounting worries over a more pronounced than expected economic slowdown in the Eurozone. In FX markets, the USD retained a firm tone while Brexit uncertainty continued to weigh on the GBP.

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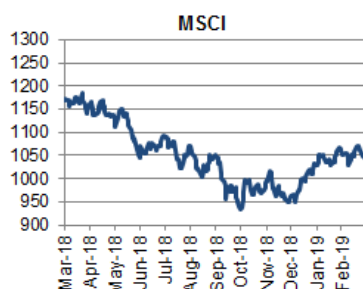
### GREECE

The Greek government submitted yesterday an amendment to the proposed household insolvency framework according to which the ceiling for the outstanding debt is reduced to €100,000, from €130,000 in order for corporate loans to be eligible. According to both Greek and European sources, this amendment will likely suffice for the 5 April Eurogroup to consent to the implementation of further medium-term debt relief measures to Greece, including the return of SMP/ANFA profits. On the economic data front, according to the Bank of Greece, in February 2019, the annual growth rate of credit to the private sector stood at -0.6% from -1.1% in the previous month with the monthly net flow of credit to the private sector being positive at €458 million, compared with a negative net flow of €705 million in the previous month. The annual growth rate of credit to corporations stood at 1.0% from 0.2% in the previous month with a monthly net flow of credit being positive at €603mn compared with a negative net flow of €408mn in the previous month. In particular, the annual growth rate of credit to non-financial corporations stood at 1.6% from 0.5% in the previous month, while the annual growth rate of credit to insurance corporations and other financial intermediaries stood at -5.8% from -4.5% in the previous month. Meanwhile, in February 2019, deposits by the private sector decreased by €789mn, compared with a decrease of €1,547mn in the previous month and the annual growth rate stood at 5.5% from 6.2% in the previous month.

Friday 29 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

L-T ccy	Credit Ratings		
	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 Wednesday, 10 years were completed since the launch of the European Bank Coordination Initiative (aka the Vienna Initiative) and a conference was organised in Vienna to assess the achievements and set the reforms agenda in order to meet the challenges for the banking sector in the period ahead. Officials from a plethora of public and private institutions as well as many of the Initiative's architects attended to discuss among others the resolution of bad debt, the regulatory reforms, the deepening financial integration, the availability of funding for innovation along with the mobilization of the private sector's contribution to climate and energy goals

The Vienna Initiative is a unique both private and public forum and refers to an agreement back in 2009 between policy makers and the banking industry, which ensured that foreign banks continued to maintain exposure and fund their subsidiaries in the CESEE region, helping, that way, avert a banking crisis as economies experienced a sharp downturn. The agreement assisted towards an orderly debt reduction which gave the CESEE countries time to retrieve alternative sources of funding including domestic deposits. The agreement also supported a shift from foreign to local currency lending in some of the CESEE countries and fueled the resolution of fast-rising non-performing loans.

According to the findings of the conference, evidence from CESEE countries shows that cross-border banking supports economic growth. The direct positive effect of financial integration on growth outweighs the indirect negative effect of higher risk of contagion. Even though economic growth remains mostly on track in the region, risks persist. These include global trade tensions, continued geopolitical instability and high corporate debt levels.

Going forward, according to the CESEE Bank Lending Survey, presented in the conference, in which 15 international banking groups and 85 local subsidiaries of independent local banks participated accounting for more than 50% of banking assets in the CESEE region, an improving landscape is gradually emerging wherein slightly upbeat expectations prevail. Although country differences remain significant, the appeal of the CESEE strategy for international banking groups is reflected in increased regional profitability. Moreover, credit quality continues to improve in the region with bad debt volumes in CESEE having gradually decreased since the launch of the NPL Initiative. According to relevant data, the fall in NPLs was particularly strong in Albania, Croatia, Hungary, Montenegro and Serbia.

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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	2815.44	0.4%	12.3%	EUR/USD	1.1225	0.0%	-2.1%	UST - 10yr	2.41	1	-28	GOLD	1289	-0.1%	0.5%
Nikkei 225	21205.81	0.8%	6.0%	GBP/USD	1.3016	-0.2%	2.0%	Bund-10yr	-0.07	0	-31	BRENT CRUDE	68	0.3%	26.5%
STOXX 600	377.85	0.3%	11.9%	USD/JPY	110.81	-0.2%	-1.0%	JGB - 10yr	-0.08	1	-8	LME X	3016	0.0%	7.7%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-1	-16
1-week	2.39	0	-17
1-month	2.61	-1	-12
3-month	2.95	-1	-8
6-month	3.08	0	-10

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.16	-1	10
5Y RSD	3.77	0	27
7Y RSD	4.03	0	-13

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.54	0	-46

**CDS**

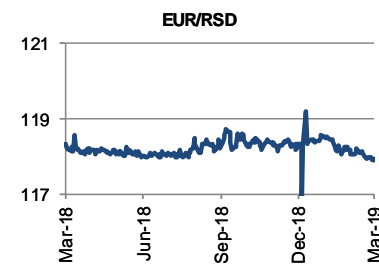
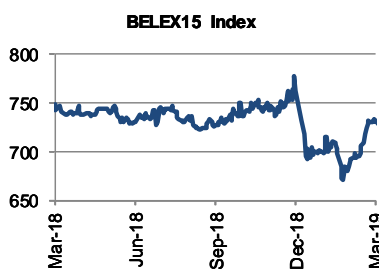
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	155	0	-7

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	729.7	-0.27%	-4.21%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	117.96	-0.06%	0.23%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.41	0	232
1-month	3.2	0	133
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	-3

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.46	-	-8
USD Jan-24	3.35	0	-88

**CDS**

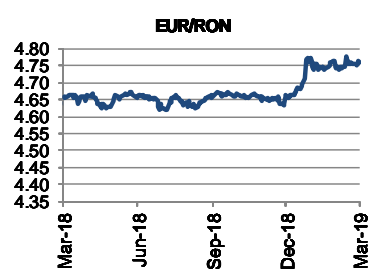
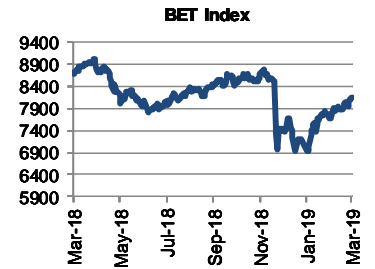
	Last	ΔDbps	ΔYTD bps
5-year	104	1	14
10-year	149	0	16

**STOCKS**

	Last	ΔD	ΔYTD
BET	8135.2	0.50%	10.18%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.7614	0.02%	-2.25%



**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	-0.27	0	-22
5Y BGN	0.01	1	-10
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	-31

**CDS**

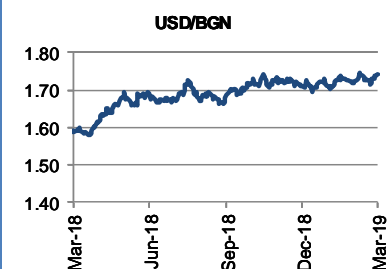
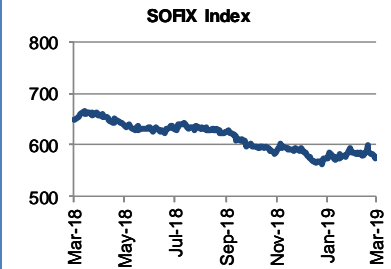
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-18
10-year	117	0	-25

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	575.7	0.22%	-3.16%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7423	0.04%	-2.11%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:25 EES

Friday 29 March 2019

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