

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: At its monetary policy meeting yesterday, the ECB decided unanimously to omit from the accompanying policy statement the explicit pledge that had been in place since 2016 suggesting that the Central Bank stands ready to increase the volume of monthly asset purchases and/or extend the duration of the programme, should the euro area outlook or financial conditions become less favourable. In the Q&A session, President Mario Draghi attempted to downplay the aforementioned change in the forward guidance stressing that it does not signify a signal for future monetary policy. The overall dovish tone of the ECB President and the downward revision of the 2019 HICP forecast, favored EU government bonds while the EUR/USD came under pressure, giving back all gains recorded earlier on Thursday in a knee-jerk reaction to the drop of the easing bias to QE.

GREECE: According to the official agenda, the 12 March Eurogroup will be briefed on the completion of the remaining two prior actions under the third ESM programme review and the first mission of the fourth review of the programme, which took place at the end of February. The Finance Ministry and the Public Debt Management Agency are reportedly considering a 12-month bond issue to draw EUR 1 billion.

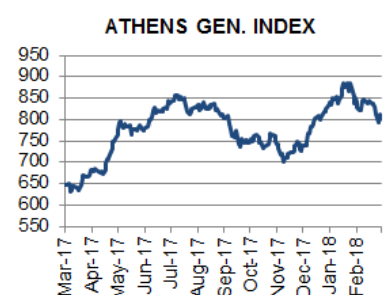
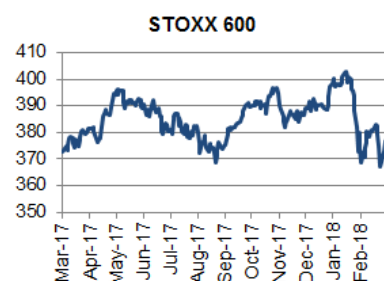
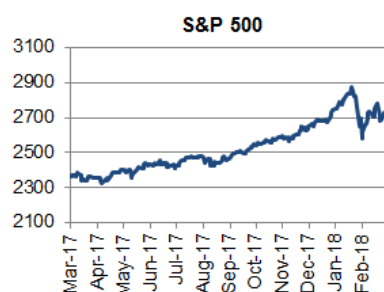
SOUTH EASTERN EUROPE

ROMANIA: The revised estimate on the seasonally adjusted Q4-2017 GDP reading confirmed the flash estimate for growth of +0.6% QoQ/+7.0% YoY

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

At its monetary policy meeting yesterday, the ECB decided unanimously to omit from the accompanying policy statement the explicit pledge that had been in place since 2016 suggesting that the Central Bank stands ready to increase the volume of monthly asset purchases and/or extend the duration of the programme, should the euro area outlook or financial conditions become less favourable. In the Q&A session, President Mario Draghi attempted to downplay the aforementioned change in the forward guidance stressing that it does not signify a signal for future monetary policy. He cited that it is substantially "a backward-looking decision" pointing out the improving euro area growth momentum and reduced uncertainty over the path of inflation converging to the inflation target. However, there were no modifications to the more fundamental parts of the forward guidance with the ECB reiterating that net asset purchases at a monthly pace of €30bn "are intended to run until end-September 2018, or beyond, if necessary" and interest rates are expected "to remain at their present levels for an extended period of time, and well past the horizon of net asset purchases". The overall dovish tone of the ECB President and the downward revision of the 2019 HICP forecast (to 1.4% from 1.5%) favored EU government bonds with the 10-yr Bund yield hovering around 0.63% in European trade at the time of writing, not much changed on the day but c. 7bps lower from a three-week intra-session high hit yesterday soon after the release of the ECB statement which revealed the drop of the easing bias to QE. In FX markets, the EUR/USD was hovering around 1.2300 at the time of writing, 1.2% lower from Thursday's peak marked ahead of the ECB press conference. Meanwhile, the USD was slightly firmer on the day across the board ahead of today's US non-farm payrolls data for February, which are expected to show a solid 195k rise in the headline and a drop in the unemployment rate to a fresh 17-year low of 4.0% from 4.1% over the last four months.

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GREECE

According to the official agenda, the 12 March Eurogroup will be briefed on the completion of the remaining two prior actions under the third ESM programme review and the first mission of the fourth review of the programme, which took place at the end of February. The post-programme framework and potential debt relief measures are not scheduled to be discussed at this Eurogroup. According to a European official the 88 prior actions attached to the fourth review are to be completed by May 2018, a goal that is difficult yet attainable. Meanwhile, the Finance Ministry and the Public Debt Management Agency are reportedly considering a 12-month bond issue to draw EUR 1 billion. The announcement is expected to take place today while the interest rate is expected to stand at c. 1.5%.

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March 9, 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

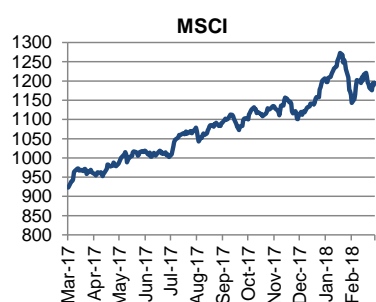
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

The revised estimate on the seasonally adjusted Q4-2017 GDP reading confirmed the flash estimate for growth of +0.6% QoQ/+7.0% YoY; +6.9% YoY in unadjusted terms. The weaker than expected print, which came in below a market consensus of +1.2% QoQ/+7.3% YoY, compares with increases of 2.4% QoQ/8.5% YoY in Q3-2017 and 2.1% QoQ/5.0% YoY in Q4-2016. On the demand side, growth remained driven by domestic demand. Private consumption growth continued running at double digits on an annual basis underpinned by the rise in disposable incomes and further labor market tightening. In more detail, private consumption expanded by +1.8% QoQ/+11.9% YoY in Q4-2017 vs. +3.2% QoQ/+11.6% YoY in Q3-2017 compared to +1.6% QoQ/5.6% YoY in Q4-2016, making a hefty contribution of 6.8ppts to economic activity. Importantly, the investments' rebound continued in Q4. Gross fixed capital formation expanded by +3.7% QoQ/+12.2% YoY in Q4-2017 vs. +2.8% QoQ/+6.9% YoY in Q3-2017 having recovered significantly from contraction of 1.2% QoQ /12.4% YoY in Q4-2016. Gross fixed capital formation received support primarily from private investment-from both residential construction and machinery equipment-as public investments failed to impress for yet another quarter reflecting low EU funds absorption and the under-execution of the public investments program as a means to contain the fiscal deficit at the expense of neglecting infrastructure. Meanwhile, net exports had a negative contribution of 1.5ppts to growth in Q4 mirroring the faster expansion of imports (1.1% QoQ /+10.4% YoY in Q4 vs. 0.1% QoQ/+11.1% YoY in Q3) against that of exports (+1.3% QoQ/+7.2% YoY in Q4 vs. +2.1% QoQ/+9.0% YoY in Q3).

For the whole of the year, real GDP expanded by 7.0% 2017 compared to 4.8% in 2016, outperforming regional peers for the fourth consecutive year and surpassing the most optimistic forecasts. Growth remained largely driven by private consumption, financed by an overly expansionary fiscal policy, which has led to a revival of macroeconomic imbalances. Hence, the economy is driven close to, if not above, its potential growth rate at the expense of pushing government finances off consolidation track and deteriorating the external position (CAD17: -3.5% of GDP).

A sharp slowdown to 4.5% is on the cards in 2018 reflecting the impact of higher inflation-above the NBR target band-on real disposable incomes, front-loaded monetary policy and the need for a more conservative fiscal policy. In support of the aforementioned, the inflation spike, the concomitant increase in money market rates and weaker consumer sentiment readings in recent months have already weighed on this quarter's economic activity dynamics, predisposing for a further slowdown in growth in the period ahead.

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March 9, 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	2738.97	0.4%	2.4%	EUR/USD	1.2316	0.0%	2.6%	UST - 10yr	2.88	2	47	GOLD	1318	-0.3%	1.2%
Nikkei 225	21469.20	0.5%	-5.7%	GBP/USD	1.3828	0.1%	2.3%	Bund-10yr	0.64	1	22	BRENT CRUDE	64	0.3%	-4.6%
STOXX 600	376.62	1.0%	-3.2%	USD/JPY	106.73	-0.5%	5.6%	JGB - 10yr	0.05	0	1	LMEX	3258	-1.1%	-4.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.59	1	7
1-week	2.71	0	10
1-month	2.91	1	6
3-month	3.17	-1	5
6-month	3.31	0	7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.91	0	-37
5Y RSD	4.23	#N/A	N/A
7Y RSD	4.60	0	-58

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.50	0	50
USD Nov-24	6.34	-19	31

CDS

	Last	ΔDbps	ΔYTD bps
5-year	94	0	-24
10-year	135	0	-27

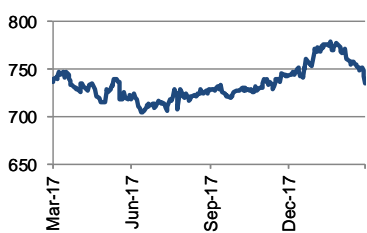
STOCKS

	Last	ΔD	ΔYTD
BELEX15	735.2	-0.88%	-3.24%

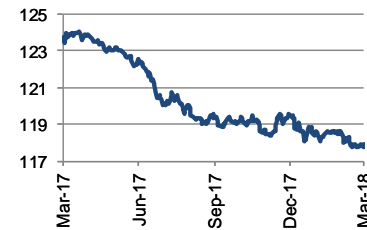
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.07	-0.12%	0.71%

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	2.53	0	21

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.36	0	-2
5Y RON	3.98	0	20
10Y RON	4.62	0	31

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	82	0	-8
10-year	126	0	-7

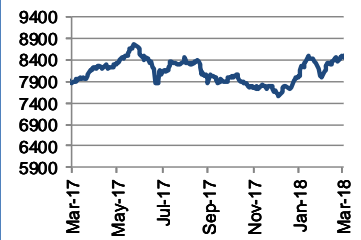
STOCKS

	Last	ΔD	ΔYTD
BET	8478.2	0.08%	9.34%

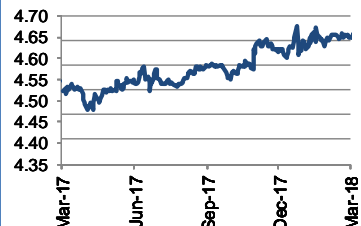
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.656	0.02%	0.19%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.27	0	-2
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	-1	3
5Y BGN	0.23	-1	9
10Y BGN	1.07	0	11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.21	0	28
EUR Sep-24	0.87	-9	29

CDS

	Last	ΔDbps	ΔYTD bps
5-year	55	0	-42
10-year	97	6	-44

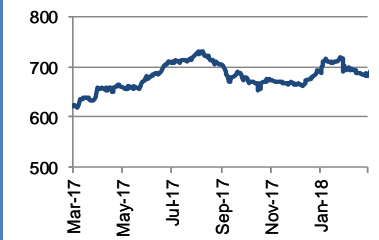
STOCKS

	Last	ΔD	ΔYTD
SOFIX	682.9	0.00%	0.81%

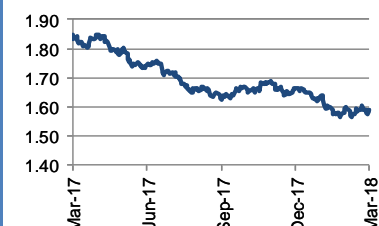
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5878	0.05%	2.62%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:05 EST

March 9, 2018

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