

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, February 12, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 14
 - CPI (Jan)
 - Retail sales (Jan)
- Feb 15
 - Empire State Index (Feb)
 - Jobless claims (weekly)
 - Philly Fed (Feb)
 - Industrial production (Jan)
 - NAHB index (Feb)
- Feb 16
 - Housing starts (Jan)
 - Housing permits (Jan)
 - UM consumer confidence (Feb)

EUROZONE

- Feb 14
 - GDP (Q4, flash)
 - Industrial production (Dec)

UK

- Feb 13: CPI (Jan)
- Feb 16: Retail sales (Jan)

GREECE

- Feb 15: HICP/CPI (Jan)
- Feb 16
 - Industrial production (Dec)
 - Fitch rating review

CYPRUS

- Feb 14: GDP (Q4, p)

SEE

BULGARIA

- Feb 14: GDP (Q4, p)
- Feb 15
 - CPI (Jan)
 - U/E rate (Jan)

ROMANIA

- Feb 12
 - Industrial production (Dec)
 - T-bonds auction
- Feb 13: Current account (Dec)
- Feb 14
 - CPI (Jan)
 - GDP (Q4, p)
 - EUR-denominated T-bonds auction
 - MPC meeting minutes
- Feb 15: T-bonds auction

SERBIA

- Feb 12: T-bonds auction
- Feb 14: Inflation Report
- Feb 16: T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: According to the US Committee for a Responsible Federal Budget, Friday's two-year budget deal, which follows the sweeping overhaul of the US tax code in December, is projected to push the federal government deficit to levels above USD1trn in 2019. The prospect of more government borrowing for funding a widening fiscal deficit exerted renewed selling pressure on US Treasuries. Meanwhile, the DXY index was 0.3% lower on the day but 0.7% firmer on a weekly basis favored by the latest bout of increased risk aversion amid fears of accelerating US inflation. Looking at this week's calendar, focus is on Wednesday's US inflation data for January. Elsewhere, the White House will release President Trump's long-awaited infrastructure plan later today.

GREECE: The EUR3 billion 7-year GGB issued last week at a yield of 3.50% was oversubscribed for a total value in excess of EUR 6 billion from around 210 accounts. The transaction enjoyed broad spread in terms of investors' geographical origin and type. The Euroworking Group that convened on 8 February reportedly discussed the modus operandi of the task force that is mandated to work on the medium-term debt relief measures for Greece while the timetable foresees an in-principle agreement on the subject by end-March 2018. According to press reports, during that EWG no EU member state expressed any objections regarding either debt relief or linking debt – servicing to GDP growth. According to local media, the post-programme surveillance framework will have a four-year duration, up to 2022 when the obligation for a 3.5%-of-GDP primary surplus expires while the Greek Finance Minister Euclid Tsakalotos reportedly stated that it will include specific commitments for Greece but not the means to meet these commitments.

SOUTH EASTERN EUROPE

BULGARIA: The Bulgarian equity market followed the world-wide stocks sell off, while Eurobond and local-currency government bond yields rose.

SERBIA: The EUR/RSD ended last week at 118.42/62, slightly lower compared to prior Friday's settlement amid increased euro supply from local corporate clients.

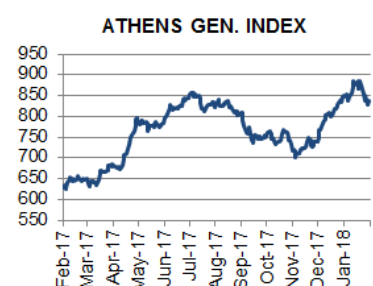
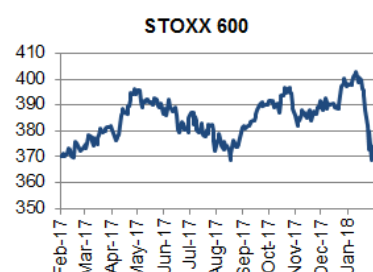
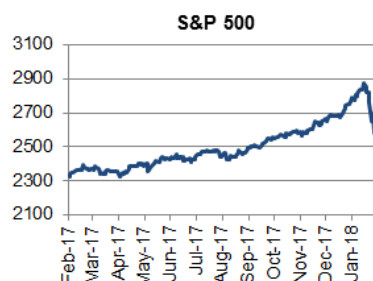
CESEE MARKETS: Emerging market assets kicked off the week on a stronger footing, recovering part of the recent hefty losses suffered amid increased concerns for a higher than expected increase in inflation that pushed core government bond yields higher and triggered a sell-off in global equity markets.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

A brief US government shutdown ended early on Friday after Congress approved and, subsequently, President Donald Trump signed into law, a two-year budget envisioning an increase in military and domestic spending by around USD300mn above current limits. According to the US Committee for a Responsible Federal Budget, the budget deal, which follows the sweeping overhaul of the US tax code in December, is projected to push the federal government deficit to levels above USD1trn in 2019. The prospect of more government borrowing for funding a widening fiscal deficit, exerted renewed selling pressure on US Treasuries with the 10-yr yield hitting a fresh four-year high of 2.90% earlier today. In FX markets, the USD was slightly weaker with the DXY index standing at 90.160 at the time of writing, 0.3% lower on the day but 0.7% firmer on a weekly basis favored by the latest bout of increased risk aversion amid fears of accelerating US inflation. Meanwhile, the EUR/USD was 0.3% higher compared to Friday's settlement after falling by around 1.8% last week on positioning adjustment amid declining risk appetite and higher volatility. Elsewhere, the USD/JPY was 0.1% weaker on the day, albeit still above Friday's 5-year intraday low of 108.50 as today's tentative signs of stabilization in global equity markets weighed on the Japanese currency. Newswires suggesting that the Japanese government has decided to nominate incumbent BoJ Governor for a second term, signaling continuation of the ultra-loose monetary policy, also had an impact. Looking at this week's calendar, focus is on Wednesday's US inflation data for January. Market consensus is for a drop in both the headline inflation rate and core from 2.1%YoY and 1.8%YoY to 1.9%YoY and 1.7%YoY, respectively. Elsewhere, the White House will release President Trump's long-awaited infrastructure plan later today.

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GREECE

The EUR 3 billion 7-year GGB issued last week at a yield of 3.50% was oversubscribed for a total value in excess of EUR 6 billion from around 210 accounts. The transaction enjoyed broad geographical spread as follows: UK and Ireland (43.7%), Greece (19.0%), USA (12.5%), Germany/Austria/Switzerland (7.6%), France (5.1%), other Europe (11.7%) and other (0.4%). As per investor type the distribution was as follows: Fund Managers (37.4%), Hedge Funds (31.5%), Banks/Private Banks (22.9%), CB/OI (5.5%), Insurance Companies (2.1%) and other (0.6%). In other news, the Euroworking Group (EWG) that convened on 8 February reportedly discussed the modus operandi of the task force that is mandated to work on the medium-term debt relief measures for Greece while the timetable foresees an in-principle agreement on the subject by end-March 2018. During that EWG no EU member state reportedly expressed any objections either on the medium-term debt relief or on linking debt – servicing to GDP growth. Meanwhile, the post-programme surveillance framework will likely have a four-year duration, up to 2022 when the obligation for a 3.5%-of-GDP primary surplus expires while the Greek Finance Minister Euclid Tsakalotos reportedly stated that it will include specific commitments for Greece but not the means to meet these commitments. The Greek government will in parallel implement its own growth strategy, which will comprise both a reform dimension – mainly outstanding reforms and privatisations from the current ESM programme – and a social policy dimension. As regards the latter, according to recent statements by the Minister of Labour, Social Security and Social Solidarity Effie Achtsioglou, among the Greek government's priorities would be an increase in the minimum wage. As regards the ESM programme implementation, the institutions are expected in Athens during the last ten days of February for the 4th review.

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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

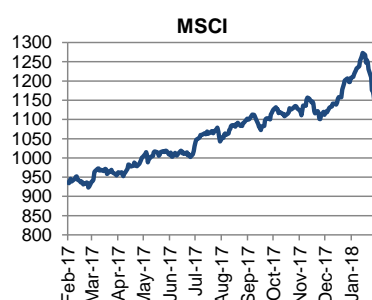
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

The Bulgarian equity market followed the world-wide stocks sell off, erasing 3.6% of the blue chip SOFIX index and finishing on Friday at 693 points. The weekly trading volume came in a little over €4mn. Elsewhere, Eurobond yields rose across the board, with that of paper maturing in 2023 registering a 4bps weekly rise. Bulgarian local-currency bonds yields followed the global trend upwards, with that of 7-year tenor advancing by 4.5 bps.

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SERBIA

The EUR/RSD ended last week at 118.42/62, slightly lower compared to the prior Friday's settlement amid increased euro supply from local corporate clients. Our view for the pair's short term outlook remains largely unchanged. We expect the EUR/RSD to continue trading sideways within a range of 118.20-118.90 in the coming days as recent history suggests that the Central Bank is likely to intervene on both sides of the said spectrum. So far this year the National Bank of Serbia has sold a total of €180mn, mostly between 118.70 and 118.90, whereas on the downside it intervened last time at the end of December around the level of 118.30.

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CESEE MARKETS

Emerging market assets kicked off the week on a stronger footing, recovering part of the recent hefty losses suffered amid increased concerns for a higher than expected increase in inflation that pushed core government bond yields higher and triggered a sell-off in global equity markets. Following a positive close in Wall Street last Friday, the MSCI Emerging Markets rose by 0.9% earlier today compared to last week's settlement. The said index posted weekly losses of 7.15% on Friday, its worst performance since 2011. Following seven consecutive sessions in the red, it erased all of the previous, notable, year-to-date gains to currently stand in a negative territory compared to its end-2017 levels. Bourses in the CESEE region also moved higher earlier today, with most indices outperforming the broader MSCI EM index's advance thanks to strong macroeconomic fundamentals. In the same vein, most regional currencies firmed, while government bonds were mixed in early European trade.

This week's CESEE calendar centres around Q4 GDP data releases in most countries in the region. Hungary, Romania, Poland and Bulgaria are all scheduled to release on Wednesday national accounts data for the last quarter of 2017. Meanwhile, January's consumer inflation data is scheduled to be announced on Tuesday in Hungary, on Wednesday in Romania and on Thursday in Poland and Bulgaria. The National Bank of Serbia publishes on Wednesday the updated Inflation Report, which was approved at its MPC meeting last week. Meanwhile, an S&P review of Hungary's sovereign credit rating is expected to be released on Friday. In Asia, several markets will be closed from Thursday onwards in view of a seven-day holiday for the Chinese New Year. From a global perspective, the US CPI release on Wednesday lures market attention, especially in view of the recently mounting inflation worries. To that end, US inflation expectations and the ensuing performance in core government bond yields and the USD remain key risks to emerging market assets.

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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	2619.55	1.5%	-2.0%	EUR/USD	1.2269	0.1%	2.2%	UST - 10yr	2.89	4	48	GOLD	1321	0.4%	1.4%
Nikkei 225	21382.62	-2.3%	-6.1%	GBP/USD	1.3852	0.1%	2.4%	Bund-10yr	0.78	4	35	BRENT CRUDE	64	2.2%	-4.1%
STOXX 600	374.33	1.6%	-3.8%	USD/JPY	108.74	0.0%	3.6%	JGB - 10yr	0.07	0	2	LMEX	3271	-1.4%	-4.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.50	0	-2
1-week	2.62	0	1
1-month	2.81	0	-4
3-month	3.10	0	-2
6-month	3.23	0	-1

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.98	#N/A N/A	-29
5Y RSD	4.23	0	-7
7Y RSD	4.62	#N/A N/A	-56

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.33	1	33
USD Nov-24	6.22	-22	18

CDS

	Last	ΔDbps	ΔYTD bps
5-year	105	4	-13
10-year	151	3	-12

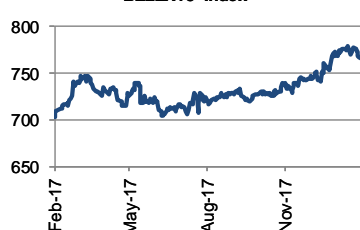
STOCKS

	Last	ΔD	ΔYTD
BELEX15	765.8	-0.11%	0.79%

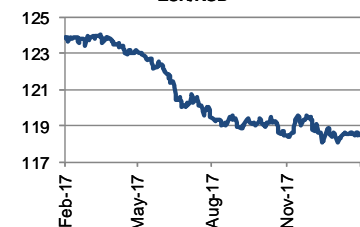
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.94	-0.28%	-0.02%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.35	1	26
1-month	1.62	1	-25
3-month	2.06	2	1
6-month	2.36	2	9
12-month	2.46	2	14

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.49	0	10
5Y RON	3.99	0	21
10Y RON	4.57	0	26

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	-3
USD Jan-24	3.66	3	66

CDS

	Last	ΔDbps	ΔYTD bps
5-year	89	3	-1
10-year	135	4	2

STOCKS

	Last	ΔD	ΔYTD
BET	8124.4	1.52%	4.78%

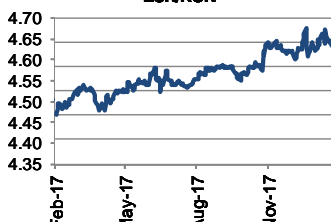
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.653	-0.04%	0.25%

BET Index



EUR/RON



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	0.32	0	-1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	0	2
5Y BGN	0.27	3	12
10Y BGN	1.05	0	9

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.18	0	26
EUR Sep-24	0.78	0	20

CDS

	Last	ΔDbps	ΔYTD bps
5-year	61	0	-36
10-year	105	0	-36

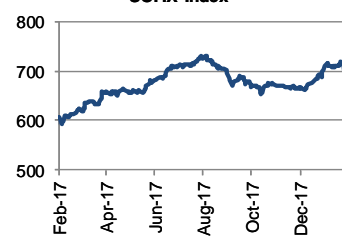
STOCKS

	Last	ΔD	ΔYTD
SOFIX	695.4	0.21%	2.64%

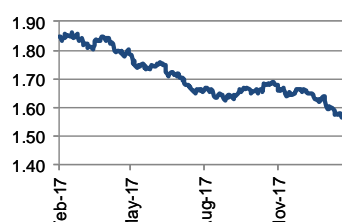
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5943	0.14%	2.20%

SOFIX Index



USD/BGN



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

Data updated as of 11:40 EST

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