

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: US President Donald Trump announced yesterday that from next week onwards, tariffs on steel and aluminum imports of 25% and 10% respectively will be imposed. Market concerns that a shift of the US administration towards a more protectionist trade policy could fuel a trade war, triggered a renewed flare-up of risk aversion. US Treasury yields moved lower across the curve and the USD came under pressure. Focus today is on UK PM Theresa May's speech on the future relationship with the EU ahead of Sunday's general election in Italy and the announcement of the outcome of the vote of SPD party members on a coalition deal with Chancellor Merkel's CDU/CSU.

GREECE: The first round of talks in the context of the 4th ESM programme review was concluded yesterday with official sources reportedly stating that discussions between the Greek authorities and the institutions were fruitful. Among the key issues in the current review are the amendments of the household insolvency and out-of-court workout frameworks, the privatisations programme, the alignment of property values with market prices and further reforms in the labour market. According to Eurostat, in February 2018 the economic sentiment indicator recorded an increase of 2.4 units, the fourth consecutive increase, reaching 104.3 units, its highest level since July 2014.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets broadly remained under pressure in early European trade on Friday amid deteriorating global risk appetite.

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Latest world economic & market developments

GLOBAL MARKETS

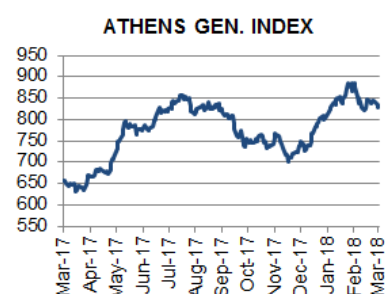
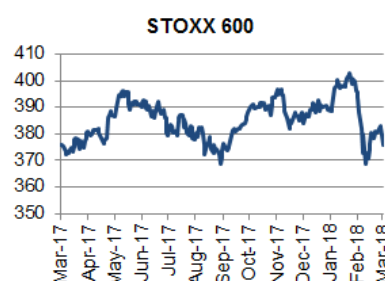
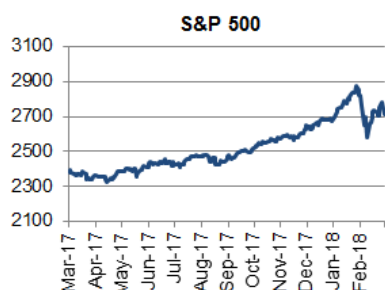
After announcing earlier this year tariffs on imported washing machines and solar cells, US President Donald Trump declared yesterday that from next week onwards, tariffs on steel and aluminum imports of 25% and 10% respectively will also be imposed. The above followed a couple of lengthy investigations by the Commerce Department under the Trade Expansion Act of 1962 Section 232, which concluded that imports of steel and aluminum threaten US "national security, by degrading the industrial base", offering the US President broad discretion to impose comprehensive import restrictions. Market concerns that a shift of the US administration towards a more protectionist trade policy could fuel a trade war, triggered a renewed flare-up of risk aversion. Asian bourses weakened on Friday, tracking Wall Street's sharp losses overnight in spite of yesterday's positive US data. US Treasury yields moved lower across the curve with the 10-yr yield testing levels slightly below 2.80% soon after Donald Trump's announcement for the first time in three weeks, further extending the distance from last week's 2.96% four-year high. In FX markets, the USD came under pressure giving back part of recent gains recorded following Fed Chair Jerome Powell's modestly hawkish appearance before Congress on Tuesday. The USD/JPY hit a session low of 105.60 earlier today, approaching a multi-month trough of 105.52 marked a couple of weeks ago, facing further pressure from BoJ Governor Haruhiko's comments suggesting that an exit from ultra-loose monetary policy is approaching. Today's data calendar is virtually empty with investors focusing on UK PM Theresa May's speech on the future relationship with the EU ahead of Sunday's general election in Italy and the announcement of the outcome of the vote of SPD party members on a coalition deal with Chancellor Merkel's CDU/CSU.

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GREECE

The first round of talks in the context of the 4th ESM programme review was concluded yesterday with official sources reportedly stating that discussions between the Greek authorities and the institutions were fruitful and that the Greek side committed to implementing all agreed prior actions in a timely manner in order to secure the successful completion of the programme. Among the central issues at hand were the amendments that the Greek authorities are to propose for the improvement of the household insolvency (Law 3869/2010) and the out-of-court workout frameworks. Other key issues are the progress in the privatisations programme, the alignment of property values with market prices and further reforms in the labour market. The institutions' heads will likely return to Greece for the next round of talks on the progress of the 4th review towards the end of April, probably after the IMF/World Bank Spring Meetings (20-22 April). On the economic data front, according to Eurostat, in February 2018 the economic sentiment indicator recorded an increase of 2.4 units, the fourth consecutive increase, reaching 104.3 units, its highest level since July 2014. This was due to an improvement in sentiment across all sectors except consumer confidence. According to the Foundation of Economic and Industrial Research the recovery of sentiment reflects the positive GDP growth along with the stabilisation of the economy, which is supported by the smooth implementation of the ESM programme but also the good international conditions, which favour export-oriented businesses.

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Source: Reuters, Bloomberg, Eurobank Research

March 2, 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

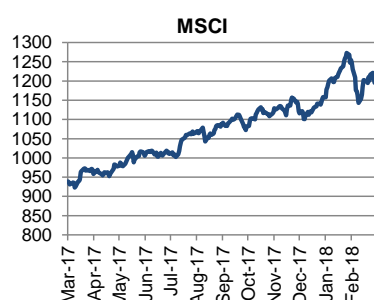
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 in early European trade on Friday amid deteriorating global risk appetite. Emerging stock markets trailed losses in major Asian and European bourses incurred in the wake of another drop in Wall Street overnight following news that US President Donald Trump would impose tariffs on steel and aluminum imports to support US producers. Against this backdrop, the MSCI Emerging Markets index fell by 0.7% on the day in European trade today, braced to end the week approximately 3% lower. CESEE bourses also fell, albeit faring better than their global EM peers. Indicatively, the main BET index in Romania registered the largest decline in the region in early European trade, marking losses of 0.6% compared to Thursday's settlement.

Regional currencies were little changed as the USD gave back some of this week's gains earlier today, though most remained near lows hit earlier in the week. In the local rates markets, Romania's finance ministry sold on Thursday a planned amount of RON 500mn of T-Notes which mature on March 8, 2022 and bear an annual coupon of 3.40%. The average accepted yield came in at 3.99%, above a yield of 3.80% achieved at a prior auction when the paper was last sold in January. Recall that, Romanian government bond yields have come under upward pressure over the last few months on mounting economic overheating concerns. In support of the aforementioned, headline inflation rose to a 4 ½ year high of 4.3% YoY in January, exceeding the Central Bank 2.5% ±1 percentage points target, while real GDP is estimated at a robust, post-crisis-high of 7.0% YoY in 2017, largely driven by private consumption.

In the CESEE space, today's market focus is on reviews by S&P and Moody's on Romania's sovereign credit ratings. S&P currently rates the country's foreign currency long-term debt at BBB- with stable outlook, in line with Fitch and Moody's, which presently rates Romania's debt at Baa3. We expect both agencies to leave their ratings on the country unchanged. That said, a note of warning on the prospect of wider fiscal and external deficits as well as economic overheating pressures is possible.

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March 2, 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	2711.38	-0.1%	1.4%	EUR/USD	1.2169	-0.2%	1.4%	UST - 10yr	2.85	-1	45	GOLD	1303	-1.2%	0.0%
Nikkei 225	21724.47	-1.6%	-4.6%	GBP/USD	1.3718	-0.3%	1.5%	Bund-10yr	0.64	-2	21	BRENT CRUDE	63	-1.9%	-5.1%
STOXX 600	375.64	-1.1%	-3.5%	USD/JPY	107.18	-0.5%	5.1%	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	-2	53
USD Nov-24	6.32	-19	29

CDS

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

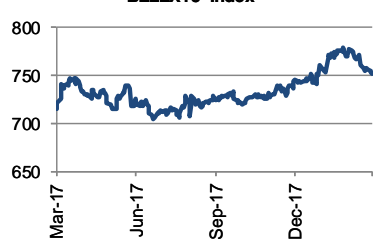
STOCKS

	Last	ΔD	ΔYTD
BELEX15	750.7	-0.05%	-1.20%

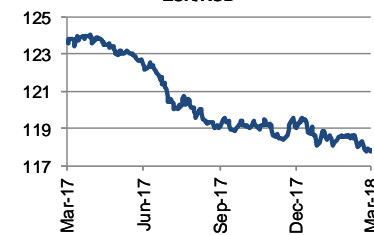
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.74	0.12%	0.99%

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

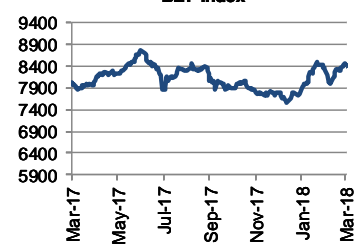
STOCKS

	Last	ΔD	ΔYTD
BET	8422.3	-0.36%	8.62%

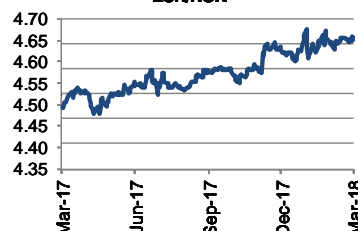
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6605	-0.09%	0.09%

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	-0.06	-3	1
5Y BGN	0.24	-1	10
10Y BGN	1.09	0	12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.22	-5	29
EUR Sep-24	0.86	-15	28

CDS

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

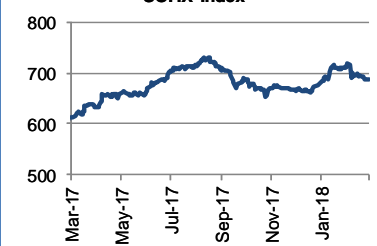
STOCKS

	Last	ΔD	ΔYTD
SOFIX	684.7	-0.25%	1.08%

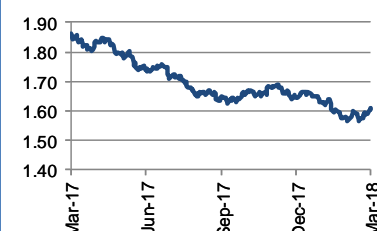
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6071	-0.19%	1.39%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:20 EST of previous session

March 2, 2018

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