

Wednesday, March 14, 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Mar 13: CPI (Feb)
- Mar 14
  - Retail sales (Feb)
  - Producer prices (Feb)
- Mar 15
  - Jobless claims (weekly)
  - Empire State Index (Mar)
  - Philly Fed (Mar)
  - NAHB index (Mar)
- Mar 16
  - Housing starts/permits (Feb)
  - Industrial production (Feb)
  - UoM Cons. sentiment (Mar)

##### EUROZONE

- Mar 13: Eurogroup meeting
- Mar 14: Industrial prod/n (Feb)
- Mar 16: HICP (Feb)

##### GREECE

- Mar 12: Industrial prod/n (Feb)
- Mar 15: U/E rate (Q4)

##### CYPRUS

- Mar 16
  - HICP (Feb)
  - Debt rating review by S&P

##### SEE

##### BULGARIA

- Mar 13: Trade balance (Jan)
- Mar 14: CPI (Feb)
- Mar 15: U/E rate (Feb)

##### ROMANIA

- Mar 12
  - Trade balance (Jan)
  - 4.25% 2023 T-bonds auction
- Mar 13
  - Wages (Jan)
  - CPI (Feb)
- Mar 14: Industrial production/sales (Jan)
- Mar 15: 5.8% 2027 T-bonds auction
- Mar 16: CAD (Jan)

##### SERBIA

- Mar 12
  - Trade balance (Jan)
  - CPI (Feb)
- Mar 13: 4.5% 2023 T-bonds auction
- Mar 14: MPC rate decision

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GREECE:** According to the EU Commissioner for Economic and Monetary Affairs Pierre Moscovici, four steps must be taken until the Jun 21 Eurogroup: 1) the 88 prior actions attached to the 4<sup>th</sup> programme review must be completed and a technical agreement must be reached, 2) a credible agreement must be formed with regard to the post programme framework, 3) an agreement on the potential debt relief measures must be reached, and 4) the Greek long-term growth strategy must be shaped. According to the latest Bank of Greece data, in January 2018 ELA funding for Greek banks dropped to EUR 17.4 billion while ECB funding fell to EUR 11.7 billion.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets traded mixed earlier on Wednesday, on deteriorating risk appetite amid mounting US trade protectionism concerns and increasing market uncertainty over President Trump's policies.

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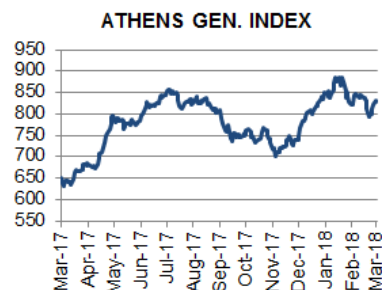
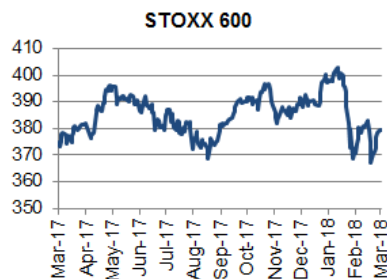
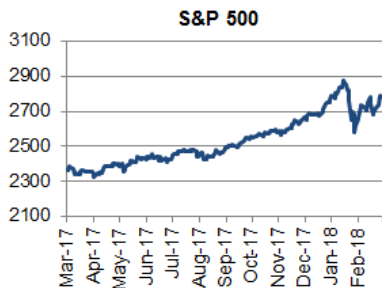
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## Latest world economic & market developments

### GREECE

According to the EU Commissioner for Economic and Monetary Affairs Pierre Moscovici, four steps must be taken until the June 21 Eurogroup: 1) the 88 prior actions attached to the 4<sup>th</sup> programme review must be completed and a technical agreement must be reached, 2) a credible agreement must be formed with regard to the post programme framework, 3) an agreement on the potential debt relief measures must be reached, and 4) the Greek long-term growth strategy must be shaped. With respect to the IMF, the EU Commissioner reportedly commented that the potential return of the Fund to Greece's programme matters more as a "certificate of debt sustainability" considering that the funds that will be contributed by the IMF will likely be limited. According to the latest Bank of Greece data, in January 2018 ELA funding for Greek banks dropped to EUR 17.4 billion (down from EUR 21.6 billion in December 2017) while ECB funding fell to EUR 11.7 billion (down from EUR 12.1 billion in December 2017), thus bringing total Eurosystem funding to EUR 29.1 billion compared to EUR 33.7 billion in the previous month.

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Source: Reuters, Bloomberg, Eurobank Research

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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

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

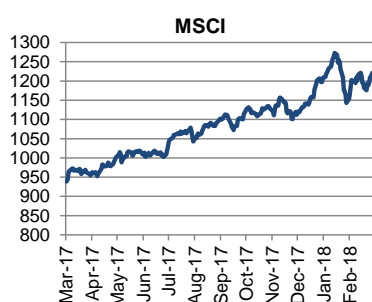
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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	1.9	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	-5.7	-4.7
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

Emerging market assets traded mixed earlier on Wednesday, on deteriorating risk appetite amid mounting US trade protectionism concerns and increasing market uncertainty over President Trump's policies after he fired Secretary of State Rex Tillerson on Tuesday. This news overshadowed upbeat data releases for February in China, the world's second largest economy, which signaled strong GDP growth in the first quarter of the year. In more detail, industrial production grew by 7.2%YoY, picking up pace from 6.6%YoY in January and confounding expectations for a slowdown to 6.2%YoY. Likewise, fixed asset investments rose by 7.9%YoY outpacing a market median forecast for deceleration to 7.0%YoY from the prior month's 7.2%YoY increase. Meanwhile, retail sales inched higher by 9.7% on a year-to-date basis, nearly in line with market expectations for a 9.8%YoY advance.

Trailing losses in Wall Street overnight and Asian bourses earlier today, emerging market shares fell, with the MSCI Emerging Markets index sliding by 0.3% on the day in European trade in a snap of a 4-session rising streak. The majority of main stock indices in the region also recoiled, with Poland's WIG posting the highest daily decline of 0.4%, while Turkey's BIST outperformed its regional peers bucking the negative trend to stand 0.5% firmer at the time of writing compared to the prior session's settlement.

In the FX markets, most regional currencies gained some ground against a weaker US dollar. On the flipside, the Serbian dinar remained under pressure reaching new 2-month lows near 118.45/€ ahead of the MPC meeting later today - that was deferred from a week earlier due to other commitments of Board members - and in view of a weak inflation data for February released earlier in the week, that stirred market talk for a potential cut in the key policy rate from the current record low of 3.50% today. Albeit a 25bps rate cut today appears to be on the cards, an argument backed by benign inflationary pressures and the dinar's appreciation to 3-½-year highs recently, several factors suggest that the Central Bank has already reached or is close to the bottom of its monetary easing cycle. The recent easing in CPI appears to be mostly driven by the impact of last year's high base instigated by adverse weather conditions with inflation anticipated to inch higher later in the year as domestic demand dynamics are expected to improve further, labour market conditions remain tight and some fiscal loosening is penciled in for this year after three consecutive years of significant consolidation. In addition, monetary policy normalization by major Central Banks pose risks to domestic financial markets. Meanwhile, upside risks to the inflation outlook also stem from global oil and food prices.

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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	2783.57	0.0%	4.1%	EUR/USD	1.2394	0.5%	3.2%	UST - 10yr	2.86	-1	45	GOLD	1327	0.3%	1.8%
Nikkei 225	21968.10	0.7%	-3.5%	GBP/USD	1.3975	0.5%	3.4%	Bund-10yr	0.63	-1	20	BRENT CRUDE	64	-1.2%	-4.0%
STOXX 600	377.02	-0.6%	-3.1%	USD/JPY	106.69	-0.3%	5.6%	JGB - 10yr	0.05	0	1	LMEX	3278	-1.0%	-4.1%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.57	-1	5
1-week	2.69	-2	8
1-month	2.87	-2	2
3-month	3.15	0	3
6-month	3.28	-3	4

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.92	0	-36
5Y RSD	4.23	0	-1
7Y RSD	4.60	0	-57

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.45	-1	46
USD Nov-24	6.36	-17	32

#### CDS

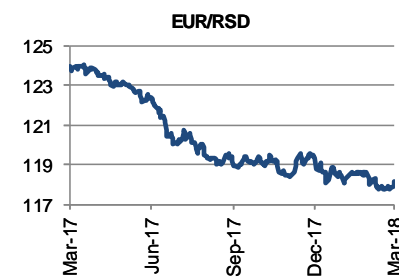
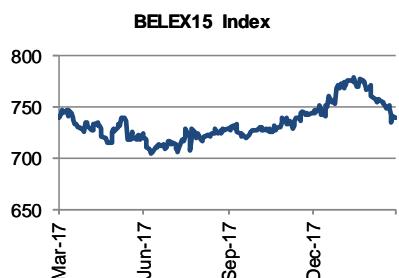
	Last	ΔDbps	ΔYTD bps
5-year	92	0	-26
10-year	134	0	-28

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.8	0.33%	-2.37%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.28	-0.25%	0.53%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.33	0	24
1-month	1.59	-1	-28
3-month	2.05	-1	0
6-month	2.37	-2	10
12-month	2.51	-2	19

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.28	0	-10
5Y RON	3.94	0	16
10Y RON	4.58	0	26

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	2
USD Jan-24	3.74	1	74

#### CDS

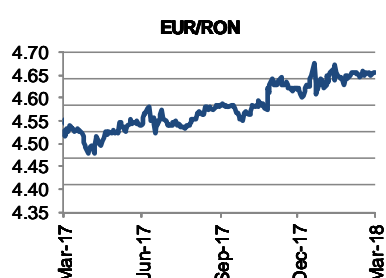
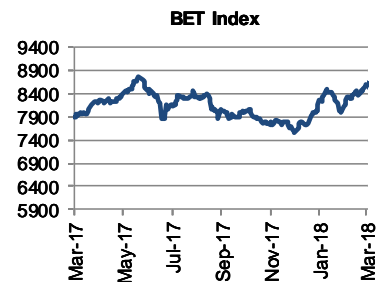
	Last	ΔDbps	ΔYTD bps
5-year	81	-1	-9
10-year	125	-1	-8

#### STOCKS

	Last	ΔD	ΔYTD
BET	8603.1	0.51%	10.95%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.663	-0.02%	0.04%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	-1	-3
3-month	-0.19	0	-1
6-month	-0.05	0	0
12-month	0.27	0	-5

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.00	0	6
5Y BGN	0.25	0	10
10Y BGN	1.09	0	13

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.20	0	28
EUR Sep-24	0.87	0	29

#### CDS

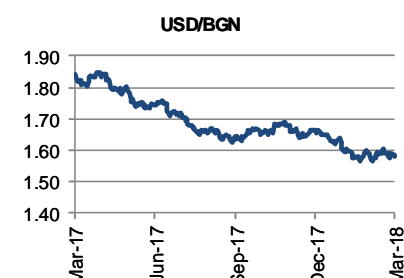
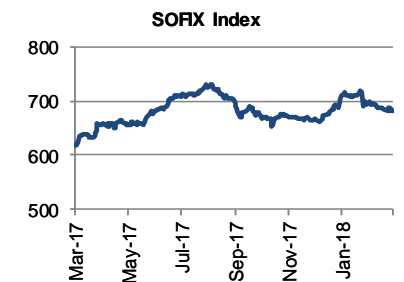
	Last	ΔDbps	ΔYTD bps
5-year	55	0	-42
10-year	97	0	-44

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	679.8	-0.23%	0.35%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.578	0.48%	3.26%



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

Data updated as of 17:30 EST of previous session

March 14, 2018

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