

Week Ahead

Focus: EZ Manufacturing PMI

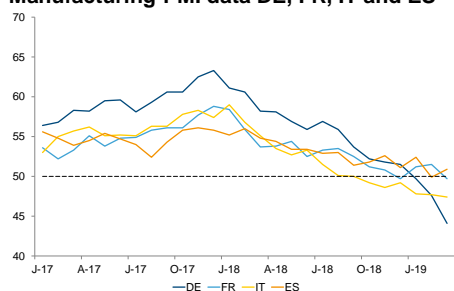
Analyst:

Gerald Walek
gerald.walek@erstegroup.com

Manufacturing sentiment should at least stabilize

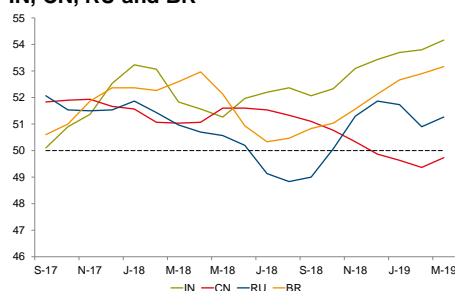
A first flash estimate of manufacturing PMI of the Eurozone, Germany and France for April will be released next week. In March, contrary to market expectations, manufacturing sentiment deteriorated once again. In Germany, in particular, sentiment collapsed to levels comparable to those during the euro crisis in summer 2012. Due to its high export surpluses, the German economy is suffering the most from the effects of the global trade conflict. In addition, the automotive sector, which is so important for Germany, is struggling with considerable structural problems (e.g. emission tests, switch to e-mobility), as a result of which Germany's automobile production in 1Q19 was also around 12% below the level of 1Q18. Of course, the never-ending Brexit question is also a nuisance for the industry. On the other hand, the mood in industry in France and Spain was much better in March. Here, the data indicates a stabilization of industrial production in 1Q19.

Manufacturing-PMI data DE, FR, IT and ES



Source: Bloomberg, Erste Group Research

Manufacturing-PMI data (3-months average) IN, CN, RU and BR



Source: Bloomberg, Erste Group Research

Since a hard Brexit by the end of this week can be ruled out now, we expect at least a stabilization of the manufacturing sentiment in the Eurozone in April. However, the postponement of the Brexit question will lead to continued uncertainty in the coming months. Furthermore, the smouldering trade conflict between the US and the EU (most recently the escalation around forbidden subsidies for EADS and Boeing) will continue to have a dampening effect on the manufacturing sentiment in the Eurozone. Nonetheless, recently, the positive signals have continued on the global level. Trade talks between the US and China are likely to have moved closer together. Accordingly, manufacturing sentiment in China has already improved significantly in February and March. In Brazil, India and Russia, too, manufacturing sentiment has improved continuously since the beginning of the year. In addition, the continuing stable to slightly positive trend in emerging market currencies shows that investors still have confidence in the growth prospects of these markets. In our view, the upward trend in commodity prices is an additional indication that global economic activity has gained momentum in recent weeks. We expect that the positive development of emerging markets will sooner or later have a positive impact on the growth prospects of the Eurozone economy through rising export orders for consumer and capital goods. In general, therefore, the sentiment in Eurozone industry should gradually brighten in 2Q19, despite the ongoing Brexit uncertainty as well as the US trade conflict.

Major Markets & Credit Research

Gudrun Egger, CEFA (Head)

Rainer Singer (Senior Economist EZ, USA)
Gerald Walek, CFA (Economist EZ)
Margarita Grushanina (Economist AT)

Note: Past performance is not necessarily indicative of future results.

Erste Group Research

Week Ahead | Major Markets | Eurozone, USA

12. April 2019

Economic calendar

Ctry	Date	Time	Release	Period	Consens	Prior
Eurozone						
EA	18-Apr	10:00	PMI Index	Apr P	48.2 Index	47.5 Index
DE	18-Apr	9:30	PMI Index	Apr P	45.3 Index	44.1 Index
FR	18-Apr	9:15	PMI Index	Apr P	49.9 Index	49.7 Index
USA						
	18-Apr	14:30	Retail Sales mom	Mar	0.8%	-0.2%

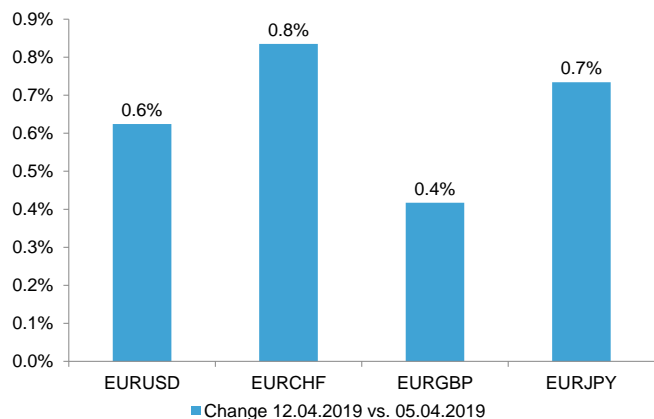
Source: Bloomberg, Erste Group Research

Central banks events

	Date	Time	Event
ECB			No monetary policy relevant events scheduled
Fed			No monetary policy relevant events scheduled

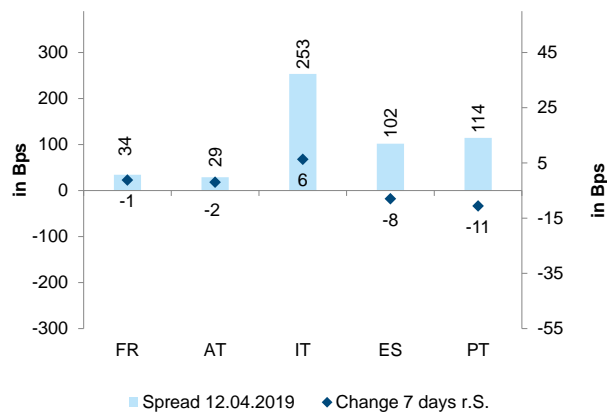
Forex and government bond markets

Exchange rates EUR: USD, CHF, GBP and JPY
 Changes compared to last week



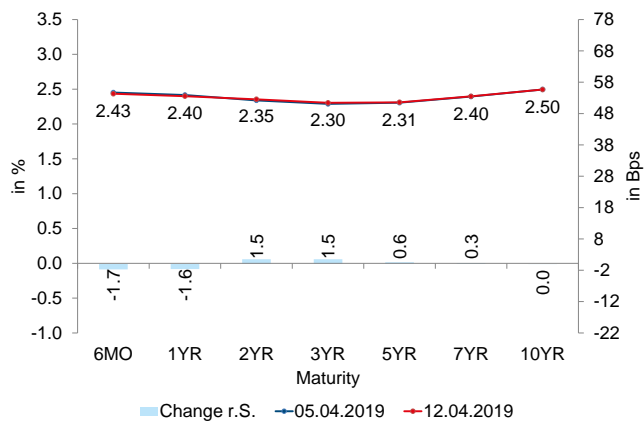
Source: Bloomberg, Erste Group Research

Eurozone spreads vs. Germany
 10Y government bonds



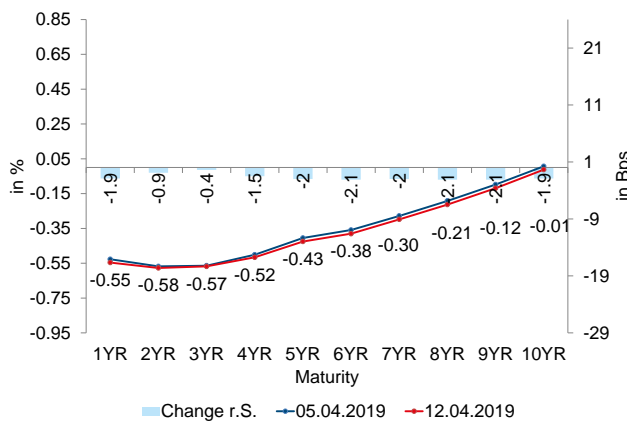
Source: Bloomberg, Erste Group Research

US Treasuries yield curve
 Changes compared to last week



Source: Bloomberg, Erste Group Research

DE Bund yield curve
 Changes compared to last week



Source: Bloomberg, Erste Group Research

Forecasts¹

GDP	2017	2018	2019	2020
Eurozone	2.4	1.8	1.3	1.4
US	2.3	2.9	2.3	2.1

Inflation	2017	2018	2019	2020
Eurozone	1.5	1.7	1.4	1.6
US	2.2	2.4	1.8	1.9

Interest rates	current	Jun.19	Sep.19	Dec.19	Mar.20
ECB MRR	0.00	0.00	0.00	0.00	0.00
3M Euribor	-0.31	-0.30	-0.30	-0.30	-0.10
Germany Govt. 10Y	-0.01	0.40	0.60	0.60	0.60
Swap 10Y	0.50	0.70	0.90	0.90	0.90

Interest rates	current	Jun.19	Sep.19	Dec.19	Mar.20
Fed Funds Target Rate*	2.41	2.38	2.38	2.68	2.68
3M Libor	2.60	2.70	2.70	3.00	3.00
US Govt. 10Y	2.49	2.80	2.90	3.10	3.10
EURUSD	1.13	1.15	1.18	1.18	1.20

*Mid of target range

*In case of changes to our forecasts compared to the previous issue, arrows show the direction of the change.
Source: Bloomberg, Erste Group Research*

¹ Note: In accordance with regulations, we are obliged to issue the following statement:
Forecasts are not a reliable indicator of future performance.

Erste Group Research

Week Ahead | Major Markets | Eurozone, USA

12. April 2019

Contacts

Group Research

Head of Group Research

Friedrich Mostböck, CEFA +43 (0)5 0100 11902

Major Markets & Credit Research

Head: Gudrun Egger, CEFA +43 (0)5 0100 11909

Ralf Burchert, CEFA (Agency Analyst) +43 (0)5 0100 16314

Hans Engel (Senior Analyst Global Equities) +43 (0)5 0100 19835

Margarita Grushanina (Economist AT, Quant Analyst) +43 (0)5 0100 11957

Peter Kaufmann, CFA (Corporate Bonds) +43 (0)5 0100 11183

Heiko Langer (Covered Bonds/Financials) +43 (0)5 0100 85509

Stephan Lingnau (Global Equities) +43 (0)5 0100 16574

Carmen Riefler-Kowarsch (Covered Bonds/Financials) +43 (0)5 0100 19632

Rainer Singer (Senior Economist Euro, US) +43 (0)5 0100 17331

Bernadett Povaszai-Römhild, CEFA (Corporate Bonds) +43 (0)5 0100 17203

Elena Statelov, CIIA (Corporate Bonds) +43 (0)5 0100 19641

Gerald Walek, CFA (Economist Euro, CHF) +43 (0)5 0100 16360

Macro/Fixed Income Research CEE

Head CEE: Juraj Kotian (Macro/FI) +43 (0)5 0100 17357

Zoltan Arokszállasi, CFA (Fixed income) +43 (0)5 0100 18781

Katarzyna Rzentarzewska (Fixed income) +43 (0)5 0100 17356

Malgorzata Krzywicka (Fixed income) +43 (0)5 0100 17338

CEE Equity Research

Head: Henning Eßkuchen +43 (0)5 0100 19634

Daniel Lion, CIIA (Technology, Ind. Goods&Services) +43 (0)5 0100 17420

Michael Marschallinger +43 (0)5 0100 17906

Christoph Schultes, MBA, CIIA (Real Estate) +43 (0)5 0100 11523

Vera Sutedja, CFA, MBA (Telecom, Steel) +43 (0)5 0100 11905

Thomas Unger, CFA (Banks, Insurance) +43 (0)5 0100 17344

Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 17343

Martina Valenta, MBA +43 (0)5 0100 11913

Editor Research CEE

Brett Arons +420 956 711 014

Research Croatia/Serbia

Head: Mladen Dodig (Equity) +381 11 22 09178

Head: Alen Kovac (Fixed income) +385 72 37 1383

Anto Augustinovic (Equity) +385 72 37 2833

Mate Jelić (Fixed income) +385 72 37 1443

Magdalena Dolenec (Equity) +385 72 37 1407

Ivana Rogic (Fixed income) +385 72 37 2419

Davor Spoljar, CFA (Equity) +385 72 37 2825

Research Czech Republic

Head: David Navratil (Fixed income) +420 956 765 439

Head: Petr Bartek (Equity) +420 956 765 227

Jiri Polansky (Fixed income) +420 956 765 192

Michal Skorepa (Fixed income) +420 956 765 172

Jan Sumbera (Equity) +420 956 765 218

Jan Žemlička (Fixed income) +420 956 765 456

Research Hungary

Head: József Miró (Equity) +361 235 5131

András Nagy (Equity) +361 235 5132

Orsolya Nyeste (Fixed income) +361 268 4428

Zsombor Varga (Fixed income) +361 373 2830

Tamás Pletser, CFA (Oil&Gas) +361 235 5135

Research Poland

Director of Research: Tomasz Duda (Equity) +48 22 330 6253

Cezary Bernatek (Equity) +48 22 538 6256

Konrad Grygo (Equity) +48 22 330 6254

Mateusz Krupa (Equity) +48 22 330 6251

Michal Pilch (Equity) +48 22 330 6255

Emil Poplawski (Equity) +48 22 330 6252

Research Romania

Head: Horia Braun-Erdei +40 3735 10424

Caius Rapanu (Equity) +40 3735 10441

Eugen Sinca (Fixed income) +40 3735 10435

Dorina Ilasco (Fixed Income) +40 3735 10436

Research Slovakia

Head: Maria Valachyova, (Fixed income) +421 2 4862 4185

Katarina Muchova (Fixed income) +421 2 4862 4762

Research Turkey

Umut Cebir (Equity) +90 212 371 2537

Lina Barokas +90 212 371 2530

Treasury – Erste Bank Vienna

Group Markets Retail Sales

Head: Christian Reiss +43 (0)5 0100 84012

Markets Retail Sales AT

Head: Markus Kaller +43 (0)5 0100 84239

Group Markets Execution

Head: Kurt Gerhold +43 (0)5 0100 84232

Retail & Sparkassen Sales

Head: Uwe Kolar +43 (0)5 0100 83214

Corporate Treasury Product Distribution AT

Head: Christian Skopek +43 (0)5 0100 84146

Fixed Income Institutional Sales

Institutional Distribution non CEE

Head: Jaromir Malak +43 (0)5 0100 84254

Karin Rattay +43 (0)5 0100 84118

Christian Kienesberger +43 (0)5 0100 84323

Bernd Bollhof +49 (0)30 8105800 5525

Rene Klasen +49 (0)30 8105800 5521

Christopher Lampe-Traupe +49 (0)30 8105800-5507

Charles-Henry La Coste de Fontenilles +43 (0)5 0100 84115

Bernd Thaler +43 (0)5 0100 84119

Bank Distribution

Head: Marc Frieberthshäuser +49 (0)711 810400 5540

Sven Kienzle +49 (0)711 810400 5541

Michael Schmotz +43 (0)5 0100 85542

Ulrich Inhofner +43 (0)5 0100 85544

Klaus Vosseler +49 (0)711 810400 5560

Andreas Goll +49 (0)711 810400 5561

Mathias Gindele +49 (0)711 810400 5562

Institutional Distribution CEE

Head: Jaromir Malak +43 (0)5 0100 84254

Institutional Distribution PL and CIS

Pawel Kielek +48 22 538 6223

Michal Jarmakowicz +43 50100 85611

Institutional Distribution Slovakia

Head: Sarlota Sipulova +421 2 4862 5619

Monika Smelikova +421 2 4862 5629

Institutional Distribution Czech Republic

Head: Ondrej Cech +420 2 2499 5577

Milan Bartos +420 2 2499 5562

Barbara Suvadova +420 2 2499 5590

Institutional Asset Management Czech Republic

Head: Petr Holecek +420 956 765 453

Martin Perina +420 956 765 106

Petr Valenta +420 956 765 140

David Petracek +420 956 765 809

Blanca Weinerova +420 956 765 317

Institutional Distribution Croatia

Head: Antun Buric +385 (0)7237 2439

Zvonimir Tukač +385 (0)7237 1787

Natalija Zujic +385 (0)7237 1638

Institutional Distribution Hungary

Head: Peter Csizmadia +36 1 237 8211

Attila Hollo +36 1 237 8209

Gabor Balint +36 1 237 8205

Institutional Distribution Romania and Bulgaria

Head: Ciprian Mitu +43 (0)50100 85612

Crisitan Adascalita +40 373 516 531

Group Institutional Equity Sales

Head: Brigitte Zeitlberger-Schmid +43 (0)50100 83123

Werner Fürst +43 (0)50100 83121

Josef Kerekes +43 (0)50100 83125

Cormac Lyden +43 (0)50100 83120

Business Support

Bettina Mahoric +43 (0)50100 86441

Disclaimer

This publication was prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively as general information pursuant to Art. 36 (2) delegated Regulation (EU) 2017/565 as no direct buying incentives were included in this publication, which is of information character. This publication does not constitute investment research pursuant to Art. 36 (1) delegated Regulation (EU) 2017/565. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information only serves as non-binding and additional information and is based on the level of knowledge of the person in charge of drawing up the information on the respective date of its preparation. The content of the publication can be changed at any time without notice. This publication does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this publication nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. Information provided in this publication are based on publicly available sources which Erste Group considers as reliable, however, without verifying any such information by independent third persons. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this publication. Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers of other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this publication. Any opinion, estimate or projection expressed in this publication reflects the current judgment of the author(s) on the date of publication of this document and do not necessarily reflect the opinions of Erste Group. They are subject to change without prior notice. Erste Group has no obligation to update, modify or amend this publication or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The past performance of securities or financial instruments is not indicative for future results. No assurance can be given that any financial instrument or issuer described herein would yield favorable investment results or that particular price levels may be reached. Forecasts in this publication are based on assumptions which are supported by objective data. However, the used forecasts are not indicative for future performance of securities or financial instrument. Erste Group, its affiliates, principals or employees may have a long or short position or may transact in the financial instrument(s) referred to herein or may trade in such financial instruments with other customers on a principal basis. Erste Group may act as a market maker in the financial instruments or companies discussed herein and may also perform or seek to perform investment services for those companies. Erste Group may act upon or use the information or conclusion contained in this publication before it is distributed to other persons. This publication is subject to the copyright of Erste Group and may not be copied, distributed or partially or in total provided or transmitted to unauthorized recipients. By accepting this publication, a recipient hereof agrees to be bound by the foregoing limitations. Erste Group is not registered or certified as a credit agency in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the Credit Rating Agencies Regulation). Any assessment of the issuers creditworthiness does not represent a credit rating pursuant to the Credit Rating Agencies Regulation. Interpretations and analysis of the current or future development of credit ratings are based upon existing credit rating documents only and shall not be considered as a credit rating itself.

© Erste Group Bank AG 2019. All rights reserved.

Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

Erste Group Homepage: www.erstegroup.com