

Monday, March 12, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Mar 13: CPI (Feb)
- Mar 14
 - Retail sales (Feb)
 - Producer prices (Feb)
- Mar 15
 - Jobless claims (weekly)
 - Empire State Index (Mar)
 - Philly Fed (Mar)
 - NAHB index (Mar)
- Mar 16
 - Housing starts/permits (Feb)
 - Industrial production (Feb)
 - UoM Cons. sentiment (Mar)

EUROZONE

- Mar 13: Eurogroup meeting
- Mar 14: Industrial prod/n (Feb)
- Mar 16: HICP (Feb)

GREECE

- Mar 12: Industrial prod/n (Feb)
- Mar 15: U/E rate (Q4)

CYPRUS

- Mar 16
 - HICP (Feb)
 - Debt rating review by S&P

SEE

BULGARIA

- Mar 13: Trade balance (Jan)
- Mar 14: CPI (Feb)
- Mar 15: U/E rate (Feb)

ROMANIA

- Mar 12
 - Trade balance (Jan)
 - 4.25% 2023 T-bonds auction
- Mar 13
 - Wages (Jan)
 - CPI (Feb)
- Mar 14: Industrial production/sales (Jan)
- Mar 15: 5.8% 2027 T-bonds auction
- Mar 16: CAD (Jan)

SERBIA

- Mar 12
 - Trade balance (Jan)
 - CPI (Feb)
- Mar 13: 4.5% 2023 T-bonds auction
- Mar 14: MPC rate decision

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GREECE: The Eurogroup that is scheduled to convene today 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 ESM President Klaus Regling stated recently in an interview that the medium term debt relief measures will be applied – if necessary – provided that Greece has implemented all agreed reforms. As regards additional conditionality in case further debt relief is granted, he stated that a closer form of surveillance may be applied while he also advocated the possibility of a precautionary credit line after the expiration of the current programme, on the grounds that it will provide additional comfort to the financial markets.

SOUTH EASTERN EUROPE

BULGARIA: The Bulgarian equity market gained some modest ground last week. Meanwhile, the majority of external and local-currency government bond yields continued to exhibit little change.

SERBIA: The EUR/RSD remained bound within a range of 117.80 to 118.15 that has been held for the last three weeks, with any attempt below the 118.00 level having been halted by renewed Central Bank intervention in the FX markets.

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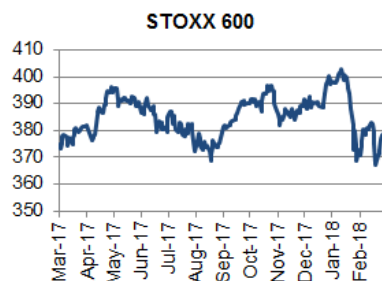
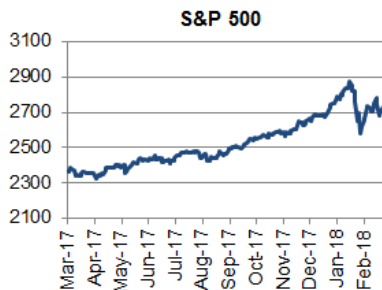
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Latest world economic & market developments

GREECE

The Eurogroup that is scheduled to convene today 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 ESM President Klaus Regling stated recently in an interview that the medium term debt relief measures will be applied – if necessary – provided that Greece has implemented all agreed reforms. Therefore, this decision will be made towards the end of the ESM programme, and after a debt sustainability analysis has been conducted. As regards additional conditionality in case further debt relief is granted, ESM Head stated that aside from the post-programme monitoring that Greece will be under anyway, a closer form of surveillance may be applied. He also advocated the possibility of a precautionary credit line after the expiration of the current programme, on the grounds that it will provide additional comfort to the financial markets protecting Greece from destabilizing events that may occur even outside its control. He added though that should everything evolve smoothly, the reforms continue and Greece builds further on its access to the markets, a precautionary credit line may eventually not be necessary. With regard to the pre-legislated pension reform due to take effect in 2019, Klaus Regling opined that it constitutes part of the ESM programme conditionality upon which previous loan tranches have been disbursed and, therefore, it has to be implemented. On the other hand, there may be some leeway for the increase of the minimum wage as long as new jobs' creation is not jeopardised. Finally, with respect to the repayment of IMF loans with ESM funds, ESM President said that if such liability management would improve debt sustainability then it would definitely be considered. On the issue, Gerry Rice, IMF Communications Manager had stated recently at an IMF press briefing that "in general for any country and including for Greece, we would always be in favor of supporting appropriate measures that can help to reduce a country's debt burden."

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Source: Reuters, Bloomberg, Eurobank Research

March 12, 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

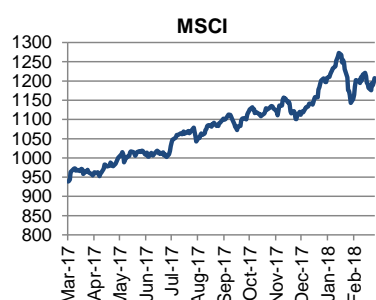
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	B1	BB+	BB-

Latest economic & market developments in the CESEE region

BULGARIA

The Bulgarian equity market gained some modest ground last week, with the main SOFIX index rising by 0.4% on a weekly basis on Friday, in a move that offset more than half of the losses incurred a week earlier. The turnover volume was relatively low at just over €3mn last week. Elsewhere, external government bond yields continued to exhibit little to no change, with the largest move evidenced on paper maturing in 2023 where the corresponding yield marked a 1.7 bps weekly increase. Similarly, local-currency bond yields also ended little changed on a weekly basis on Friday, with that of 8 year tenor registering the largest advance (+2.4 bps).

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SERBIA

The EUR/RSD remained bound within a range of 117.80 to 118.15 that has been held for the last three weeks. Any attempt below the 118.00 level appears to have been halted by renewed Central Bank intervention in the FX markets. Including last week's purchases, the NBS's intervention balance sheet has grown to +€330mn so far this year, compared to -€180mn at the end of January.

In other news, the Ministry of Finance sold on Tuesday 10Y RSD denominated T-bonds worth RSD20.35 bn. Compared to previous auction of the same bond held on February 20th, the average accepted yield has fallen 9 basis points, from 5.29% to 5.20%. Presently, the Public Debt Administration has already exceeded its year-to-date issuance plans as demand for T-bonds is receiving strong investor demand.

On the political front, the ruling Serbian Progressive Party (SNS) won 44.99% of the vote in Belgrade's local polls that were held on March 4, claiming 64 seats in the city council. Runner up was Dragan Djilas, former governor of Belgrade, who won 18.93% of the vote or 26 seats. Third was Aleksandar Sapic with 9.01% of the vote and 12 seats in the City Assembly of Belgrade. The election confirmed that the ruling party still enjoys strong support and will additionally strengthen President of the Republic Aleksandar Vucic's mandate on the domestic political scene. Albeit the said polls were for local offices only, the city's high importance on domestic economics and politics deems it as an indicator of popular support towards political parties.

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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	2786.57	1.7%	4.2%	EUR/USD	1.2329	0.2%	2.7%	UST - 10yr	2.90	0	49	GOLD	1320	-0.2%	1.3%
Nikkei 225	21824.03	1.7%	-4.1%	GBP/USD	1.3874	0.2%	2.6%	Bund-10yr	0.64	-1	22	BRENT CRUDE	65	-0.4%	-2.5%
STOXX 600	379.06	0.2%	-2.6%	USD/JPY	106.54	0.3%	5.8%	JGB - 10yr	0.05	0	1	LMEX	3311	1.6%	-3.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.58	0	6
1-week	2.70	0	9
1-month	2.89	0	4
3-month	3.15	0	3
6-month	3.30	0	6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.91	0	-37
5Y RSD	4.24	0	-6
7Y RSD	4.60	0	-58

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.48	0	49
USD Nov-24	6.36	-17	33

CDS

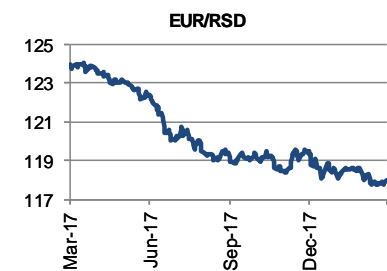
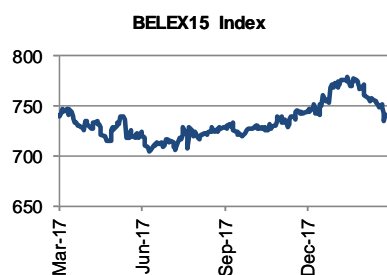
	Last	ΔDbps	ΔYTD bps
5-year	93	-1	-25
10-year	135	0	-28

STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.3	-0.10%	-2.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	117.94	-0.11%	0.82%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.33	-2	24
1-month	1.6	0	-27
3-month	2.06	0	1
6-month	2.39	0	12
12-month	2.53	0	21

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.34	0	-4
5Y RON	3.96	0	18
10Y RON	4.60	0	29

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	#N/A	N/A
USD Jan-24	3.73	0	74

CDS

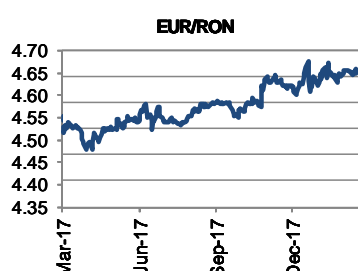
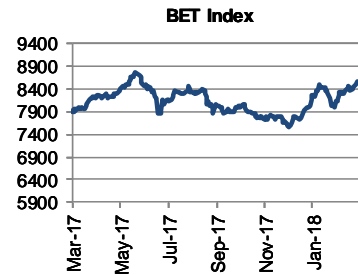
	Last	ΔDbps	ΔYTD bps
5-year	82	0	-8
10-year	126	0	-7

STOCKS

	Last	ΔD	ΔYTD
BET	8556.8	0.94%	10.36%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6606	-0.03%	0.09%



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	-0.02	1	4
5Y BGN	0.25	1	10
10Y BGN	1.08	0	12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.21	0	28
EUR Sep-24	0.87	-2	29

CDS

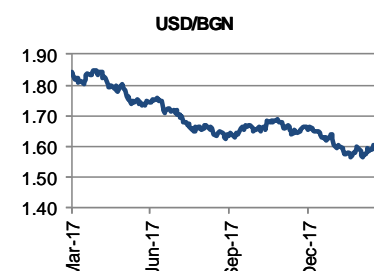
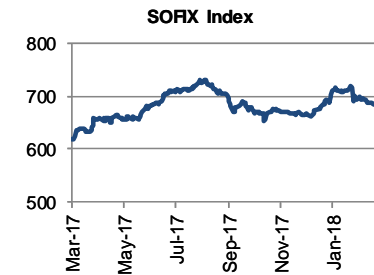
	Last	ΔDbps	ΔYTD bps
5-year	55	0	-42
10-year	97	0	-44

STOCKS

	Last	ΔD	ΔYTD
SOFIX	684.2	-0.24%	1.00%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5865	0.19%	2.70%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:05 EST

March 12, 2018

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