

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 21
 - Existing home sales (Jan)
 - FOMC meeting minutes (Jan. 31)
- Feb 22
 - Jobless claims (weekly)
 - Atlanta Fed President Bostic speaks
- Feb 23: San Francisco Fed President Williams speaks

EUROZONE

- Feb 21: PMI manufacturing & services (Feb, prel.)
- Feb 22
 - German IFO business climate (Feb)
 - Account of the ECB January policy meeting
- Feb 23
 - HICP (Jan. final)
 - German Q4 GDP (details)

UK

- Feb 21: Claimant count unemployment (Feb), average earnings & unemployment rate (Jan)
- Feb 22: GDP (Q4, 2nd est.)

GREECE

- Feb 20: Current account (Dec)

CYPRUS

- Feb 20: CPI (Jan)

SEE

ROMANIA

- Feb 22: T-bonds auction
- Feb 23: Money supply (Jan)

SERBIA

- Feb 20: T-bonds auction
- Feb 23: CPI (Jan)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD moved higher for the third session in a row in early trade on Wednesday and short-dated US bond yields hit fresh multi-year highs ahead of the minutes from the January 30-31 FOMC monetary policy meeting later today (20:00 CET). Eurozone preliminary February PMIs and UK December labor market data also feature high in today's calendar.

GREECE: According to the 3rd programme review compliance report, as of today, auctions for debts to banks or other private entities are to be conducted only through the electronic platform. 70 electronic auctions have been scheduled for today and 200 for the next week, with a target to gradually reaching around 2,000 e-auctions per month. According to the Bank of Greece, in 2017 the current account showed a deficit of EUR 1.5 billion, down by EUR 418 million compared to 2016. This amelioration reflects mainly an increase in the surplus of the services balance (EUR 2.1 billion) and, to a lesser extent, improvements in the primary and secondary income accounts (EUR 94 million and EUR 18 million respectively), which more than offset the increase in the deficit of the balance of goods (EUR 1.8 million).

SOUTH EASTERN EUROPE

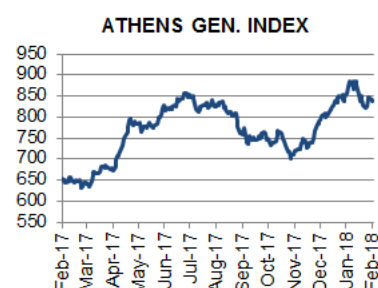
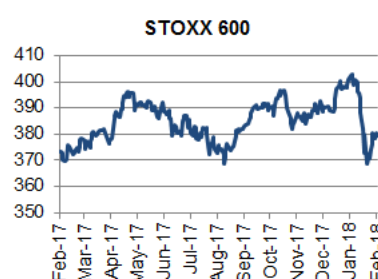
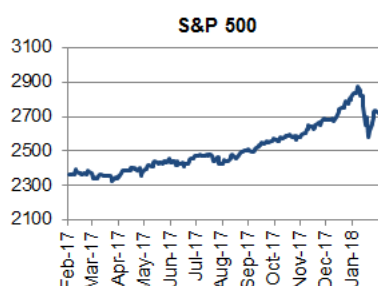
CESEE MARKETS: The majority of emerging markets assets traded mostly higher earlier on Wednesday. Main emerging stock market indices rose with the corresponding MSCI index firming by nearly 1% on the day. In CESEE, regional bourses lagged the recovery with most standing in a modestly negative territory in early European trade. Regional currencies were mixed as the USD gained further ground, while government bonds broadly firmed.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD moved higher for the third session in a row in early trade on Wednesday and short-dated US bond yields hit fresh multi-year highs. Market focus is on the minutes from the January 30-31 FOMC monetary policy meeting, due for release later today (20:00 CET), which could potentially reflect a more hawkish overtone in the wake of the tax cuts for households and corporates signed into law late last year, supporting the case for more aggressive rate tightening in the coming months. The DXY index hit a multi-session daily peak of 89.937 earlier today, extending this week's gains to 0.9% so far and recovering part of last week's 1.5% losses. Pressured by the USD's broad-based rebound over the last few sessions, the EUR/USD was 0.2% weaker on the day hovering close to 1.2300 at the time of writing after hitting a three-year high of 1.2555 late last week. Today's Eurozone preliminary February PMIs are likely to show a modest decline after hitting cyclical highs in recent months, continuing though to point to ongoing economic recovery at a healthy pace. UK December labor market data, which also features high in today's calendar, is expected to show an unchanged 3m/YoY total pay growth - the BoE's preferred measure for wage growth - at 2.4% and a stable unemployment rate at 4.3%. On the back of any negative surprise, the GBP is likely to come under some pressure while, on the flipside, there seems little room for GBP appreciation should the report yield any positive surprise. Whereas the chance of two 25bps BoE hikes in the coming 12 months is already priced-in with a probability of around 80%, high uncertainty surrounds the UK economic outlook mainly on the back of lingering Brexit-related jitters. Turning to bond markets, the 2-yr US bond yield hit a fresh nine-month high of 2.28% earlier today with the 2/10-yr yield spread narrowing close to a three-week low of 62bps.

petropoulou@eurobank.gr

GREECE

According to the 3rd programme review compliance report, as of today, auctions for debts to banks or other private entities are to be conducted only through the electronic platform. 70 electronic auctions have been scheduled for today and 200 for the next week, with a target to gradually reaching around 2,000 e-auctions per month. According to press reports, already a significant share of debtors appears willing to settle their debts once their properties are put on auction. On the economic data front, according to the Bank of Greece, in 2017 the current account showed a deficit of EUR 1.5 billion, down by EUR 418 million compared to 2016. This amelioration reflects mainly an increase in the surplus of the services balance (EUR 2.1 billion) and, to a lesser extent, improvements in the primary and secondary income accounts (EUR 94 million and EUR 18 million respectively), which more than offset the increase in the deficit of the balance of goods (EUR 1.8 billion). The widening in the deficit of the balance of goods is the result of increases in both the deficit of the oil balance (EUR 945 million) and the deficit of the non-oil balance of goods (EUR 827 million). The expansion of the surplus of the services balance (EUR 2.1 billion) is due to improvements principally in the travel balance (EUR 1.5 billion) and, secondarily, in the transport balance (EUR 729 million), while the surplus of the other services balance fell (EUR 131 million).

andimitriadou@eurobank.gr

February 21, 2018

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

CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

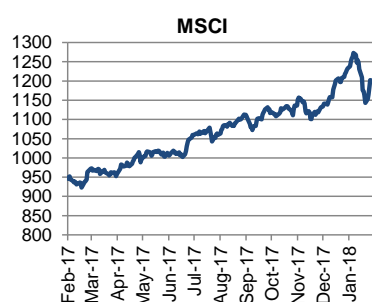
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.8	3.0
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-4.0	-4.5
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.50	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings		
L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	B1	BB-

Latest economic & market developments in the CESEE region

CESEE MARKETS

The majority of emerging markets assets traded mostly higher earlier on Wednesday. Stock markets rallied with the corresponding MSCI index firming by nearly 1% on the day, more than offsetting yesterday's 0.5% decline. Turkey's BIST 100 index outperformed its EM peers, jumping by 1.7% compared to Tuesday's settlement, recouping part of yesterday's 2.1% losses. Other main indices in the CESEE region lagged the recovery with most standing in a modestly negative territory in early European trade.

Regional currencies were mixed as the USD gained further ground earlier on Wednesday, while government bonds broadly firmed. In FX markets, the Turkish lira firmed 0.3% to trade near 3.7855/\$ in European markets after incurring losses of 1% yesterday amid mounting geopolitical tensions. According to media reports, Syrian pro-government forces entered yesterday Syria's northwestern territory of Afrin to assist US-backed Kurdish troops to fight off a Turkish military operation in that region. Recall that, Turkey launched about a month ago a military operation, also known as Operation Olive Branch, in the Kurdish-majority Afrin Canton, to stave off Kurdish fighters in Syria, as it considers them closely linked to the separatist Kurdistan Workers' Party (PKK).

Today's focus is mostly on the FOMC meeting minutes, with investors looking for any hints over the committee's future pace of rate tightening ahead. The CESEE calendar is light today. Turkey's January home sales were announced earlier today, revealing a timid increase of 1.7%YoY to 97k, following a 6.8%YoY decline in the prior month. Poland's budget data for January is due for release later on the day. Tomorrow, government bond auctions are scheduled to be held in Poland, Hungary and Romania. In Turkey, real sector confidence and capacity utilization for February will be published tomorrow. On Friday, January's unemployment data is due in Poland and inflation in Serbia. S&P is expected to release its review on Turkey's sovereign credit ratings. The agency currently rates the country's long term foreign currency debt at BB with negative outlook.

gphoka@eurobank.gr

February 21, 2018

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	2716.26	-0.6%	1.6%	EUR/USD	1.2319	-0.2%	2.6%	UST - 10yr	2.88	-1	47	GOLD	1329	0.0%	2.0%
Nikkei 225	21970.81	0.2%	-3.5%	GBP/USD	1.3965	-0.2%	3.3%	Bund-10yr	0.70	-4	27	BRENT CRUDE	65	-1.0%	-3.4%
STOXX 600	379.19	-0.3%	-2.6%	USD/JPY	107.5	-0.2%	4.8%	JGB - 10yr	0.06	-1	1	LMEX	3411	-0.5%	-0.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	2	0
1-week	2.65	1	4
1-month	2.83	1	-2
3-month	3.13	1	1
6-month	3.24	2	0

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.99	0	-29
5Y RSD	4.23	0	-7
7Y RSD	4.62	0	-56

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.45	4	45
USD Nov-24	6.24	-22	20

CDS

	Last	ΔDbps	ΔYTD bps
5-year	101	1	-17
10-year	148	1	-14

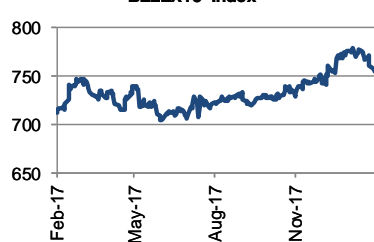
STOCKS

	Last	ΔD	ΔYTD
BELEX15	754.4	-0.07%	-0.71%

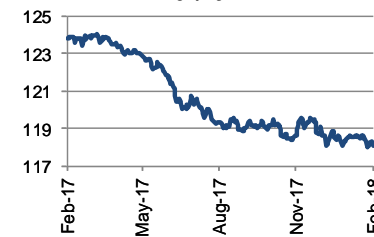
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.03	-0.01%	0.74%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.32	0	23
1-month	1.6	0	-27
3-month	2.09	0	4
6-month	2.4	0	13
12-month	2.5	0	18

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.49	0	11
5Y RON	3.96	0	18
10Y RON	4.59	0	27

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.61	#N/A	N/A
USD Jan-24	3.70	0	70

CDS

	Last	ΔDbps	ΔYTD bps
5-year	84	5	-6
10-year	129	4	-4

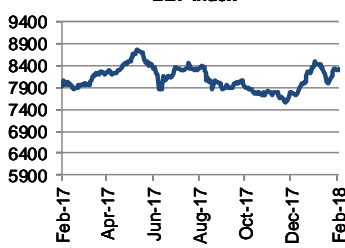
STOCKS

	Last	ΔD	ΔYTD
BET	8301.5	-0.07%	7.06%

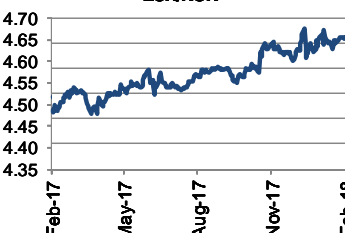
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6609	-0.01%	0.08%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.27	0	-1
3-month	-0.19	0	-1
6-month	-0.06	0	-1
12-month	0.32	0	-1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	0	1
5Y BGN	0.24	-1	10
10Y BGN	1.08	0	11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.17	0	25
EUR Sep-24	0.77	0	20

CDS

	Last	ΔDbps	ΔYTD bps
5-year	59	0	-38
10-year	103	0	-39

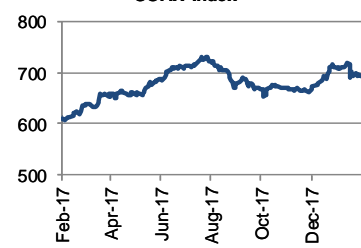
STOCKS

	Last	ΔD	ΔYTD
SOFIX	694.3	-0.01%	2.48%

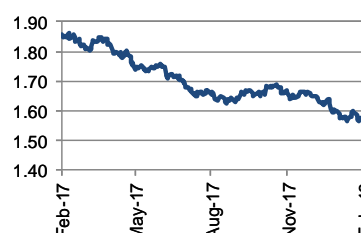
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5878	-0.16%	2.62%

SOFIX Index



USD/BGN



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

Data updated as of 10:40EST

February 21, 2018

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Senior Economist, Eurobank Ergasias
++30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
+ 30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Ruslan Raychev
Trader, Eurobank Bulgaria
+359 2 8166 482
rsraychev@postbank.bg

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 3718 793

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr + 30 210 33 71 225

Stylios Gogos: Economic Analyst
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr + 30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr + 30 210 33 71 224

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 33 71 228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 33 71 207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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