

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Mar 5: ISM non-manuf. (Feb)
- Mar 6: Factory orders (Jan)
- Mar 7
 - ADP employment (Feb)
 - Trade balance (Jan)
 - Fed's Dudley speaks
 - Fed's Bostic speaks
 - Fed's Beige Book
- Mar 8: Jobless claims (weekly)
- Mar 9
 - Non-farm payrolls (Feb)
 - Fed's Evans speaks

EUROZONE

- Mar 5
 - PMI services (Feb final)
 - Retail sales (Jan)
- Mar 7: Q4 GDP (details)
- Mar 8
 - German ind/I orders (Jan)
 - ECB meeting
- Mar 9: German & French industrial production (Jan)

UK

- Mar 5: PMI services (Feb)
- Mar 9
 - Industrial production (Jan)
 - Trade balance (Jan)

GREECE

- Mar 5: GDP (Q4, f)
- Mar 8 U/E rate (Dec)
- Mar 9: HICP/CPI (Feb)

CYPRUS

- Mar 6: HICP (Feb)
- Mar 9: GDP (Q4, f)

SEE

BULGARIA

- Mar 7: GDP (Q4, f)
- Mar 9
 - Industrial production (Jan)
 - Retail sales (Jan)

ROMANIA

- Mar 5
 - Retail sales (Jan)
 - 3.65% 2031 T-bonds auction
- Mar 7: GDP (Q4, f)
- Mar 8: T-bonds auction

SERBIA

- Mar 6: T-bonds auction
- Mar 8: MPC rate decision
- Mar 9: Moody's rating review

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from US equities' healthy gains overnight, European bourses were firmer in early trade on Tuesday supported by somewhat receding trade war fears. A number of leading Republicans warned that US President Donald Trump's proposed measure for the imposition of tariffs on imported steel and aluminum could eventually trigger an escalating trade war. Increased risk appetite somewhat dented the safe haven appeal of core government bonds while in FX markets, the USD was little changed on the day. Looking at today's data calendar, US factors orders for January is the only release of note.

SOUTH EASTERN EUROPE

CESEE MARKETS: The majority of Emerging Market assets traded firmer earlier on Tuesday on somewhat easing worries over US trade protectionism.

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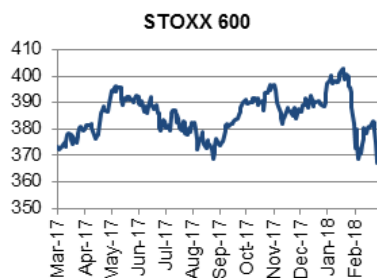
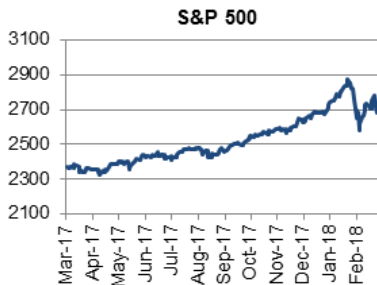
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Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from US equities' healthy gains overnight, European bourses were firmer in early trade on Tuesday supported by somewhat receding trade war fears, stemmed from US President Donald Trump's proposal earlier this month for tariffs on imported steel and aluminum. A number of leading Republicans including House of Representatives Speaker Paul Ryan urged the US President to reconsider his decision warning that the proposed trade measure could eventually trigger an escalating trade war. US positive data yesterday showing that February's non-manufacturing index came in at a higher than expected 59.5 from 59.9 in January, well above the boom-or-bust of 50.0, may also have had a positive impact. Increased risk appetite somewhat dented the safe haven appeal of core government bonds with the 10-yr US Treasury bond yield hovering around 2.87% in European trade at the time of writing, c. 2.5bps higher from Monday's intraday lows, albeit still well below a multi-year peak close to 2.96% marked a fortnight ago. Turning to the EMU periphery sovereign bonds, yield spreads against their respective 10-yr German paper were tighter by c. 4-5.5bps on the day even though Sunday's general election in Italy yielded a hung parliament. This likely reflects market optimism that a solution will eventually be found and the right-wing coalition which got the largest number of votes will manage to lure MPs from Partito Democratico (PD) and the Five Star Movement (M5S) into supporting a government led by League leader Matteo Salvini. In FX markets, the USD was little changed on the day while the JPY showed muted reaction to comments by BoJ Governor Haruhiko Kuroda that the Central Bank does not intend to end its ultra-loose monetary policy until inflation target is met, somewhat dispelling expectations for a swift towards policy normalization earlier than expected. On today's data front, US factors orders for January is the only release of note.

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Source: Reuters, Bloomberg, Eurobank Research

March 6, 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

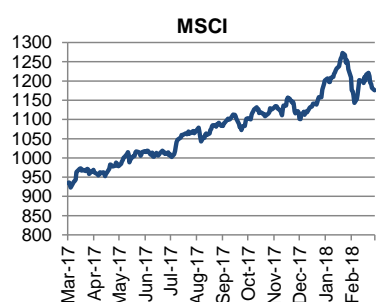
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	1.9	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

The majority of Emerging Market assets traded firmer earlier on Tuesday on somewhat easing worries over US trade protectionism. Against this backdrop, the MSCI Emerging Markets index rallied by 1.3% in European markets compared to Monday's settlement, having snapped a 5-session losing streak which pushed the index to a 3-week low yesterday. In the local-currency debt markets, Romania's finance ministry rejected on Monday all bids of a planned tender of RON 100mn T-Notes. The paper which matures on September 24, 2031 is a retap of a security initially issued in 2016. The issue will be reopened later today, with the FinMin aspiring to raise RON 15mn in a non-competitive sale. In a separate auction on Monday, the Romanian Ministry of Finance sold a planned amount of RON 500mn of 1-year T-bills. The bills were sold at an average accepted yield of 2.38% and price of 97.6518, while the tender's bid-to-cover ratio came in at 2 reflecting healthy investor demand.

Looking into this week's calendar, Hungary announced earlier today the second estimate of Q4 GDP data, which confirmed that economic activity was in line with a flash reading of 4.4%YoY, bringing the corresponding rate for the whole of the year to 4.0%. The latter was mostly driven by actual final consumption and gross fixed capital formation, which provided positive contributions of 2.4ppts and 3.0ppts to GDP growth, while net exports subtracted 1.4ppts. From the production side, services and construction were the primary drivers of economic activity last year, followed by industry. On the flipside, a substantial decline in agricultural output weighed on the annual rate of increase. The rest of the day includes T-bonds auctions in Serbia, of 5.875% 2028, RSD-denominated paper, and Ukraine and a T-bills sale in Hungary. Poland's two-day monetary policy meeting begins today. The MPC is broadly anticipated to stay put on its monetary policy and maintain the key policy rate at the current record low of 1.50%.

Turkey's Central Bank also holds its meeting tomorrow. According to consensus, the MPC is expected to hold its horses and keep all policy rates unchanged, while maintaining a tight stance as inflation remains double the official 5% medium-term target. In more detail, the benchmark 1-week repo rate is seen remaining at 8.00%, the overnight lending and borrowing rates are expected to be held at 9.25% and 7.25%, respectively, and the late liquidity lending rate is expected to be left at 12.75%. Apart from the said meetings, tomorrow's calendar is rather heavy with second Q4 GDP estimates due in Romania and Bulgaria, industrial production for January, budget balance for February and a government bond auction in Hungary. On Thursday, Hungary releases CPI data for February and holds government bond auctions. Romania also sells government securities and the Central Bank of Serbia will announce its MPC decision. The key policy rate is anticipated to remain unchanged at the record low of 3.50% as inflation is expected to remain within the official 3 +/- 1.5% target tolerance band over the next two years. On Friday, Hungary announces trade balance data for January, while Bulgaria is scheduled to release industrial production and retail sales for the same month. Additionally, Moody's reviews Serbia's sovereign credit rating. The agency currently rates the country at Ba3 with stable outlook. The said ratings currently stand one notch lower to those of S&P and Fitch. Meanwhile, Serbia successfully concluded in late February a precautionary 36-month €1.2bn IMF Stand-By Arrangement having outperformed several of the programme's macroeconomic goals. Given the significant improvement in the country's macroeconomic over the last few years, a change in the outlook or even an upgrade in the country's credit ratings appears to be on the cards. Elsewhere, Fitch reviews Hungary's ratings, which stand at BBB- with positive outlook. 3

March 6, 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	2720.94	1.1%	1.8%	EUR/USD	1.2335	0.0%	2.7%	UST - 10yr	2.88	0	47	GOLD	1321	0.1%	1.4%
Nikkei 225	21417.76	1.8%	-5.9%	GBP/USD	1.3821	-0.4%	2.2%	Bund-10yr	0.65	0	22	BRENT CRUDE	66	0.0%	-2.0%
STOXX 600	370.87	1.0%	-4.7%	USD/JPY	106.13	0.1%	6.2%	JGB - 10yr	0.06	1	1	LMEX	3309	-0.2%	-3.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.60	2	8
1-week	2.72	2	11
1-month	2.91	2	6
3-month	3.18	2	6
6-month	3.32	2	8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.92	0	-36
5Y RSD	4.23	0	-1
7Y RSD	4.63	0	-55

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.52	1	52
USD Nov-24	6.34	-18	31

CDS

	Last	ΔDbps	ΔYTD bps
5-year	97	0	-21
10-year	137	-2	-25

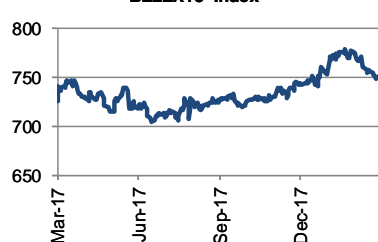
STOCKS

	Last	ΔD	ΔYTD
BELEX15	751.5	0.49%	-1.09%

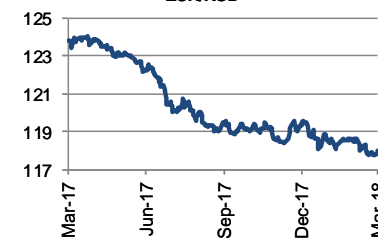
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.91	-0.04%	0.84%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.35	0	26
1-month	1.6	0	-27
3-month	2.08	0	3
6-month	2.41	0	14
12-month	2.54	0	22

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.44	0	6
5Y RON	4.02	0	24
10Y RON	4.60	0	29

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	#N/A	N/A
USD Jan-24	3.72	0	72

CDS

	Last	ΔDbps	ΔYTD bps
5-year	83	0	-7
10-year	128	0	-5

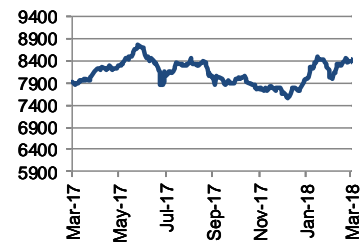
STOCKS

	Last	ΔD	ΔYTD
BET	8407.9	0.28%	8.44%

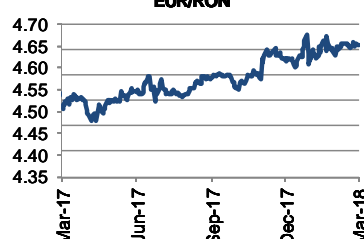
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.659	0.02%	0.12%

BET Index



EUR/RON



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	0.27	0	-5

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.03	2	4
5Y BGN	0.24	1	10
10Y BGN	1.08	0	11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.21	7	29
EUR Sep-24	0.86	2	28

CDS

	Last	ΔDbps	ΔYTD bps
5-year	55	0	-41
10-year	92	0	-49

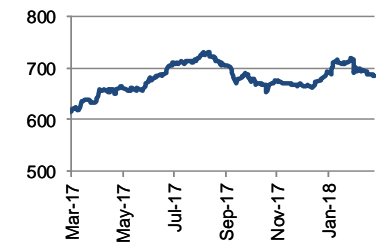
STOCKS

	Last	ΔD	ΔYTD
SOFIX	683.1	0.00%	0.84%

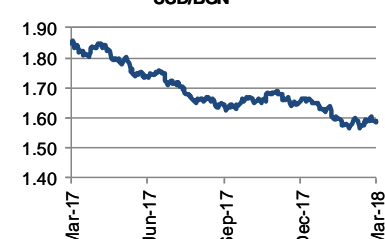
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5855	0.14%	2.77%

SOFIX Index



USD/BGN



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

Data updated as of 10:05 EST

March 6, 2018

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