



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, February 08, 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:** Taking their cue from US Treasuries, core euro area government bonds remained under pressure in European trade for the second session in a row with the 10yr Bund yield risign slightly above 0.76% amid concerns about a further widening in the US general budget deficit. Adding to the above, Chancellor Angela Merkel's alliance of Christian parties reached an agreement with Social Democrats for the formation of a new grand coalition. In FX markets, the EUR/USD extended recent losses hitting a multi-session low of 1.2223 earlier today. Focus today is on the BoE which will simultaneously publish its February Inflation Report, the MPC policy decision from the meeting that ended yesterday (13:00 CET) and the MPC minutes.

**GREECE:** The Euroworking Group that is scheduled to convene today will discuss, among others, the progress in the outstanding 3<sup>rd</sup> review prior actions, which according to press sources are still around 6 or 7. In its European Economic Forecast Winter 2018 interim report, the EC keeps unchanged its forecast for GDP growth in Greece at 1.6%YoY for 2017, 2.5%YoY for 2018 and 2.5%YoY for 2019. GDP growth is expected to be fueled by strong consumption growth, moderate investment growth and net exports. According to the Hellenic Statistical Authority (ELSTAT) provisional data, the total value of exports-dispatches for the 12-month period January – December 2017 increased by 13.2%YoY standing at EUR 28,832 million while the total value of imports-arrivals increased by 13.7%YoY at EUR 50,258 million. The deficit of the trade balance for the said period rose by 14.4%YoY amounting to EUR 21,426 million.

### SOUTH EASTERN EUROPE

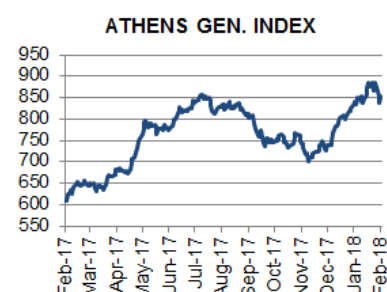
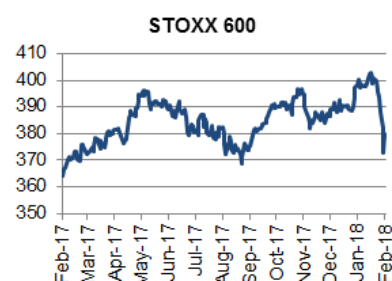
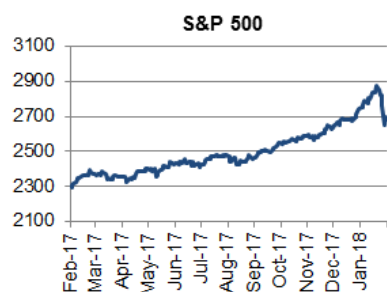
**CESEE MARKETS:** Most Emerging Market assets came under renewed pressure as core government yields and the USD rose, while sentiment remained fragile after the recent sell-off in global equity markets amid worries over higher interest rates around the globe.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their cue from US Treasuries, core euro area government bonds remained under pressure in European trade for the second session in a row with the 10yr Bund yield rising slightly above 0.76%, some 2.5bps higher on the day, amid concerns about a further widening in the US general budget deficit. In an effort to avoid a possible government shutdown ahead of today's midnight deadline, US Senate leaders reached a bipartisan two-year budget agreement that envisions higher defense spending (as Republicans requested) and higher spending for domestic programs (as Democrats requested). The said budget agreement also suspends the federal debt ceiling until early 2019. The bill has now to be approved by the US House of Representatives. Meanwhile, Chancellor Angela Merkel's alliance of Christian parties reached an agreement with Social Democrats for the formation of a new grand coalition. The SPD secured the labor and the foreign affairs ministries as well as the finance portfolio. The SPD member ballot on the coalition treaty will take around four weeks and is expected to be completed by early March. Separately, in its Winter 2018 Interim Economic Forecast released yesterday, the European Commission revised upwards its 2018 and 2019 GDP growth forecast for both the euro area and the EU to 2.3% and 2.0% respectively from 2.1% and 1.9% earlier. In FX markets, the EUR/USD extended recent losses hitting a multi-session low of 1.2223 earlier today. Focus today is on the BoE which will simultaneously publish its February Inflation Report, the MPC policy decision from the meeting that ended yesterday (13:00 CET) and the MPC minutes. A press conference by Governor Mark Carney will follow where he is expected to support the view for further gradual BoE rate tightening.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

The Euroworking Group that is scheduled to convene today will discuss, among others, the progress in the outstanding 3<sup>rd</sup> review prior actions, which according to press sources are still around 6 or 7. It is expected that they will have been fulfilled by the February 19<sup>th</sup> Eurogroup with the exception perhaps of Hellenikon (the issuance of the Presidential Decree for the Integrated Development Plan is pending) and electronic auctions (a monitoring mechanism to ascertain the unimpeded flow of e-auctions is to be established). Meanwhile, the Chair of the SSM Supervisory Board Daniele Nouy reportedly urged Greek banks to work more intensively towards tackling the NPEs problem noting, however, that the e-auctions tool is already bearing fruit. On the economic data front, in its European Economic Forecast Winter 2018 interim report, the EC keeps unchanged its forecast for GDP growth in Greece at 1.6%YoY for 2017, 2.5%YoY for 2018 and 2.5%YoY for 2019. According to the said report, stronger 2018 and 2019 GDP annual growth will be supported by sustained improvement in the labour market and in consumer sentiment which will in turn fuel private consumption growth. The improved business climate coupled with the still tight financing conditions, are expected to lead to moderate investment growth. Net exports are also expected to drive growth in 2018 while employment is set to continue increasing in line with economic recovery. According to the Hellenic Statistical Authority (ELSTAT) provisional data, the total value of exports-dispatches for the 12-month period January – December 2017 increased by 13.2%YoY standing at EUR 28,832 million while the total value of imports-arrivals increased by 13.7%YoY at EUR 50,258 million. The deficit of the trade balance for the said period rose by 14.4%YoY amounting to EUR 21,426 million. The corresponding change excluding oil products increased by 13.5%YoY, while the corresponding change excluding oil products and ships rose by 7.2%YoY.

February 8, 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

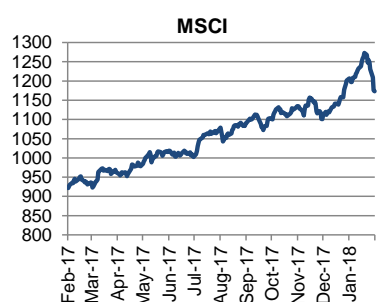
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

\* 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	-4.0	-4.5
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

Most Emerging Market assets came under renewed pressure as core government yields and the USD rose, while sentiment remained fragile after the recent sell-off in global equity markets amid worries over higher interest rates around the globe. Along these lines the MSCI Emerging Markets index traded in a modestly negative territory in European markets today, extending a 5-session losing streak which brought the index's cumulative losses to 8.6% since the beginning of February. In FX markets most regional currencies were weaker against a firmer USD, while government bond yields mostly rose on the back of a similar move in USTs.

In other news, Poland's Central Bank (NBP) kept the key policy rate (KPR) at the current record low level of 1.50%, in line with market expectations, as price pressures remain relatively subdued. Notably, headline and core CPI stood at 2.1%YoY and 0.9%YoY, respectively in December, both remaining below the midpoint of the 2.5% +/- 1% Central Bank target. The recent appreciation of the zloty, which hit respective 2-½ and 3-½ year highs near 4.13/€ and 3.3070/\$ in late January and posed amongst the world's best performers last year, suggests tightening of monetary policy conditions. In the accompanying statement released upon the conclusion of the MPC meeting, the Committee acknowledged that domestic economic conditions remain favorable. In support of the aforementioned, a preliminary GDP growth estimate for 2017 revealed a 6-year high expansion of 4.6%, primarily driven by domestic demand. However, the MPC also highlighted that despite the acceleration in economic activity, inflation growth has remained moderate and is expected to remain close to the target over the projected horizon. At a press conference following the conclusion of the MPC meeting, Central Bank Governor Adam Glapinski reiterated that interest rates are likely to remain at current levels until the end of the year, or even beyond, should economic conditions allow. He added that the zloty's recent strength reflects favorable economic conditions in Poland, with its appreciation not appearing to have a negative impact on exports. He also highlighted that the recent frictions with the European Commission over judiciary reforms that triggered the launch of Article 7 procedure, are not having an impact on the economy.

On the other hand, Romania's Central Bank (NBR) hiked the key policy rate by 25bps to 2.25% yesterday, though also vindicating market expectations. The MPC also raised on Wednesday the deposit and lending facility rates to 1.25% from 1.00% and to 3.25% from 3.00%, respectively, while maintaining unchanged the existing levels of minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions. Yesterday's rise in the key monetary policy rate is the second this year, after the inception of the rate-hiking cycle in January which marked the first rise in a decade, amid rising inflation pressures. Notably, headline CPI currently hovers near the upper bound of the official 2.5% +/- 1% target (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.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

February 8, 2018

## GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	-1	-1
1-week	2.63	0	2
1-month	2.82	-1	-3
3-month	3.11	0	-1
6-month	3.23	0	-1

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.99	0	-29
5Y RSD	4.23	0	-6
7Y RSD	4.62	#N/A N/A	-56

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.23	0	24
USD Nov-24	6.18	-26	14

#### CDS

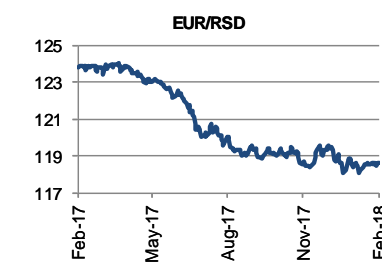
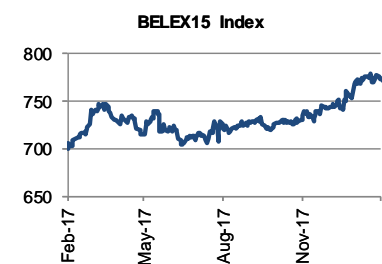
	Last	ΔDbps	ΔYTD bps
5-year	99	-1	-19
10-year	146	0	-16

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	770.6	-0.19%	1.41%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.57	0.11%	0.29%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.35	17	26
1-month	1.6	6	-27
3-month	2.03	4	-2
6-month	2.33	6	6
12-month	2.41	4	9

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.47	0	9
5Y RON	3.96	0	18
10Y RON	4.55	0	24

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	-1	-7
USD Jan-24	3.50	3	50

#### CDS

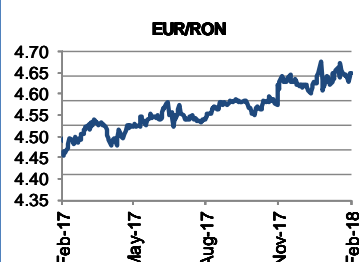
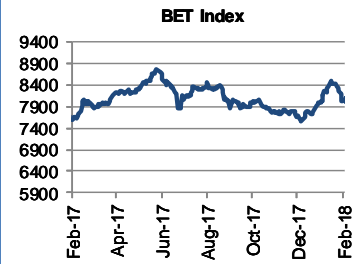
	Last	ΔDbps	ΔYTD bps
5-year	84	-5	-6
10-year	130	-7	-3

#### STOCKS

	Last	ΔD	ΔYTD
BET	8071.3	0.71%	4.10%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6548	0.04%	0.21%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	0	-3
3-month	-0.19	0	-1
6-month	-0.06	0	-1
12-month	0.31	0	-1

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	0	2
5Y BGN	0.24	0	9
10Y BGN	1.05	0	8

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.19	0	26
EUR Sep-24	0.78	0	20

#### CDS

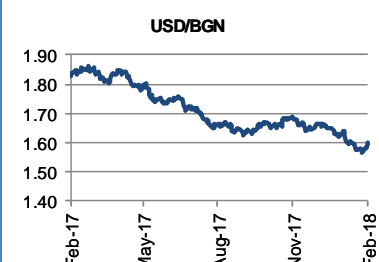
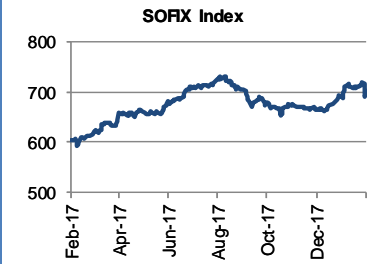
	Last	ΔDbps	ΔYTD bps
5-year	62	0	-35
10-year	106	0	-35

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	701.2	-0.03%	3.50%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5993	-0.28%	1.88%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:55 EST

February 8, 2018

## Contributors

**Paraskevi Petropoulou**  
Senior Economist, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

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

**Anna Dimitriadou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

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

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

## Regional Contributors

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

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Ruslan Raychev**  
Trader, Eurobank Bulgaria  
+359 2 8166 482  
[rsraychev@postbank.bg](mailto:rsraychev@postbank.bg)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Tasos Anastasatos: Group Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), + 30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), + 30 210 3718 793

**Ioannis Gkionis: Senior Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) + 30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) + 30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) + 30 210 33 71 227

**Mariana Papoutsaki**  
[mpapoutsaki@eurobank.gr](mailto:mpapoutsaki@eurobank.gr) + 30 210 33 71 224

**Paraskevi Petropoulou: Senior Economist**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), + 30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), + 30 210 37 18 922

**Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), + 30 210 33 71 228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto: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](mailto: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
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