



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 08 April 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Apr 08:
 - Factory orders (Feb.)
 - Durable goods orders (Feb.)
- Apr 10:
 - MBA Mortgage Applications (05/04)
 - CPI (Mar.)
 - FOMC Meeting minutes (20/03)
- Apr 11:
 - Initial Jobless Claims (06/04)
- Apr 05: University of Michigan consumer sentiment

EUROZONE

- Apr 08: Sentix Investor confidence (Apr.)
- Apr 10: ECB MPC
- April 12: Industrial production (Feb.)

UK

- April 10: Special European Council

GREECE

- Apr 09: Industrial output (Feb.)
- Apr 10: Harmonized CPI (Mar.)
- Apr 11: Unemployment rate (Jan.)

SEE

BULGARIA:

- Apr 09:
 - Industrial production (Feb.)
 - Retail sales (Feb.)
- Apr 12: Trade balance (Feb.)

ROMANIA

- April 08: GDP (Q4)
- April 10: CPI (Mar.)
- April 12: Current account (Feb)

SERBIA

- April 09: NBS MPC
- April 12: CPI (Mar.)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Focus this week is on the emergency EU Council meeting on 10 April that will consider the UK request for an extension to the Article 50 deadline to 30 June. In FX markets, awaiting the outcome of the meeting, the GBP was under modest pressure against its major currency peers. Meanwhile, the DXY index was a tad lower compared to Friday's close after US non-farm payrolls report for March revealed a drop in average hourly earnings growth to 3.2%YoY from 3.4%YoY in the prior month. Turning to fixed income markets, bonds on both sides of the Atlantic were slightly firmer compared to Friday's settlement favored by US data pointing to subdued inflation pressures. The ECB monetary policy meeting on Wednesday and Italy's projections on economic growth and the budget deficit as part of the Economic and Financial Document that the government has to approve by 10 April, are probably this week's two main topics that will likely dominate trading activity in sovereign bond markets.

GREECE: The ESM Managing Director Klaus Regling stated after last week's Eurogroup that it would be wise for Greece to repay part of its IMF outstanding loans early given that they carry a higher interest rate. On the privatisations front, according to press, among the alternative scenarios for the privatisation of HELPE is the re-launch of the tender with more favourable SPA terms. In any case, the delay of the HELPE privatisation may cause delays in the privatisation of DEPA since the first has a 35% stake in the latter.

SOUTH EASTERN EUROPE

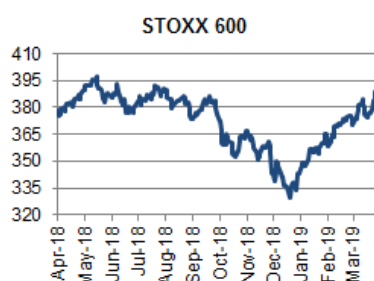
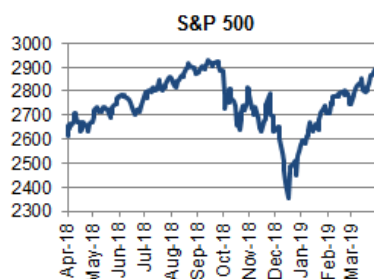
CESEE MARKET AND MACRO DEVELOPMENTS: Most emerging assets concluded the previous week on positive territory amid progress in the US Sino trade negotiations. Both countries claimed that sizeable developments have taken place with President Xi Jinping urging for a rapid conclusion and President Donald Trump stating that both countries may be only weeks away from an agreement that could be "monumental". On the economic data front, on Friday, the World Bank released the Europe and Central Asia Economic Update. According to the update, the overall regional GDP growth has been hindered by weakness in Turkey. However, GDP growth has been strong in other parts of the region, such as the Central Europe, the Western Balkans, Russia, and Central Asia. Regional GDP growth is expected to pick-up modestly in 2020-21, with a gradual recovery in Turkey offsetting slowing activity in Central Europe.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Focus this week is on the emergency EU Council meeting on 10 April that will consider a UK request for an extension to the Article 50 deadline to 30 June. Justifying the extension request, UK PM Theresa May said that she will continue to work with the leader of the Labour Party, Jeremy Corbyn, to find common ground on a plan for the political declaration on the UK/EU future relationship that could receive the support of the House of Commons. If the two leaders fail to reach a compromise, she will ask MPs to choose an alternative option by which she committed to abide. EU Council President Donald Tusk reportedly favors a one-year "flexible" extension that would allow the UK to exit earlier, provided that it has ratified the withdrawal agreement. However, risks of a no-deal Brexit are mounting after press reports conveyed that several countries including France and the Netherlands oppose to a further extension, unless the UK puts forward a plan with clear support in the House of Commons.

Awaiting the outcome of Wednesday's EU Council meeting, the GBP was under modest pressure hovering around 1.3040/50 against the USD in early European trade at the time of writing, not far from Friday's one-week low of 1.2985, after testing levels close to 1.3200 near a week ago. Meanwhile, the DXY index was a tad lower compared to Friday's close, after US non-farm payrolls report for March revealed a drop in average hourly earnings growth to 3.2%YoY from 3.4%YoY in the prior month, which was the highest since April 2013. Investors shrugged off further details of the report showing a higher than expected 196k increase in non-farm payrolls and an unchanged unemployment rate at 3.8%. Turning to fixed income markets, bonds on both sides of the Atlantic were slightly firmer compared to Friday's settlement favored by US data pointing to subdued inflation pressures. The ECB monetary policy meeting on Wednesday and Italy's projections on economic growth and the budget deficit as part of the Economic and Financial Document that the government has to approve by 10 April, are probably this week's two main topics that will likely dominate trading activity in sovereign bond markets.

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GREECE

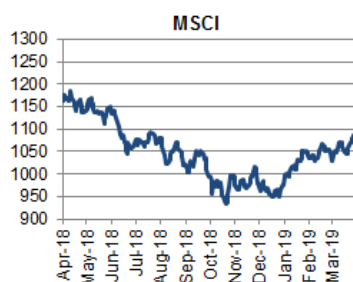
The ESM Managing Director Klaus Regling stated after last week's Eurogroup that it would be wise for Greece to repay part of its IMF outstanding loans early given that they carry a higher interest rate. It is reminded that Greece is examining tapping the markets anew by end-June 2019 to raise c. €2bn following two successful bond issuances earlier this year. On the privatisations front, according to press, three scenarios prevail for the privatisation of DEPA which constitutes a commitment of the Greek government in the context of the Enhanced Post Programme Surveillance: 1) the state may sell its shareholding through a public offer in the stock market, 2) the two main shareholders – the HRADF 35.5% and Paneuropean Oil and Industrial Holdings S.A. 45.5% - may decide to re-launch the tender with improved Sale & Purchase Agreement terms, and 3) the main shareholder may increase its shareholding above 50% and act independently. In any case, the delay of the HELPE privatisation may cause delays in the privatisation of DEPA since the first has a 35% stake in the latter, putting at risk this year's privatisation revenue, which the 2019 Budget forecast at €1.532 mn.

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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 MARKET AND MACRO DEVELOPMENTS

Most emerging assets concluded the previous week on positive territory amid progress in the US Sino trade negotiations. Both countries claimed that sizeable developments have taken place with President Xi Jinping urging for a rapid conclusion and President Donald Trump stating that both countries may be only weeks away from an agreement that could be "monumental". That said, after a five days positive streak, the MSCI Emerging Markets Equity Index closed the week 2.6% higher while the respective currency index traded in the black, albeit more modestly (+0.4% on a weekly basis).

Elsewhere in the region, the picture is similar with most regional currencies appreciating towards the euro close to 1% on an average and weekly basis while the yields of the local sovereign bonds headed north.

On the economic data front, on Friday, the World Bank (WB) released the Europe and Central Asia Economic Update. According to the update, the overall regional growth has been hindered by weakness in Turkey. However, growth has been strong in other parts of the region, such as Central Europe, Western Balkans, Russia, and Central Asia. Regional growth is expected to pick-up modestly in 2020-21, with a gradual recovery in Turkey offsetting slowing activity in Central Europe. In detail, regarding Serbia's GDP economic growth forecast for 2019 WB forecast was kept unchanged at 3.5% YoY, the same as projected in January. Regarding Romania, the GDP growth forecast for 2019 was mildly increased to 3.6% YoY vs 3.5% YoY in January while for Turkey, the WB cut its economic growth forecast to 1.0% YoY, down by 0.6pps.

This week's calendar will be broadly filled with inflation data in the CESEE region. We will focus on Romania's reading for February, released on Wednesday, as inflation is anticipated to continue hiking and exceeding the upper bound of the inflation target. CPI in March is expected close to 4% YoY compared to 3.8% YoY in February. Moreover, Serbia's reading for March will be released on Friday while tomorrow the Executive Board of the National Bank of Serbia (NBS) will convene to decide over the Key Interest Rate Policy (KPR), with no changes broadly anticipated. Last but not least, the ECB holds its MPC on Wednesday with no interest rate changes expected but with thorough attention to be paid to the relevant statement.

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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	2892.74	0.5%	15.4%	EUR/USD	1.1226	0.1%	-2.1%	UST - 10yr	2.49	-1	-19	GOLD	1297	0.4%	1.2%
Nikkei 225	21761.65	-0.2%	8.7%	GBP/USD	1.3055	0.1%	2.3%	Bund-10yr	0.00	-1	-24	BRENT CRUDE	71	0.5%	31.3%
STOXX 600	388.23	0.1%	15.0%	USD/JPY	111.44	0.2%	-1.6%	JGB - 10yr	-0.05	-2	-5	LMEX	3021	-0.5%	7.8%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	0	-16
1-week	2.39	0	-17
1-month	2.59	0	-14
3-month	2.94	0	-9
6-month	3.06	0	-12

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.13	-1	6
5Y RSD	3.76	0	26
7Y RSD	4.02	0	-13

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.44	0	-55

CDS

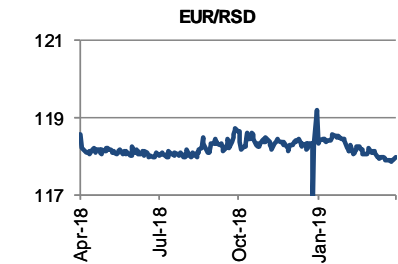
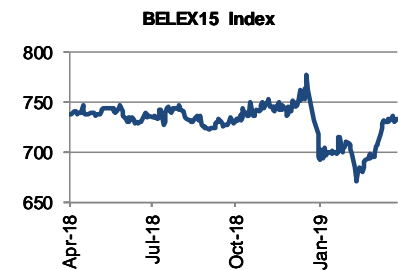
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	155	0	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.7	0.18%	-3.67%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.99	-0.01%	0.21%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.55	0	246
1-month	3.35	0	148
3-month	3.38	0	133
6-month	3.42	0	115
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.79	0	-25
5Y RON	4.40	0	6
10Y RON	4.88	0	7

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.44	-	-10
USD Jan-24	3.37	0	-87

CDS

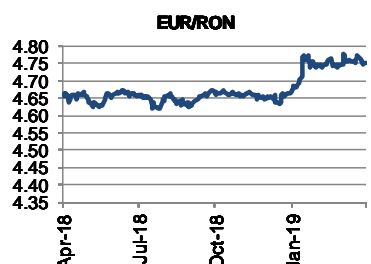
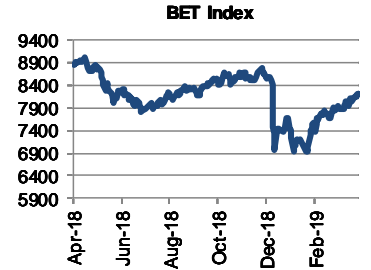
	Last	ΔDbps	ΔYTD bps
5-year	116	0	26
10-year	166	0	32

STOCKS

	Last	ΔD	ΔYTD
BET	8202.2	0.40%	11.09%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7502	0.03%	-2.02%



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	-0.28	-1	-23
5Y BGN	0.00	0	-11
10Y BGN	0.49	0	-26

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.10	0	-6
EUR Sep-24	0.16	0	-32

CDS

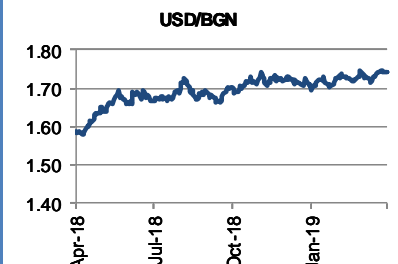
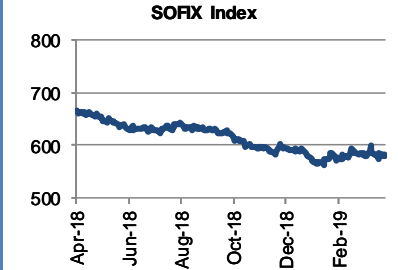
	Last	ΔDbps	ΔYTD bps
5-year	81	-1	-16
10-year	122	0	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	580.2	-0.15%	-2.40%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7422	0.09%	-2.11%



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

Data updated as of 09:45 EES

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