



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, February 07, 2018

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: Shrugging off Wall Street's strong gains overnight, most Asian reversed their earlier gains on Wednesday as investors remain cautious following the recent global equity markets selloff. In FX markets, the DXY dollar index consolidated on Wednesday near yesterday's closing, though losing ground against the safe haven yen. In the government bond market, the 10-yr US Treasury yield was standing close to 2.76% at the time of writing in early European trade ahead of the US Treasury's \$24bn auction of 10-year government bonds later in the day, after y-day's eight-session low of 2.64%. Today's calendar includes US consumer credit data for December, while European Commission publishes its updated Winter 2018 Economic Forecasts.

GREECE: The Finance Ministry and the Public Debt Management Agency decided to temporarily postpone the issuance of a 7-year GGB following the sharp drop in global equity markets but will proceed as planned as soon as the turbulence has subsided.

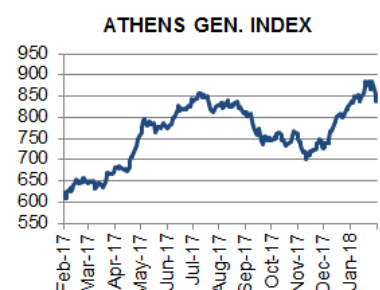
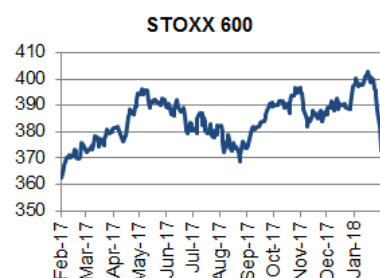
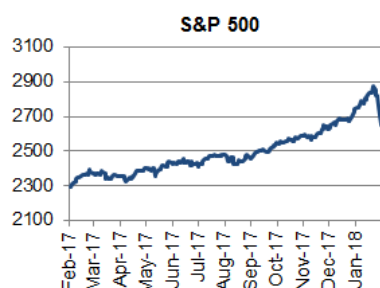
SOUTH EASTERN EUROPE

CESEE MARKETS: Most Emerging Market assets recovered some ground earlier on Wednesday as bargain hunting emerged in the wake of the recent sell-off.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Shrugging off Wall Street's strong gains overnight, most Asian reversed their earlier gains on Wednesday as investors remain cautious following the recent global equity markets selloff. The prospect of more aggressive monetary tightening by the Fed remains a key concern amid increased worries for an unexpected surge in inflation. New Fed chair Jerome Powell is expected to testify on the US economic and policy outlook to the House Financial Services Committee on 28 February. Meanwhile, the House of Representatives passed a bill by 245-182 yesterday to extend government funding until 23 March. A senate vote will follow, in order to prevent a US government shutdown tomorrow as the continuing resolution expires. Nevertheless, President Donald Trump called for a government shutdown should the immigration bill not be addressed. In FX markets, the DXY dollar index consolidated on Wednesday near yesterday's closing of around 89.600, after touching a nine-session high of 90.034 y-day with investors seeking shelter amid steep losses in global equities. Against the safe haven yen, the US dollar fell global equity markets trimmed part of today's earlier gains. Against this background, the USD/JPY fell to 108.90 in early European trade after hitting a two-session high of 109.72 in Asian trade as Japan's Nikkei-225 stock average index soared -following Wall Street's rebound overnight- before closing with modest gains of 0.16%. In the government bond market, the 10-yr US Treasury yield was standing close to 2.76% at the time of writing in early European trade ahead of the US Treasury's \$24bn auction of 10-year government bonds later in the day, after y-day's eight-session low of 2.64%. Core euro area bonds followed suit with the 10-yr Bund yield consolidating around levels of 0.69% following a week-low of 0.66% in the prior session. Today's calendar includes US consumer credit data for December, while European Commission publishes its updated Winter 2018 Economic Forecasts.

okosma@eurobank.gr

GREECE

The Finance Ministry and the Public Debt Management Agency decided to temporarily postpone the issuance of a 7-year GGB following the sharp drop in global equity markets but will proceed as planned as soon as the turbulence has subsided. In other news, the recent decision of the Council of State for the retrospective restoration of the wages of the men in uniform since August 2012 may, according to the General Accounting Office, create an expense in the order of EUR 600 million. However, the said obligation may be payable in several installments thus spreading the cost out in several years.

andimitriadou@eurobank.gr

February 7, 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

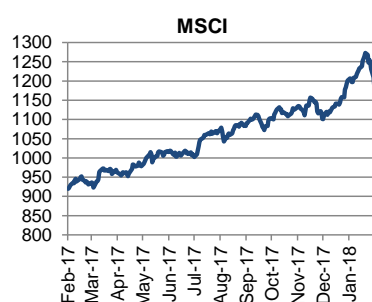
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

Most Emerging Market assets recovered some ground earlier on Wednesday in the wake of the recent sell-off. A similar picture was evidenced in the CESEE space today, with most assets recouping part of losses incurred. Meanwhile, the recent steep down-move, was most pronounced in the stock markets as regional currencies and government bonds held ground on favorable macroeconomic fundamentals.

Against this backdrop, emerging market stocks rebounded earlier on Wednesday as bargain hunting emerged in the wake of the selloff that erased most of this year's gains. The MSCI Emerging Markets index traded in a modestly positive territory in European markets today, after losing 6.4% of its value over the last four consecutive sessions to stand just 1.5% higher compared to last year's close. Bourses in the CESEE region outperformed staging relief rallies. Bulgaria's main SOFIX and Hungary's BUX led the way higher, posting respective advances of 1.5% and 1.4% in morning trade today, recouping part of 3.6% and 2.4% losses incurred yesterday.

In FX markets regional currencies were little changed compared to Tuesday's settlement, though most have pulled back from yesterday's intraday lows as risk appetite somewhat recovered. In more detail, the Turkish lira stood 0.7% higher from a 5-session trough near 3.7950/\$ hit on Tuesday. Elsewhere, the Polish zloty firmed modestly from yesterday's 1-½ week low of 4.1720/€. The Romanian leu was amongst the region's underperformers today, with the EUR/RON hovering near a 1-week high of 4.6530 in early European trade.

Looking into today's calendar, Romania's and Poland's Central Banks hold their monthly monetary policy meetings. In Romania, the MPC is broadly expected to raise the key policy rate by 25bps to 2.25%. If market expectations are vindicated, this will be the second increase this year, after the inception of the rate-hiking cycle in January which marked the first rise in a decade. Romania's Central Bank is amongst the first to incept its monetary tightening cycle in the CESEE space. Notably, inflation currently hovers near the upper bound of the official 2.5% +/-1% target (headline CPI at 3.32%YoY in December). Meanwhile, economic activity is growing at very fast rates; +8.8%YoY in Q3, with FY2017 real GDP growth seen at 7%. Additionally, fiscal metrics have lately deteriorated on increased spending, with all the aforementioned factors sparking overheating concerns. On the other hand, stable interest rates today are widely considered a done deal in Poland. The key policy rate is expected to be maintained at the current record low level of 1.50% as price pressures remain relatively subdued with December's headline CPI at 2.1%YoY and the corresponding core index at 0.9%YoY. Both prints remain below the midpoint of the 2.5% +/- 1% Central Bank target, while the recent appreciation of the zloty, which hit a 2 ½ year high just below 4.13/€ in late January, also argues in favor of stable interest rates today.

gphoka@eurobank.gr

February 7, 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	2695.14	1.7%	0.8%	EUR/USD	1.2368	-0.1%	3.0%	UST - 10yr	2.77	-3	36	GOLD	1330	0.4%	2.0%
Nikkei 225	21645.37	0.2%	-4.9%	GBP/USD	1.3925	-0.2%	3.0%	Bund-10yr	0.70	1	27	BRENT CRUDE	67	0.8%	0.8%
STOXX 600	372.79	-2.4%	-4.2%	USD/JPY	108.98	0.5%	3.4%	JGB - 10yr	0.08	0	3	LMEX	3391	-1.6%	-0.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	1	0
1-week	2.63	0	2
1-month	2.83	1	-2
3-month	3.11	1	-1
6-month	3.23	0	-1

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.97	0	-30
5Y RSD	4.24	0	-6
7Y RSD	4.61	0	-56

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.24	0	24
USD Nov-24	6.18	-25	15

CDS

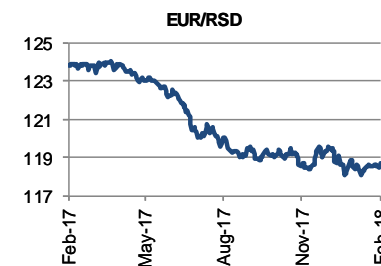
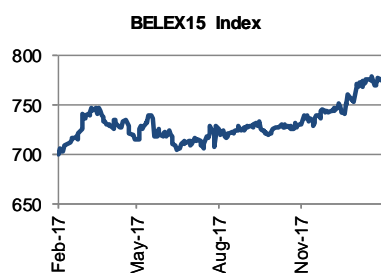
	Last	ΔDbps	ΔYTD bps
5-year	100	1	-18
10-year	146	1	-16

STOCKS

	Last	ΔD	ΔYTD
BELEX15	773.9	-0.15%	1.85%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.63	-0.01%	0.23%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.15	0	6
1-month	1.51	0	-36
3-month	1.97	0	-8
6-month	2.26	0	-1
12-month	2.36	0	4

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.43	0	5
5Y RON	3.97	0	19
10Y RON	4.56	0	24

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	#N/A	N/A
USD Jan-24	3.45	1	45

CDS

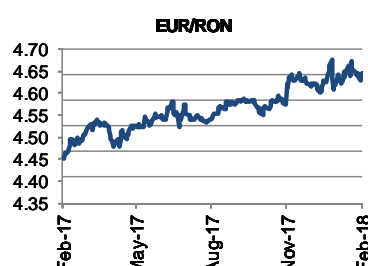
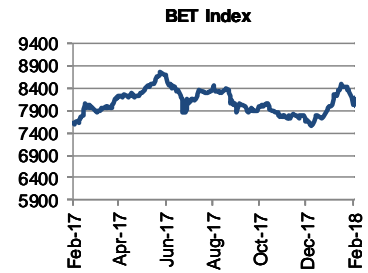
	Last	ΔDbps	ΔYTD bps
5-year	89	1	-1
10-year	137	2	3

STOCKS

	Last	ΔD	ΔYTD
BET	8148.8	1.77%	5.09%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6529	-0.05%	0.26%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	-4	-3
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	-0.05	-2	2
5Y BGN	0.22	1	7
10Y BGN	1.03	0	7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.14	0	22
EUR Sep-24	0.74	0	17

CDS

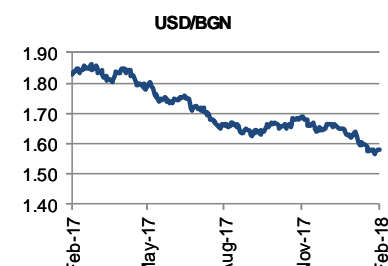
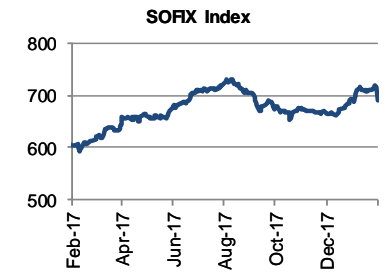
	Last	ΔDbps	ΔYTD bps
5-year	62	0	-35
10-year	106	-1	-35

STOCKS

	Last	ΔD	ΔYTD
SOFIX	690.6	0.00%	1.94%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5813	-0.06%	3.04%



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

Data updated as of 10:05 EST

February 7, 2018

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Senior Economist, Eurobank Ergasias
++30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
+ 30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Ruslan Raychev
Trader, Eurobank Bulgaria
+359 2 8166 482
rsraychev@postbank.bg

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 3718 793

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr + 30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr + 30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr + 30 210 33 71 224

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 33 71 228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 33 71 207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankEA_FMR@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- **7 Ημέρες Οικονομία:** Weekly review of the Greek economy
- **Greece Macro Monitor - Focus Notes:** Periodic publication on the latest economic & market developments in Greece
- **Economy & Markets:** Analysis & research on the Greek and international economy
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Global Macro Themes & Market Implications for the EA Periphery and the CESEE:** Monthly review of the international economy and financial markets
- **Global Markets Special Focus Reports:** Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

