

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan 29: Personal income & spending (Dec)
- Jan 30: CB consumer conf (Jan)
- Jan 31
 - ADP payrolls (Jan)
 - Employment Cost Index (Q4)
 - Chicago PMI (Jan)
 - Pending home sales (Jan)
 - FOMC rate decision
- Feb 1
 - Jobless claims (weekly)
 - ISM manufacturing (Jan)
- Feb 2
 - Non-farm payrolls (Jan)
 - Factory orders (Dec)
 - UM consumer conf. (Feb)

EUROZONE

- Jan 30
 - GDP (Q4 17)
 - Economic sentiment (Jan)
- Jan 31
 - CPI (Jan)
 - Unemployment rate (Dec)
- Feb 1: PMI manuf. (Jan, final)

GREECE

- Jan 30: PPI (Dec)
- Jan 31: Retail Sales (Nov)
- Feb 1: PMI Manuf. (Jan)

CYPRUS

- Feb 4: Presidential Elections (2nd round)

SEE

BULGARIA

- Jan 29: Gross External Debt
- Jan 30: PPI Index (Dec)
- Jan 31
 - Budget Balance (Dec)
 - Base Interest Rate (Feb)

ROMANIA

- Jan 3:
 - Unemployment (Dec)
 - Int. Reserves (€ bn, Jan)
- Feb 2: PPI Index (Dec)

SERBIA

- Jan 31:
 - Industrial Production (Dec)
 - GDP (NSA YoY%, Q4)
- Trade Balance (Dec)
- Retail Sales (Dec)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In line with expectations, the FOMC kept its key interest rates unchanged at this week's two-day monetary policy meeting that concluded late on Wednesday. There were no updated economic projections or post-meeting press conference. However, the overall tone of the accompanying statement was more hawkish compared to that in the previous meeting. In reaction to the more hawkish tone of the FOMC statement, government bond yields across the US and the euro area hit fresh highs. In FX markets, the USD remained under pressure failing to capitalize on the FOMC hawkish tone pressed by lingering US structural and political woes as well as market perception of monetary tightening in other parts of the world outside the US. With the FOMC meeting out of the way, focus today is on US ISM manufacturing index for January ahead of the key non-farm payrolls report on Friday.

GREECE: The Greek Finance Minister Euclid Tsakalotos said in an interview in Reuters that he expects that Greece will make a clean break with official lenders when the international bailout expires in August 2018 and that it has no reason to seek a precautionary credit line. He added that in the coming months Greece will be preparing its own post-bailout plan with an emphasis on reforms, social policies and growth. The adverse scenario of the 2018 stress test for Greece, foresees a cumulative reduction of GDP in the area of -3.2% for the period 2018-2020, a cumulative drop in residential and real estate prices of -16.6% and -16.6% respectively and a cumulative reduction in HICP of -2.8%. Unemployment is projected at 20.6%, 20% and 19.1% for 2018, 2019 and 2020 respectively. According to IHS Markit, the Manufacturing PMI for Greece in January 2018 reached its highest level since October 2007 at 55.2 up from 53.1 in December 2017 with the overall expansion driven by a steep rise in new orders from both domestic and foreign markets.

SOUTH EASTERN EUROPE

ROMANIA: Romania reportedly opened earlier on Thursday the books on a dual-tranche euro bond, of securities maturing in 12 and 20 years .

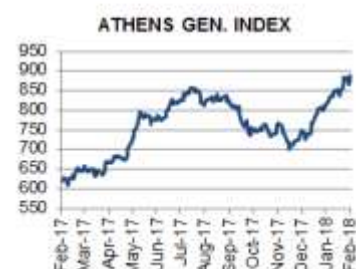
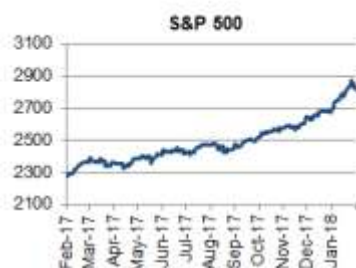
SERBIA: Serbia's Q4 GDP growth vindicated market expectations coming in at 2.5%YoY from 2.1%YoY in the prior quarter, bringing the full-year reading to 1.8%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with expectations, the FOMC kept its key interest rates unchanged at this week's two-day monetary policy meeting that concluded late on Wednesday. There were no updated economic projections or post-meeting press conference. However, the overall tone of the accompanying statement was more hawkish compared to that in the previous meeting with the FOMC characterizing gains in employment, household spending and business fixed investment as "solid". The FOMC also upgraded its assessment on inflation saying that it is expected "to move up this year" rather than "remain somewhat below 2% in the near term" in the previous meeting in December. The more hawkish tone of the FOMC statement triggered an upward shift in short-term rate tightening expectations with the Fed funds futures now assigning almost fully a 25bps rate hike at the next meeting in March and nearly three hikes of 25bps by the end of this year compared to two earlier this week. In reaction to the above, government bond yields across the US and the euro area hit fresh highs. US front-end paper underperformed with the 5/30-yr yield curve undertaking some further flattening and the corresponding spread hovering around 57bps at the time of writing, c. 3bps narrower so far this week and 12bps lower since end-2017. Euro area bonds followed suit with the 10-yr Bund yield rising to 0.72% today, the highest since late 2015. Long-dated Bunds fared relatively worse with the 2/10-yr yield spread rising to a multi-month intraday high of 125bps earlier today. In FX markets, the USD remained under pressure failing to capitalize on the FOMC more hawkish tone pressed by lingering US structural and political woes as well as market perception of monetary tightening in other parts of the world outside the US. With the FOMC meeting out of the way, focus today is on US ISM manufacturing index for January ahead of the key non-farm payrolls report on Friday.

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GREECE

The Greek Finance Minister Euclid Tsakalotos said in an interview in Reuters that he expects that Greece will make a clean break with official lenders when the international bailout expires in August and that it has no reason to seek a precautionary credit line. He added that in the coming months Greece will be preparing its own post-bailout plan with an emphasis on reforms, social policies and growth. As regards debt relief, Greek FinMin stated that discussions with European partners will commence soon on a solution along the lines of a French proposal that will link the level of debt restructuring with economic performance. The European Banking Authority released yesterday the macroeconomic assumptions for the 2018 pan-European stress test which will also be conducted for the four Greek systemic banks. The adverse scenario for Greece, foresees a cumulative reduction of GDP in the area of -3.2% for the period 2018-2020, a cumulative drop in residential and real estate prices of -16.6% and -16.6% respectively and a cumulative reduction in HICP of -2.8%. Unemployment is projected at 20.6%, 20% and 19.1% for 2018, 2019 and 2020 respectively. According to IHS Markit, the Manufacturing PMI for Greece in January 2018 reached its highest level since October 2007 at 55.2 up from 53.1 in December with all three sub-sectors of consumer, intermediate and investment goods recording similar rates of growth. The overall expansion was driven by a steep rise in new orders from both domestic and foreign markets. Employment growth was the joint-sharpest on record while business confidence was at its highest level since the series began.

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February 1, 2018

BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.4	3.8	3.5
CPI (pa, yoy %)	-0.8	1.6	1.5
Budget Balance/GDP*	1.6	0.0	-1.0
Current Account/GDP	5.4	4.0	3.0
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 %	2.8	3.5	3.1
HICP (pa, yoy %)	-1.2	1.0	1.5
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.9	-6.3

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	5.5	4.0
CPI (pa, yoy %)	-1.6	1.4	3.1
Budget Balance/GDP *	-2.4	-3.7	-3.8
Current Account/GDP	-2.2	-3.0	-2.8
EUR/RON (eop)	4.54	4.67	4.62
	2017	current	2018
Policy Rate (eop)	1.75	2.00	2.50

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.8	2.0	3.0
CPI (pa, yoy %)	1.1	3.0	3.0
Budget Balance/GDP	-1.2	0.5	-0.6
Current Account/GDP	-4.0	-4.0	-3.9
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

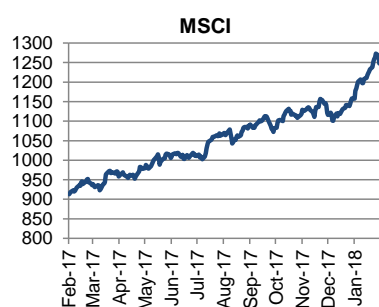
Latest economic & market developments in the CESEE region

ROMANIA

Romania reportedly opened earlier on Thursday the books on a dual-tranche euro bond, of securities maturing in 12 and 20 years. Initial price guidance was set at 150bp area over mid-swaps for paper due in February 2030, while for that due in February 2038 at +210bps area.

SERBIA

Serbia's Q4 GDP growth vindicated market expectations coming in at 2.5%YoY from 2.1%YoY in the prior quarter, bringing the full-year reading to 1.8%. The latter compares with real GDP growth of 2.8% in 2016. The breakdown of the data will be available at the end of February. However, last year's slowdown is mostly attributed to one-off factors, such as adverse weather conditions in the first half of the year, as very cold temperatures in the winter weighed on agriculture, construction, mining and energy and a severe summer drought decimated crops. From the expenditure side, the recovery was mostly driven by strengthening private consumption. Looking ahead, growth is expected to gain momentum towards 3% this year, with risks skewed to the upside, amid strengthening private consumption as well as robust exports and investments. Increases in public sector wages and pensions are expected to boost household spending this year, while an improving business environment and low borrowing rates will likely support investments. Exports are seen remaining robust in view of a favorable external backdrop. However a concomitant rise in imports amid strengthening domestic demand will neutralize their positive input on economic activity.

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

February 1, 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	2823.81	0.0%	5.6%	EUR/USD	1.2433	0.2%	3.6%	UST - 10yr	2.74	3	33	GOLD	1340	-0.4%	2.8%
Nikkei 225	23486.11	1.7%	3.2%	GBP/USD	1.4254	0.4%	5.4%	Bund-10yr	0.73	3	30	BRENT CRUDE	69	0.1%	3.2%
STOXX 600	398.40	0.7%	2.4%	USD/JPY	109.54	-0.3%	2.9%	JGB - 10yr	0.10	2	5	LMEX	3433	1.0%	0.4%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA						
Money Market				Money Market				Money Market						
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps			
T/N	2.52	1	0	O/N	1.15	1	6	LEONIA	0.01	0	1			
1-week	2.63	0	2	1-month	1.51	1	-36	1-month	-0.28	0	-3			
1-month	2.82	1	-3	3-month	1.97	0	-8	3-month	-0.19	0	-1			
3-month	3.12	1	0	6-month	2.25	0	-2	6-month	-0.06	0	-1			
6-month	3.24	1	0	12-month	2.35	0	3	12-month	0.31	0	-1			
RS Local Bonds				RO Local Bonds				BG Local Bonds						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps			
3Y RSD	3.97	-1	-29	3Y RON	3.41	0	3	3Y BGN	-0.06	0	0			
5Y RSD	4.24	0	-5	5Y RON	3.85	0	7	5Y BGN	0.22	0	7			
7Y RSD	4.79	0	-39	10Y RON	4.45	0	13	10Y BGN	1.03	0	7			
RS Eurobonds				RO Eurobonds				BG Eurobonds						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
USD Feb-20	3.18	1	19	EUR Oct-25	1.53	0	-7	EUR Mar-22	0.15	0	23			
USD Nov-24	6.11	-28	8	USD Jan-24	3.31	0	31	EUR Sep-24	0.75	0	17			
CDS				CDS				CDS						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
5-year	98	-5	-20	5-year	85	0	-5	5-year	62	-2	-34			
10-year	148	-4	-14	10-year	131	0	-3	10-year	108	-3	-34			
STOCKS				STOCKS				STOCKS						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
BELEX15	774.0	0.08%	1.86%	BET	8397.5	0.32%	8.30%	SOFIX	712.9	0.02%	5.23%			
FOREX				FOREX				FOREX						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
EUR/RSD	118.65	0.01%	0.22%	EUR/RON	4.6508	0.00%	0.30%	USD/BGN	1.5731	0.17%	3.58%			

BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

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

Data updated as of 11:00 EST

February 1, 2018

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