



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, February 09, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

CHINA

- Feb 9: CPI (Jan)

US

- Feb 5: ISM non-manuf. (Jan)
- Feb 6: Trade balance (Dec)
- Feb 8: jobless claims (weekly)

EUROZONE

- Feb 5: PMI services final (Jan)
- Feb 6
 - German industrial production (Dec)
 - EU Commission publishes Winter Forecast
- Feb 8: German exports (Dec)
- Feb 9: France's & Italy's industrial production (Dec)

UK

- Feb 5: PMI services (Jan)
- Feb 8: BoE rate decision, Inflation Report, MPC minutes
- Feb 9: Industrial prod. (Dec)

GREECE

- Feb 7: Commercial Transactions (provisional, Dec)
- Feb 8: Labour Force Survey (Nov)
- Feb 9: Industrial Production (Dec)

CYPRUS

- Feb 6: CPI (Jan)

SEE

BULGARIA

- Feb 8
 - Industrial Production (Dec)
 - Retail Sales (Dec)
- Feb 9: Trade Balance (Dec)

ROMANIA

- Feb 5
 - Retail Sales (Dec)
 - T-bonds auction
- Feb 7: MPC meeting
- Feb 8: T-bonds auction
- Feb 9
 - Trade Balance (Dec)
 - Industrial Sales (Dec)
 - Net wages (Dec)

SERBIA

- Feb 8: MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The BoE MPC voted unanimously at the February 7 meeting to keep its Bank Rate at 0.50% and maintain its current stock of asset purchases at GBP435bn. However, it adopted a more hawkish than expected tone, raising worries over a steeper path of rate hikes. In a knee-jerk reaction to the above, UK government bond yields moved higher while global equity markets came under renewed selling pressure. In FX markets, amid renewed Brexit related jitters, the GBP gave back most of yesterday's post-BoE gains while the CHF was among the main outperformers favored by its safe-haven appeal.

GREECE: The Hellenic Republic tapped the markets anew yesterday with a 7-year bond issue priced at a 3.5% yield in order to raise EUR 3 billion with the issue being more than twice oversubscribed. The Euroworking Group that convened yesterday reportedly discussed the mechanism that will link debt servicing to GDP growth, the potential medium-term debt relief measures and the outstanding prior actions for the disbursement of the loan tranche attached to the 3rd programme review. During his visit in Athens, European Commissioner for Economic and Financial Affairs Pierre Moscovici stated that in June 2018 there must be a global agreement on how to conclude the economic adjustment programme but also on the medium-term debt relief measures. According to the Hellenic Statistical Authority (ELSTAT), the seasonally adjusted unemployment rate for November 2017 was 20.9% compared with 23.3% in November 2016 and 20.9% in October 2017.

SOUTH EASTERN EUROPE

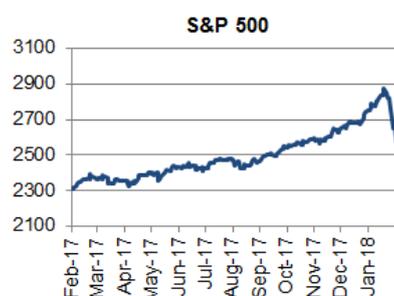
CESEE MARKETS: Most Emerging Market assets came under renewed pressure in early European trade on Friday in view of a new bout of selling in global stock markets.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The BoE MPC voted unanimously at the February 7 meeting to keep its Bank Rate at 0.50% and maintain its current stock of asset purchases at GBP435bn. However, it adopted a more hawkish than expected tone, raising worries over a steeper path of rate hikes. In particular, the minutes of the meeting stated that, should the UK economy evolve in line with the February Inflation Report “monetary policy would need to be tightened somewhat earlier and by a somewhat greater extent over the forecast period” than anticipated in November 2017. GDP growth forecast for this and the next year were revised upwards to 1.8% from 1.6% and 1.7%, respectively. Inflation projections were broadly unchanged but the MPC expressed increased confidence in its expectations for a pick-up in wage growth. The estimate for the equilibrium unemployment rate was cut to 4.25% from 4.50% while the MPC highlighted that there is “only a very limited degree” of spare capacity remaining in the economy. In reaction to the above, UK gilts came under pressure with the 2-yr yield peaking at a two-year high 0.733% on Thursday before easing back in European trade the following day. Amid concerns that higher interest rates would raise borrowing costs, hurting corporate earnings, major European equity markets came under renewed pressure in early trade on Friday, taking their cue from US stocks’ poor performance overnight. Meanwhile, US Treasuries and German Bunds were little changed on the day failing to capitalize on the latest bout of selling in global stocks. In FX markets, favored by its safe-haven appeal, the CHF was among the main outperformers. The EUR/CHF was hovering around 1.1488/90 in European trade on Friday after moving below 1.1500 in the prior session for the first time in the last three months. Elsewhere, amid renewed Brexit related jitters, the GBP gave back most of yesterday’s post-BoE gains with the EUR/GBP hovering around 0.8816/20 at the time of writing after marking a multi-session low of 0.8730 on Thursday.

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GREECE

The Hellenic Republic tapped the markets anew yesterday with a 7-year bond issue priced at a 3.5% yield in order to raise EUR 3 billion with the issue being more than twice oversubscribed. Two more issues (a 3-year bond and a 10-year bond) are reportedly scheduled until the end of the programme in August 2018 in order to support the post-programme cash buffer with funds in the order of EUR 9-10 billion. In other news, the Euroworking Group that convened yesterday reportedly discussed the mechanism that will link debt servicing to GDP growth and the potential medium-term debt relief measures as well as the outstanding prior actions for the disbursement of the loan tranche attached to the 3rd programme review. It is estimated that most of these actions will have been fulfilled by the 19 February Eurogroup and that the release of the EUR5.7 billion sub-tranche will take place before the end of this month. Meanwhile, during his visit in Athens, European Commissioner for Economic and Financial Affairs Pierre Moscovici stated that in June 2018 there must be a global agreement on how to conclude the economic adjustment programme but also on the medium-term debt relief measures. He excluded the possibility of a fourth programme opening, however, that there will need to be post-programme surveillance to monitor that Greece respects its commitments towards its euro zone partners. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the seasonally adjusted unemployment rate for November 2017 was 20.9% compared with 23.3% in November 2016 and 20.9% in October 2017. The number of employed persons increased 2.6%YoY but fell 0.3%MoM, while the number of unemployed persons decreased 10.7%YoY and recorded a negligible monthly change.

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February 9, 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

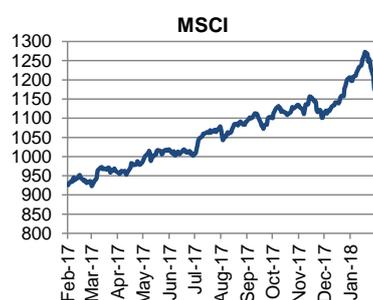
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Most Emerging Market assets came under renewed pressure in early European trade on Friday in view of a new bout of selling in global stock markets. The MSCI Emerging Markets index shed ca 1.7% earlier today compared to the prior session's settlement, erasing fully gains recorded following a very good start into the new year. The index stands about 7.30% weaker vs. last Friday's close, poised to record this week its worst performance since 2011. Chinese shares registered their worst daily performance in more than two years, with the Shanghai Composite Index having ended the day 4.1% lower and the blue-chip CSI300 posting respective losses of 4.3%, having each marked declines of more than 6% intraday. Bourses in the CESEE region also fell, albeit faring better than most of their global peers amid relatively strong macroeconomic fundamentals. Indicatively, Bulgaria's main SOFIX index underperformed other regional indices recording a 1.6% decline in morning European trade, while Serbia's bucked the negative global trend to stand in a modestly positive territory of 0.2%.

Elsewhere, regional currencies and government bonds broadly weakened as global risk appetite sapped. In FX markets, the Hungarian forint and the Polish zloty, considered the most liquid currencies in the region, bore the brunt, each easing by ca 0.25% on the day against the euro. With no important data or events expected in the CESEE space for the rest of the day, global news and sentiment will likely continue setting the tone for regional assets.

In other news, Serbia's Central Bank maintained the key policy rate at a 3.50% record low for the 4th consecutive month at its meeting yesterday vindicating market expectations. The MPC reiterated that inflation (CPI at 3.0%YoY in Dec) will likely remain within the target band (3.0±1.5%) in the period ahead. The Executive Board also adopted at its meeting yesterday the February Inflation Report, which will be publically available on February 14th.

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February 9, 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	2581.00	-3.8%	-3.5%	EUR/USD	1.2259	0.1%	2.1%	UST - 10yr	2.86	3	45	GOLD	1316	-0.2%	1.0%
Nikkei 225	21382.62	-2.3%	-6.1%	GBP/USD	1.39	-0.1%	2.8%	Bund-10yr	0.76	0	34	BRENT CRUDE	64	-0.7%	-3.8%
STOXX 600	372.70	-0.4%	-4.2%	USD/JPY	109.11	-0.3%	3.3%	JGB - 10yr	0.07	-2	2	LMEX	3318	0.0%	-2.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.50	-2	-2
1-week	2.62	-1	1
1-month	2.81	-1	-4
3-month	3.10	-1	-2
6-month	3.23	-1	-1

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.98	0	-29
5Y RSD	4.23	0	-7
7Y RSD	4.62	0	-56

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.31	5	31
USD Nov-24	6.20	-24	16

CDS

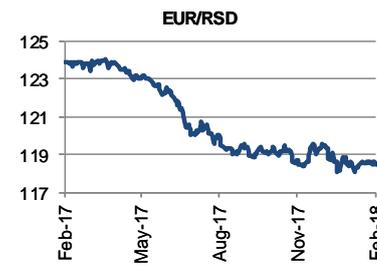
	Last	ΔDbps	ΔYTD bps
5-year	101	2	-17
10-year	147	2	-15

STOCKS

	Last	ΔD	ΔYTD
BELEX15	767.6	-0.11%	1.03%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.50	0.03%	0.34%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.34	-1	25
1-month	1.61	1	-26
3-month	2.04	1	-1
6-month	2.34	1	7
12-month	2.44	3	12

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.48	0	10
5Y RON	3.97	0	19
10Y RON	4.57	0	25

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	4	-3
USD Jan-24	3.61	5	61

CDS

	Last	ΔDbps	ΔYTD bps
5-year	87	2	-3
10-year	132	2	-2

STOCKS

	Last	ΔD	ΔYTD
BET	8025.2	-0.53%	3.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6576	-0.05%	0.15%



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	-0.06	0	-1
12-month	0.31	0	-1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	0	3
5Y BGN	0.24	0	10
10Y BGN	1.06	0	10

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.19	0	26
EUR Sep-24	0.78	0	20

CDS

	Last	ΔDbps	ΔYTD bps
5-year	61	-1	-36
10-year	105	-1	-36

STOCKS

	Last	ΔD	ΔYTD
SOFIX	687.5	-1.61%	1.48%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5955	0.09%	2.12%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 13:00 EST

February 9, 2018

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