



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, March 08, 2018

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: Risk appetite was generally supported earlier today on somewhat easing worries over the risk of a trade war. A White House spokeswoman made known on Wednesday that the US President plans to offer Canada and Mexico a 30-day exemption from the impending tariffs that could potentially be extended, depending on progress in NAFTA negotiations, adding that other countries could also be excluded "based on national security". Focus today is on the ECB policy meeting where the Central Bank is expected to confirm its monetary policy stance leaving unchanged the forward guidance, both for the APP and for interest rates.

GREECE: With regard to electronic auctions, according to press reports, since the transition of the procedure exclusively through the electronic platform, c. 30% of debtors to banks or private entities seek to settle their loans in order to avoid their property being auctioned. According to the General Government data published earlier this week, the stock of the general government areas to the private sector at the end of January 2018 was at €3.1 bn from €3.3 bn at the end of December 2017.

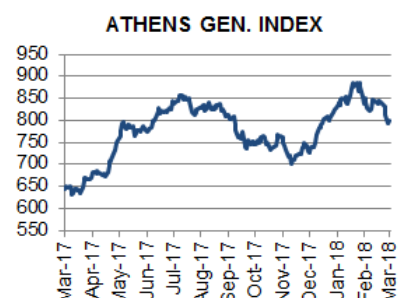
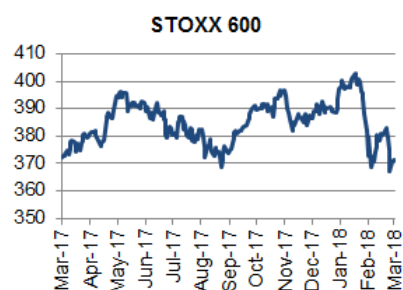
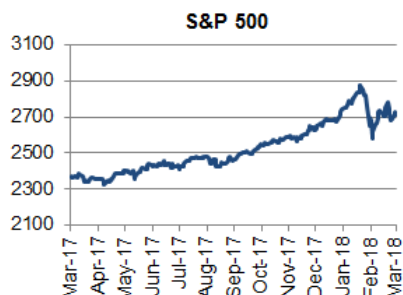
SOUTH EASTERN EUROPE

BULGARIA: According to the revised estimate, real GDP growth came in at 3.5% YoY in Q4 bringing the FY2017 performance at 3.6%.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Risk appetite was generally supported earlier today on somewhat easing worries over the risk of a trade war following US President Donald Trump's recent announcement over the intention of his administration to impose tariffs on steel and aluminum imports of 25% and 10% respectively. Speaking at a regular media briefing on Wednesday, a White House spokeswoman made known that the US President plans to offer Canada and Mexico a 30-day exemption from the impending tariffs that could potentially be extended, depending on progress in NAFTA negotiations, adding that other countries could also be excluded "based on national security". The planned tariffs would take effect about two weeks after Donald Trump signs a presidential proclamation, expected on Friday. Meanwhile, US Treasuries showed a muted reaction to the latest development on the impending US tariffs amid prevailing concerns about the prospect of a steeper path of FOMC rate tightening this year should inflation-related data continue to surprise to the upside. Indicatively, the 10-yr Treasury yield was hovering around 2.88% at the time of writing, little changed on the day, and not too far from a recent peak close to 2.91% marked a couple of sessions ago following a temporary drop to 2.84% on Wednesday on news that the US trade widened in January to a more than nine-year high. US data yesterday showing that the private sector generated 235k new jobs in February, higher than 195k expected following an upwards revised rise of 244k in the prior month, did not also favor market sentiment towards US government paper. In FX markets, the USD was little changed on the day with the EUR/USD hovering around 1.2380/85 at the time of writing, 0.2% weaker on the day ahead of today's ECB policy meeting where the Central Bank is expected to confirm its monetary policy stance leaving unchanged the forward guidance, both for the APP and for interest rates. However, the prospect of President Mario Draghi providing hints at the Q&A session for a possible change in the forward guidance on QE at the next meeting in April cannot be ruled out in order to start preparing the market for the end of the programme by the end of this year.

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GREECE

With regard to electronic auctions, according to press reports, since the transition of the procedure exclusively through the electronic platform, c. 30% of debtors to banks or private entities seek to settle their loans in order to avoid their property being auctioned. In accordance with Law 4512/2018, as of 21 February 2018 all private auctions and as of 1 May 2018 all auctions of the State will be conducted exclusively through the electronic platform. On the economic data front, according to the General Government data published earlier this week, the stock of the general government arrears to the private sector at the end of January 2018 was at EUR3.1 billion from EUR3.3 billion at the end of December 2017, a monthly decrease of -5.7%, mainly due to the reduction of State Budget, Social Security Funds and Tax arrears. Compared to their recent peak in August 2017 (EUR6.0 billion) general government arrears registered a decrease of -47.9%. According to the most recent Compliance Report (22 January 2018) arrears are expected to be cleared by June 2018.

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March 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 | 1.9 | 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 |

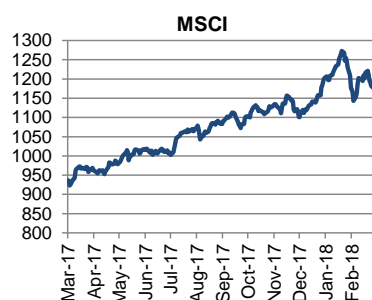
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Latest economic & market developments in the CESEE region

BULGARIA

The Q4 2017 revised GDP growth estimate was trimmed by 0.1ppts on an annual basis from a flash reading, with economic activity coming in at 0.7% QoQ/3.5% YoY down from 0.9% QoQ/3.9% YoY in Q3-2017 and 1.1% QoQ/4.0% YoY in Q4-2016. From the demand side, growth remained driven by still strong final consumption dynamics (+1.3% QoQ/+3.8% YoY in Q4 vs. 0.9% QoQ/+4.3% YoY in Q3). On the positive side, investments were in the black for the third consecutive quarter (GFCF: +0.2% QoQ/+4.5% YoY in Q4 vs. -0.4% QoQ/+4.3% in Q3 vs. +2.6% QoQ/+3.9% YoY in Q2 vs. +2.1% QoQ/-2.6% YoY in Q1). The rise mirrors partial progress in infrastructure spending implementation after the transition period of the caretaker government and gradual improvement in the EU funds absorption in the two-years after the closing of the previous programming period 2007-2013. On the negative side, net exports were in deep red as imports growth outpaced concomitant increases in exports. In more detail, imports accelerated to 4.4% QoQ/8.3% YoY in Q4 up from 1.3% QoQ/5.1% YoY in Q3 in response to strong private consumption dynamics. Exports decelerated sharply to -1.0% QoQ/+2.0% YoY in Q4 vs. +3.0% QoQ/+4.1% YoY in Q3.

Bulgaria is now expected to register another year of strong, above potential, growth in 2018. The economy is expected to benefit from further labor market improvement, accelerating credit activity dynamics, a more expansionary fiscal policy stance, a vibrant export oriented manufacturing sector and an emerging tourism destination. The economy is operating at or close to full employment (the relevant % of companies reportedly confronted with labor scarcity in the EU survey has climbed to 40% in Q4-2017 up from only 13% in Q4-2013). Fiscal policy is expected to be more growth-supportive provided that budget execution aligns with the 1% of GDP deficit target in 2018 vs. a 0.8% surplus in 2017. Credit to the non-government sector accelerated to 4.8% YoY in 2017 vs. only 1.5% YoY in 2016. With capacity utilization standing at an all-time high, private companies will need to invest more in order to strengthen their productive capacity. Finally, investments are going to receive support from improved EU funds absorption.

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Credit Ratings

| L-T ccy | Moody's S&P | Fitch |
|----------|-------------|-------|
| SERBIA | Ba3 | BB |
| ROMANIA | Baa3 | BBB- |
| BULGARIA | Baa2 | BBB |
| CYPRUS | B1 | BB- |

March 8, 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 | 2710.84 | -0.6% | 1.4% | EUR/USD | 1.2393 | -0.1% | 3.2% | UST - 10yr | 2.86 | -2 | 46 | GOLD | 1329 | -0.4% | 2.0% |
| Nikkei 225 | 21252.72 | -0.8% | -6.6% | GBP/USD | 1.387 | -0.1% | 2.6% | Bund-10yr | 0.66 | -2 | 23 | BRENT CRUDE | 65 | -1.0% | -2.6% |
| STOXX 600 | 371.25 | 0.0% | -4.6% | USD/JPY | 105.92 | 0.2% | 6.4% | JGB - 10yr | 0.05 | -1 | 0 | LMEX | 3335 | 0.8% | -2.4% |

CESEE MARKETS

| SERBIA | | | | ROMANIA | | | | BULGARIA | | | | | | |
|-----------------------|--------|--------|----------|-----------------------|--------|-------|----------|-----------------------|------------|--------|----------|----|--|--|
| Money Market | | | | Money Market | | | | Money Market | | | | | | |
| BELIBOR | Last | ΔDbps | ΔYTD bps | ROBOR | Last | ΔDbps | ΔYTD bps | SOFIBOR | Last | ΔDbps | ΔYTD bps | | | |
| T/N | 2.58 | -3 | 6 | O/N | 1.35 | 1 | 26 | LEONIA | 0.01 | 0 | 1 | | | |
| 1-week | 2.71 | -2 | 10 | 1-month | 1.6 | 0 | -27 | 1-month | -0.27 | 0 | -2 | | | |
| 1-month | 2.90 | -1 | 5 | 3-month | 2.08 | 0 | 3 | 3-month | -0.19 | 0 | -1 | | | |
| 3-month | 3.18 | 0 | 6 | 6-month | 2.41 | 0 | 14 | 6-month | -0.06 | 0 | -1 | | | |
| 6-month | 3.31 | -2 | 7 | 12-month | 2.53 | -1 | 21 | 12-month | 0.27 | 0 | -5 | | | |
| RS Local Bonds | | | | RO Local Bonds | | | | BG Local Bonds | | | | | | |
| | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps | (yields) | Last | ΔDbps | ΔYTD bps | | | |
| 3Y RSD | 3.92 | 0 | -36 | 3Y RON | 3.43 | 0 | 4 | 3Y BGN | -0.02 | 1 | 4 | | | |
| 5Y RSD | 4.23 | 0 | -1 | 5Y RON | 4.01 | 0 | 23 | 5Y BGN | 0.24 | 0 | 10 | | | |
| 7Y RSD | 4.60 | 0 | -57 | 10Y RON | 4.60 | 0 | 28 | 10Y BGN | 1.08 | 0 | 11 | | | |
| RS Eurobonds | | | | RO Eurobonds | | | | BG Eurobonds | | | | | | |
| | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps | | | |
| USD Feb-20 | 3.52 | 1 | 52 | EUR Oct-25 | 1.55 | #N/A | N/A | -5 | EUR Mar-22 | 0.21 | 0 | 29 | | |
| USD Nov-24 | 6.35 | -18 | 31 | USD Jan-24 | 3.72 | 0 | 72 | EUR Sep-24 | 0.86 | 0 | 28 | | | |
| CDS | | | | CDS | | | | CDS | | | | | | |
| | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps | | | |
| 5-year | 96 | -1 | -22 | 5-year | 82 | -1 | -8 | 5-year | 55 | 0 | -41 | | | |
| 10-year | 135 | -2 | -27 | 10-year | 126 | -2 | -7 | 10-year | 92 | 0 | -49 | | | |
| STOCKS | | | | STOCKS | | | | STOCKS | | | | | | |
| | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD | | | |
| BELEX15 | 741.7 | -0.84% | -2.38% | BET | 8441.5 | 0.10% | 8.87% | SOFIX | 687.4 | 0.84% | 1.47% | | | |
| FOREX | | | | FOREX | | | | FOREX | | | | | | |
| | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD | | | |
| EUR/RSD | 117.84 | 0.15% | 0.91% | EUR/RON | 4.6597 | 0.03% | 0.11% | USD/BGN | 1.5783 | -0.10% | 3.24% | | | |

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:30 EST of previous session

March 8, 2018

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