

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

CHINA

- Feb 28: PMI Manuf (Feb)
- Mar 1: Caixin PMI Manuf (Feb)

US

- Feb 26: New home sales (Jan)
- Feb 27
 - Durable goods orders (Jan)
 - CB consumer conf (Feb)
- Feb 28
 - GDP (Q4, 2nd estimate)
 - Chicago PMI (Feb)
 - Pending home sales (Jan)
 - Fed Chair Powell testifies (House)
- Mar 1
 - Personal income & spending (Jan)
 - Jobless claims (weekly)
 - ISM manufacturing (Feb)
 - Fed Chair Powell testifies (Senate)
- Mar 2: UM Cons conf (Feb)

EUROZONE

- Feb 27: ESI (Feb)
- Feb 28: CPI (prel. Feb)
- Mar 1: U/E rate (Jan)
- Mar 2: DE: retail sales (Jan)

UK

- Mar 2: PM May's Brexit speech

GREECE

- Feb 28: Retail sales (Dec)
- Mar 1: Markit PMI manuf (Feb)

CYPRUS

- Mar 1: CPI (Feb)

SEE

BULGARIA

- Feb 28
 - Gross external debt (Dec)
 - Budget balance (Jan)

ROMANIA

- Feb 26: T-bonds auction
- Mar 1
 - ILO U/E rate (Jan)
 - International reserves (Feb)
- Mar 2: Moody's & S&P review

SERBIA

- Feb 26: Gross wages (Jan)
- Feb 28
 - Industrial production (Jan)
 - GDP (Q4, final)
 - Retail sales (Jan)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European bourses were weaker in early trade on Thursday as Fed Chair Jerome Powell's modestly hawkish appearance before Congress on Tuesday continued to weigh on risk appetite. US Treasury yields were lower across the curve while Eurozone sovereign bonds were also well supported following a drop in the euro area's February headline inflation to a 14-month low. In FX markets, the USD retained a positive tone for the third session in a row. The Fed Chair will deliver the second leg of his semi-annual testimony before the Senate Banking Committee today.

GREECE: Talks between the Greek government and the institutions' (EC/ECB/ESM/IMF) heads in Athens in the context of the 4th programme review are ongoing, and according to press reports discussions yesterday revolved around NPLs resolution. The Minister of Finance Euclid Tsakalotos proceeded yesterday to the further relaxation of capital controls, among others, raising the monthly cash withdrawal limit per depositor and per bank to EUR 2,300. According to the Hellenic Statistical Authority in December 2017 the overall volume index in retail trade increased by 1.8%YoY while the seasonally adjusted overall volume index increased 1.6%MoM. According to Markit, in February 2018, the headline PMI hit a 17 ½ year peak at 56.1 (up from 55.2 in January) with the rate of job creation being the sharpest on record and output and new order growth reaching decade highs.

SOUTH EASTERN EUROPE

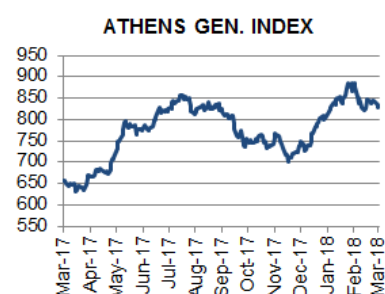
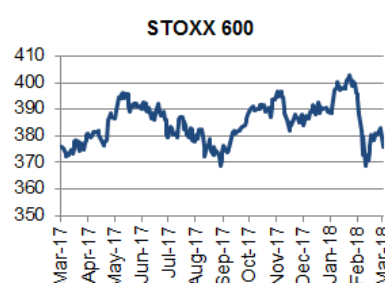
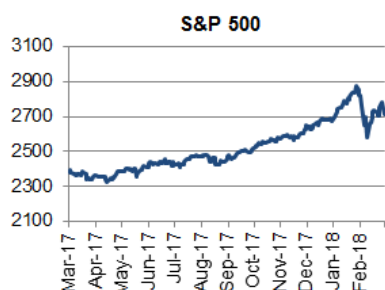
CESEE MARKETS: Emerging market assets broadly remained under pressure earlier on Thursday as risk-off mood continued to dent their high-yield allure.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their cue from Wall Street's poor performance overnight, major European bourses were weaker in early trade on Thursday as Fed Chair Jerome Powell's modestly hawkish appearance before Congress on Tuesday continued to weigh on risk appetite. Turning to bond markets, US Treasury yields were lower across the curve with the 10-yr yield dropping c. 1.5bps on the day at 2.85% in early European trade on the view that the US economy appears to have lost further momentum at the start of this year following a recent string of weaker than expected data, including this week's home sales and durable goods orders for January. Adding to the above, US Q4 GDP was revised lower to an annual rate of 2.5% from 2.6% previously reported and 3.2% in the prior quarter primarily reflecting a slight downward revision to private inventory investment. Eurozone sovereign bonds were also well supported following a drop in the euro area's February headline inflation to a 14-month low, in line with dovish comments by ECB President Mario Draghi earlier this week. Headline inflation came in at 1.2%YoY from 1.3%YoY in January mainly due to lower fresh food inflation and energy prices while core inflation was unchanged at 1.0%YoY, as expected. In FX markets, the USD retained a positive tone for the third session in a row. The EUR/USD extended recent losses hitting a five-week trough of 1.2182 earlier today while the GBP was among the main underperformers on the back of headlines suggesting that the road to an EU/UK agreement on a transition period looks difficult. The Fed Chair will deliver the second leg of his semi-annual testimony before the Senate Banking Committee today but his remarks will be the same with those before Congress on Tuesday.

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GREECE

Talks between the Greek government and the institutions' (EC/ECB/ESM/IMF) heads in Athens in the context of the 4th programme review are ongoing, and according to press reports discussions yesterday revolved around NPLs resolution. Among the issues at hand were reportedly, the lifting of tax constraints to facilitate the sale or settlement of NPLs and measures to improve the out-of-court workout framework. As regards electronic auctions, the competent Minister reportedly presented data that show that their conduct is gradually expanding beyond the Attica region, which is a prerequisite for the disbursement of the EUR 5.7 billion tranche attached to the 3rd programme review. Other issues discussed were the cash reserves of the general government and further reforms in the labour market relating to arbitration in collective bargaining and the development of a representativeness mechanism in sectoral collective agreements. In other news, the Minister of Finance Euclid Tsakalotos proceeded yesterday to the further relaxation of capital controls. The Ministerial Decision foresees among others, the increase of the monthly cash withdrawal limit per depositor and per bank to EUR 2,300 (from EUR 1,800 previously) and the transfer of banknotes in EUR or in foreign currency up to the amount of EUR 2,300 (or the equivalent in foreign currency) per person and per trip abroad. On the economic data front, according to the Hellenic Statistical Authority in December 2017 the overall volume index in retail trade increased by 1.8%YoY while the seasonally adjusted overall volume index increased 1.6%MoM. According to Markit, in February 2018, the headline PMI hit a 17 ½ year peak at 56.1 (up from 55.2 in January) with the rate of job creation being the sharpest on record and output and new order growth reaching decade highs.

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March 1, 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

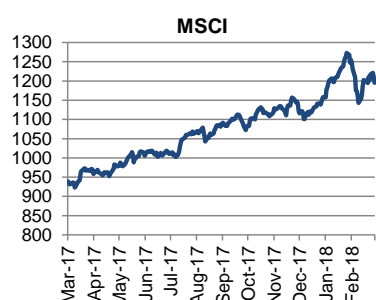
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	-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 broadly remained under pressure earlier on Thursday as risk-off mood continued to dent their high-yield allure. Trailing losses in Europe and Asia today following a decline in Wall Street overnight, the MSCI Emerging Markets index stood in a modestly negative territory in European trade on Thursday, trading near two week lows and being braced to mark the third consecutive session in the red. CESEE bourses also fell. Indicatively, the main WIG index in Poland led the losses in the region with a 1.3% daily decline, while indices in Hungary and Ukraine bucked the negative trend to stand modestly firmer compared to Wednesday's settlement. Regional currencies recoiled as the USD extended its recent gains earlier today, while government bonds were mixed. Hungarian T-bonds broadly underperformed peers ahead of a government bond auction and a tender of interest rate swaps both scheduled for later on the day. Increased political uncertainty ahead of the general elections next month also weighed on Hungarian sovereign debt prices. Against this backdrop, the corresponding 10-year benchmark yield rose by ca 2bps to 2.6%.

On a global scale in today's macroeconomic data releases, in contrast to a higher-than-expected decline in China's official PMI manufacturing in February that was released yesterday, the announcement of the corresponding Caixin index revealed an unexpected rise to a 6-month high of 51.6 last month from 51.5 in January. Meanwhile, investor attention is primarily on the second leg of newly incumbent Fed Chair Powell's semi-annual testimony to the Senate.

In the CESEE space, today's calendar of events and macroeconomic data releases centred around PMI manufacturing data for February. Overall the data showed a slowdown in manufacturing production last month, though the sector continued to expand in a robust pace. The deceleration may be partly explained by a similar trend witnessed in the corresponding index in Germany – a key trade partner in all these countries. In more detail, Hungary's seasonally-adjusted Purchasing Managers' Index slid to 57.4 in February from a revised 61.1 print in the prior month. Yet, as also noted by the Association of Logistics, Purchasing and Inventory Management, the data exceeded both the long-term monthly average of 52.6 and the average reading of 56 over the last three years as well as the 50-point threshold that separates expansion from contraction. In Poland, the corresponding index eased to 53.7 from 54.6, but remained just 1.3 points below a 34-month peak recorded in December. Meanwhile, Turkey's PMI manufacturing fell only modestly, with the index reaching 55.6 from a 7-year high of 55.7.

Romania also announced today the ILO unemployment data for January, with the corresponding rate remaining unchanged at the prior month's reading of 4.6%. In Hungary, a government bond auction is also scheduled to be held today, while the Central Bank holds an interest rate swap (IRS) tender as part of the monetary easing measures undertaken recently. Recall that, the MPC announced late last year the launch of a targeted mortgage bonds purchasing programme and the introduction of new interest rate swaps for banks aimed at pushing longer-dated government yields lower and supporting fixed-rate loans. Later on the day, the Central Bank of Ukraine holds its MPC meeting where the key policy rate is broadly anticipated to remain unchanged at 16.00%. Romania also announces today international reserves data for February and Poland January's budget performance.

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March 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	2713.83	-1.1%	1.5%	EUR/USD	1.2184	-0.1%	1.5%	UST - 10yr	2.84	-2	44	GOLD	1311	-0.6%	0.6%
Nikkei 225	21724.47	-1.6%	-4.6%	GBP/USD	1.3739	-0.2%	1.6%	Bund-10yr	0.63	-2	21	BRENT CRUDE	64	-0.8%	-4.0%
STOXX 600	375.97	-1.0%	-3.4%	USD/JPY	106.79	-0.1%	5.5%	JGB - 10yr	0.04	-1	-1	LMEX	3340	-1.1%	-2.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.57	0	5
1-week	2.70	0	9
1-month	2.88	-1	3
3-month	3.15	0	3
6-month	3.29	0	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.94	-1	-32
5Y RSD	4.22	-5	-2
7Y RSD	4.58	-1	-60

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.53	-1	53
USD Nov-24	6.32	-19	29

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	-5	-22
10-year	136	-10	-26

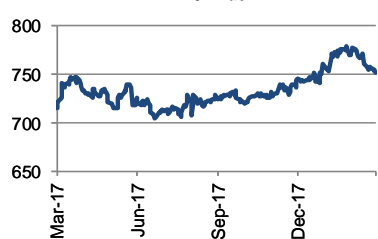
STOCKS

	Last	ΔD	ΔYTD
BELEX15	751.5	0.06%	-1.09%

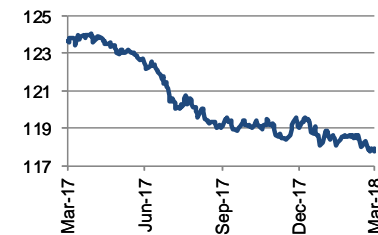
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.89	-0.01%	0.86%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.35	0	26
1-month	1.61	1	-26
3-month	2.09	0	4
6-month	2.42	-1	15
12-month	2.53	0	21

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.42	0	4
5Y RON	3.93	0	15
10Y RON	4.49	0	17

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	-5	-5
USD Jan-24	3.72	1	72

CDS

	Last	ΔDbps	ΔYTD bps
5-year	82	0	-8
10-year	127	0	-7

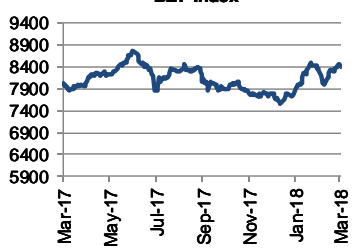
STOCKS

	Last	ΔD	ΔYTD
BET	8412.6	-0.47%	8.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6584	-0.05%	0.14%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.27	1	-2
3-month	-0.19	0	-1
6-month	-0.06	0	-1
12-month	0.27	0	-5

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	-1	2
5Y BGN	0.24	-1	9
10Y BGN	1.07	0	11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.20	0	28
EUR Sep-24	0.83	0	26

CDS

	Last	ΔDbps	ΔYTD bps
5-year	55	-1	-42
10-year	98	-2	-44

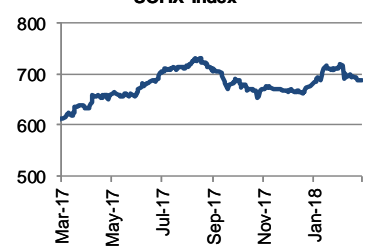
STOCKS

	Last	ΔD	ΔYTD
SOFIX	686.5	0.01%	1.33%

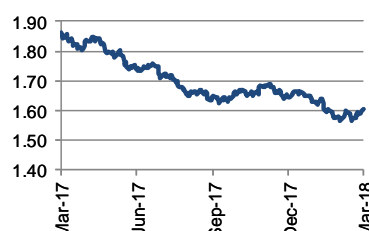
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6052	-0.07%	1.51%

SOFIX Index



USD/BGN



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

Data updated as of 13:00 EST

March 1, 2018

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