

### 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:** US non-farm payrolls for the month of January surprised positively with the headline rising by a solid 200k. More surprisingly, average hourly earnings rose by 2.5%YoY, the highest since mid-2009 supporting the view that, if sustained, they could trigger a steeper path of Fed rate tightening. In reaction to the above, US Treasuries came under renewed pressure with the 10-yr yield peaking at 2.885% earlier today. In FX markets, the USD pared back post-payrolls gains standing little changed on the day. Looking in the remainder of the day, ECB President Mario Draghi will address the European Parliament today while, data-wise, focus is on US January non-manufacturing ISM.

**GREECE:** The EU Commissioner for Economic and Financial Affairs Pierre Moscovici and the EC mission chief in Greece Declan Costello are reportedly expected in Athens this week to examine the progress in the remaining prior actions of the 3<sup>rd</sup> programme review and discuss with the Greek authorities the post-programme framework. The debt relief proposals will be discussed at the 12 March Eurogroup while the Greek government will be preparing its own holistic growth strategy, which is expected to be presented by mid-April in time for the IMF/World Bank Spring Meetings on 20-22 April.

### SOUTH EASTERN EUROPE

**BULGARIA:** Bulgarian stocks registered moderate gains last week, while Eurobonds and local-currency bonds lost ground.

**CYPRUS:** Incumbent President Nikos Anastasiades, backed by the ruling right-wing DHSY, won, as was broadly anticipated, yesterday's ballot in the 2<sup>nd</sup> round of Presidential elections.

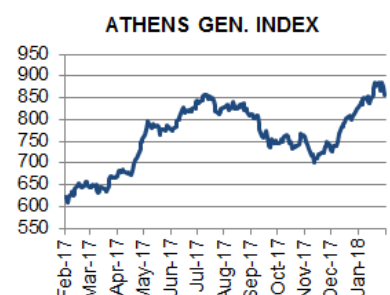
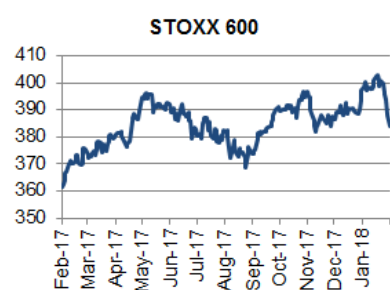
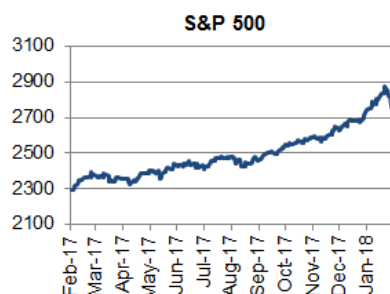
**SERBIA:** Following EUR/RSD's failure to surpass the 118.80 level, the pair fell below 118.55 due to a sudden increase of euro supply.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US non-farm payrolls for the month of January surprised positively with the headline rising by a solid 200k, higher than 180k market consensus and the 181k average monthly employment gain for 2017. The unemployment rate was left unchanged at a 17-year low of 4.1% for the fourth month in a row as the participation rate stayed at 62.7%. More surprisingly, average hourly earnings rose by 0.3% mom following an upwards revised gain of 0.4% mom in the prior month with the annual rate accelerating to 2.5%, the highest since mid-2009 supporting the view that, if sustained, it could trigger a steeper path of Fed rate tightening. In reaction to the above, US Treasuries came under renewed pressure with the 10-yr yield hitting a fresh four-year high of 2.885% earlier today, up by c. 11bps compared to Thursday's settlement, a day ahead of the non-farm payrolls report release, and c. 56bps higher since early December when the latest upward trend in US Treasury yields started amid expectations for US tax reform approval from Congress. In a knee-jerk reaction, the USD rose 0.9% at some point on Friday soon after the release of firmer than expected non-farm payrolls. But with US structural and political woes continuing to have an impact on market sentiment, the USD gave back its post-payrolls gains standing in European trade on Monday nearly unchanged on the day. Data-wise, looking at this week's calendar the main releases include the US January non-manufacturing ISM (Monday), US December trade balance (Tuesday) and Germany's December industrial production (Wednesday). In addition, on Thursday, the BoE will publish the MPC policy decision, the February Inflation Report and the MPC minutes of the February 7 meeting. The Fed schedule is also interesting, with NY Fed President William Dudley and San Francisco Fed President John Williams (both voting members) speaking on Wednesday. Turning to the ECB, President Mario Draghi will address the European Parliament today.

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### GREECE

The EU Commissioner for Economic and Financial Affairs Pierre Moscovici and the EC mission chief in Greece Declan Costello are reportedly expected in Athens this week to examine the progress in the remaining prior actions of the 3<sup>rd</sup> programme review and discuss with the Greek authorities the post-programme framework while the Euroworking Group is expected to convene on 8 February to discuss the mechanism that will link debt relief to GDP growth. Among the issues to be discussed are: 1) Greece's post-programme commitments, 2) the post-programme surveillance (Declan Costello has recently spoken of a regime tighter than those for other countries that exited economic adjustment programmes), 3) the conditionality for debt relief and the mechanism linking debt servicing to GDP growth, and 4) the cash buffer. According to press reports, the debt relief proposals will be discussed at the 12 March Eurogroup while the Greek government will be preparing its own holistic growth strategy which is expected to be presented by mid-April in time for the IMF/World Bank Spring Meetings on 20-22 April. Meanwhile, the Director of IMF's Europe Office Jeffrey Franks stated that Greece's progress on reforms and on the over-performance of the fiscal targets has been impressive and thus the Fund sees no need for more austerity measures this year. He added, however, that longer-term improvements are still required and that "there shouldn't be a sense of complacency that even if the programme completes this year that all will be good forever". In other news, the Independent Authority for Public Revenue issued on Friday a circular relating to the provisions of the new law amending the Code of Civil Procedure, the Insolvency Code and the Code for the Recovery of Public Revenues. E-auctions for debt to the State are reportedly expected to commence on 1 May 2018.

February 5, 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

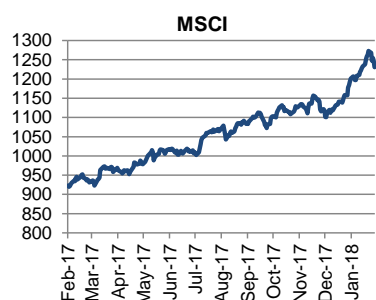
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities**ROMANIA: Indicator:**

	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**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

### BULGARIA

Bulgarian stocks registered moderate gains last week, with the main SOFIX index rising by 1.42% to 719.71 points amid strong trading volume of a little less than €4mn. Eurobonds extended their recent losses, with the 2023 and 2024 paper yield jumping by 2.2bps and 5.0bps, respectively. In line with the global trend, Bulgarian local-currency bonds lost ground, with the biggest movers being paper of 6 and 10 year tenors, which saw their yields marking corresponding advances of 6.0bps and 7.0bps.

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### CYPRUS

Incumbent President Nikos Anastasiades, backed by the ruling right-wing DHSY, won, as was broadly anticipated, yesterday's ballot in the 2<sup>nd</sup> round of Presidential elections. He received 55.9% of the vote, securing another 5-year term in office. The runner up, Stavros Mallas, who was backed by left wing AKEL scored 44.01%. The voters' turn-out in Sunday's was at 73.97%, a tad above the first round's historical low of 71.88%.

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### SERBIA

Following EUR/RSD's failure to surpass the 118.80 level, the pair fell below 118.55 due to a sudden increase of euro supply. A move further lower is now on the cards ahead of a 10-year RSD denominated government bond primary auction that will take place on Tuesday, February 6<sup>th</sup>. Strong investor demand will add to the view about Serbian bond market's attractiveness, thus fueling more strength for the Serbian dinar. From a technical perspective, the 118.80 remains a key resistance levels as the Central Bank is likely to intervene anew in the FX markets in order to curb any further depreciation of the dinar.

In other news, Serbia's foreign trade deficit in 2017 rose by 15.3%YoY to 38.94bn. Goods imports growth of 16.1%YoY at \$21.94bn outpaced a concomitant rise of 14.2%YoY to \$16.99bn in exports. Despite the rise in imports, the import-export coverage ratio dropped to 77.4% from 78.8% in 2016.

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February 5, 2018

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	2.52	1	0
1-week	2.64	0	3
1-month	2.83	1	-2
3-month	3.11	0	-1
6-month	3.24	1	0

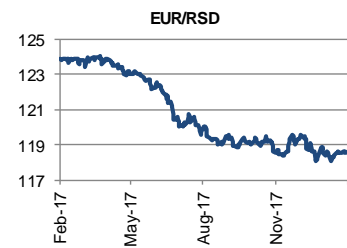
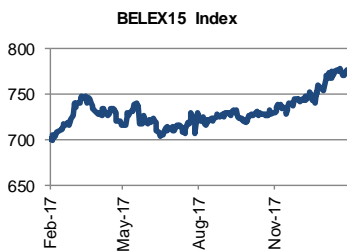
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.98	#N/A N/A	-29
5Y RSD	4.24	0	-6
7Y RSD	4.79	0	-39

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.22	1	23
USD Nov-24	6.17	-24	13

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	98	1	-19
10-year	145	0	-17

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	775.5	-0.20%	2.07%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.49	0.20%	0.36%



ROMANIA

Money Market			
<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps
O/N	1.15	1	6
1-month	1.51	1	-36
3-month	1.97	0	-8
6-month	2.25	0	-2
12-month	2.36	1	4

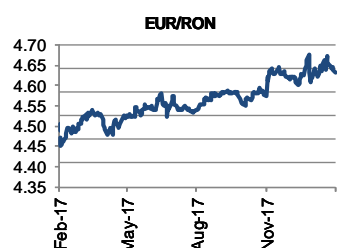
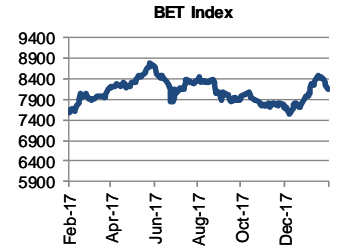
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.45	0	7
5Y RON	3.94	0	16
10Y RON	4.53	0	22

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	#N/A N/A	-7
USD Jan-24	3.41	3	42

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	86	1	-4
10-year	132	1	-1

STOCKS			
	Last	ΔD	ΔYTD
BET	8154.2	-1.08%	5.16%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6427	0.08%	0.48%



BULGARIA

Money Market			
<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	1	-2
3-month	-0.19	0	-1
6-month	-0.06	0	-1
12-month	0.32	0	-1

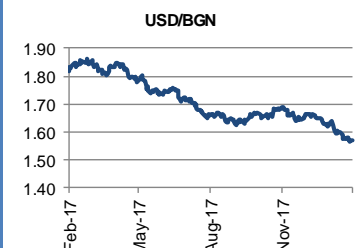
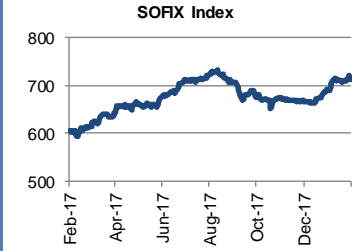
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	2	2
5Y BGN	0.23	1	9
10Y BGN	1.07	0	11

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.15	0	22
EUR Sep-24	0.75	0	17

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	62	0	-35
10-year	106	-1	-35

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	713.2	-0.91%	5.27%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.5693	0.04%	3.83%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:10 EST

February 5, 2018

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