

### 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 13: T-bonds auction
- Feb 14: Inflation Report

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** In FX markets, the DXY index was 0.4% weaker in European trade compared to Monday's settlement on market anxiety ahead of Wednesday's key US CPI report. Elsewhere, US Treasuries were modestly firmer with the 10-yr yield standing some 2.7bps lower on the day and 4.7bps below Monday's four-year intraday highs. Along these lines, yields were lower on the day in most core European government bond markets, including in the UK, as investors are presumably positioning themselves ahead of the UK January's CPI report later today.

**GREECE:** The institutions are reportedly scheduled to return to Athens on 26 February to start the 4<sup>th</sup> – and according to the time-plan last – programme review which, according to press reports, will comprise 82 prior actions. During a speech at the Greek-Israel Chamber of Commerce and Technology, the BoG Governor Yiannis Stournaras pointed out as the most important challenges for the Greek economy in the medium-term, the high public debt, the significant stock of NPLs and strategic defaulters, under-investment, the low sovereign credit rating of Greece and capital controls. Greek government bonds are under pressure for the fourth consecutive session with the 5-yr GGB yield standing at 3.69% at the time of writing, the highest level since early December and the 10-yr GGB yield standing at 4.30% after bottoming at 3.66% in January.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** The majority of emerging market assets extended this week's recovery earlier on Tuesday primarily thanks to a positive close for the second consecutive session in Wall Street overnight and a weaker USD.

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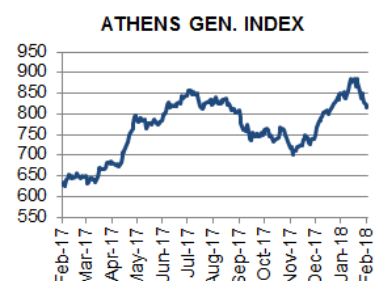
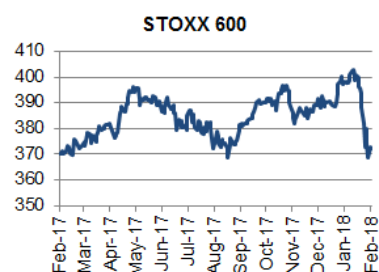
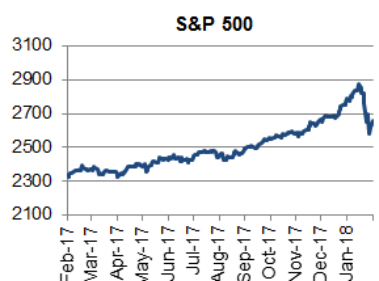
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## Latest world economic & market developments

### GLOBAL MARKETS

The majority of Asian bourses ended higher today, mirroring Wall Street's positive performance overnight. The S&P index moved higher for the second consecutive session gaining 1.3%, continuing to recover some of Thursday's hefty losses. On the flipside, halting Monday's rebound, major European equity markets opened lower. In FX markets, the DXY index was 0.4% weaker in European trade compared to Monday's settlement on market anxiety ahead of Wednesday's key US CPI report for January. Turning to fixed income markets, US Treasuries were modestly firmer in European trade with the 10-yr yield standing close to 2.83% at the time of writing, some 2.7bps lower on the day and 4.7bps below Monday's four-year intraday highs. Along these lines, yields were lower on the day in most core European government bond markets, including in the UK, as investors are presumably positioning themselves ahead of the UK January's CPI report later in the day. Market consensus is for a drop in the annual rate to a five-month low of 2.9%YoY from 3.0%YoY in the prior month mainly on the back of lower energy and food prices. A negative surprise could put pressure on the GBP, probably extending the 1.4% losses recorded so far this month against the EUR. Alternatively, in case of a positive surprise, the GBP could move higher but any gains are likely to prove limited and short lived. A 25bps BoE rate hike in March is already priced-in with a probability of around 75% while investors could be reluctant to push the GBP much higher amid lingering Brexit-related woes. A clear UK position on the future UK/EU relationship is still pending suggesting some possibility that the prospect of a political agreement for the transition period could be delayed beyond the 22-23 March EU summit.

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Source: Reuters, Bloomberg, Eurobank Research

### GREECE

The Eurogroup that is scheduled to convene on 19 February will focus on the fulfillment of the outstanding prior actions from the 3<sup>rd</sup> programme review as well as on the improvement of the efficiency of the e-auctions mechanism in order to accelerate the procedure. The institutions are reportedly scheduled to return to Athens on 26 February to start the 4<sup>th</sup> programme review which, according to press reports, will comprise 82 prior actions. Meanwhile, during a speech at the Greek-Israel Chamber of Commerce and Technology, the BoG Governor Yiannis Stournaras pointed out as the most important challenges for the Greek economy in the medium-term, the high public debt, the significant stock of NPLs and strategic defaulters, under-investment, the low sovereign credit rating of Greece and capital controls. In other news, Greek government bonds are under pressure for the fourth consecutive session with the 5-yr GGB yield standing at 3.69% at the time of writing, the highest level since early December and the 10-yr GGB yield standing at 4.30% after bottoming at 3.66% in January.

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February 13, 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

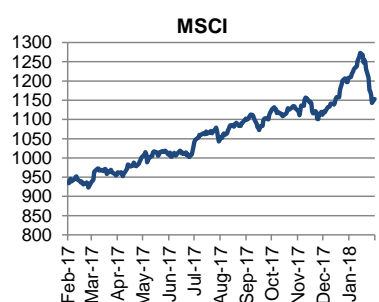
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

The majority of emerging market assets extended this week's recovery earlier on Tuesday primarily thanks to a positive close for the second consecutive session in Wall Street overnight and a weaker USD. Led by a rally in China, the MSCI Emerging Markets index rose by 0.8% earlier today compared to Monday's settlement, adding to yesterday's 0.9% advance. Thanks to this week's rise the index currently stands in a modestly positive territory on a year to date basis, having parred parred of last week's 7.15% decline 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. Last week's plunge in the said index was the worst performance since 2011, temporarily erased all of the previous, notable, year-to-date gains. Bourses in the CESEE region also moved higher, though lagging the recovery. Hungary's BUX broadly outperformed its regional peers in morning European trade, posting a 0.7% rise. The index bucked the region's positive trend yesterday to end modestly lower on the day, following negative news about one of the main products of Hungarian pharmaceutical Richter, which is expected to weigh on the company's profits.

In FX markets, regional currencies traded flat to weaker earlier on Tuesday, giving back some of yesterday's gains. Meanwhile, local-currency government bonds were mixed. In the debt markets, Romania's finance ministry sold on Monday a planned amount of RON 100mn (~€21.47mn) of T-bonds due on September 24, 2031. Reflecting strong investor demand, the bid-to-cover ratio stood at 2.17 at yesterday's tender. The paper was sold at an average price of 99.1427 and the average accepted yield came in at 4.75%. The latter is 63bps higher compared to the yield achieved at a prior auction of the same security held in June last year. Yields in Romania have moved higher over recent months in view of rising inflation and economic overheating concerns. These developments recently prompted monetary tightening by the Central Bank. As recently as last week, the MPC increased its key policy rate for the second consecutive month after the inception of its rate-hiking cycle in January this year. In a separate auction yesterday, the finance ministry also sold RON 500mn (~€107.37mn) of 1-year T-bills at an average yield of 2.42% and price of 97.6091.

Today's most important data release was that of Hungary's CPI for January. The headline index came in at 2.1%YoY, in line with the prior month's reading and slightly below a market's median forecast for a modest slowdown to 2.0%YoY. The latest print remains below the midpoint of the Central Bank (MNB) medium-term target of 3.0% +/-1%, supporting the view for a continuation of the current loose monetary policy stance. On Monday, MNB Chief Economist Daniel Palotai said that continued loose monetary policy was warranted due to weak inflation pressures. As part of its loose monetary policy via the use of the extended set of policy instruments, the MPC announced late last year the launch of a targeted mortgage bonds purchasing programme and the introduction of new interest rate swaps for banks aimed at pushing longer-dated government yields lower and supporting fixed-rate loans. Also today, Poland's current account and trade balance data for December are due. Romania also releases the current account data for last year. Meanwhile, the Serbian Public Debt Administration is scheduled to sell RSD 10bn of 5-year T-bonds, bearing an annual coupon of 4.50%, in a re-tap from January 23, 2018.

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February 13, 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	2656.00	1.4%	-0.7%	EUR/USD	1.234	0.4%	2.8%	UST - 10yr	2.83	-3	43	GOLD	1330	0.5%	2.0%
Nikkei 225	21244.68	-0.6%	-6.7%	GBP/USD	1.3916	0.6%	2.9%	Bund-10yr	0.73	-3	30	BRENT CRUDE	63	0.2%	-6.3%
STOXX 600	372.19	-0.2%	-4.4%	USD/JPY	107.53	1.1%	4.8%	JGB - 10yr	0.07	1	2	LMEX	3291	0.6%	-3.8%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-1
1-week	2.63	1	2
1-month	2.83	2	-2
3-month	3.13	3	1
6-month	3.23	0	-1

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.90	-9	-38
5Y RSD	4.23	0	-7
7Y RSD	4.62	#N/A	N/A

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.35	0	36
USD Nov-24	6.21	-24	18

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	105	1	-13
10-year	152	1	-10

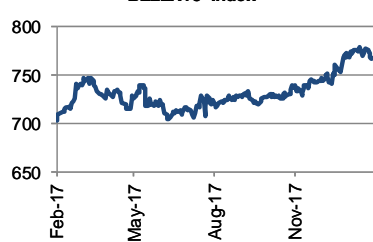
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	769.7	0.12%	1.30%

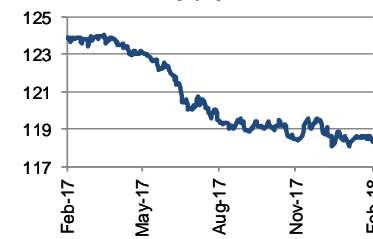
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.23	0.78%	0.57%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.34	-1	25
1-month	1.6	-2	-27
3-month	2.06	0	1
6-month	2.36	0	9
12-month	2.46	0	14

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.48	0	10
5Y RON	3.99	0	21
10Y RON	4.57	0	25

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A	N/A
USD Jan-24	3.66	-2	66

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	85	-5	-5
10-year	130	-5	-3

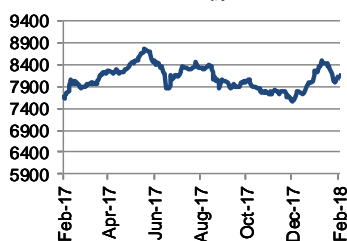
#### STOCKS

	Last	ΔD	ΔYTD
BET	8128.6	0.24%	4.84%

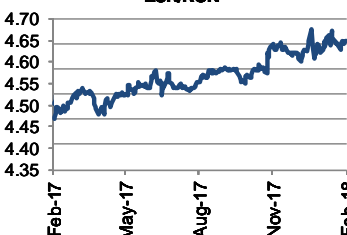
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6573	-0.05%	0.16%

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	-1	2
5Y BGN	0.25	-1	10
10Y BGN	1.09	0	13

#### 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	62	1	-35
10-year	107	2	-34

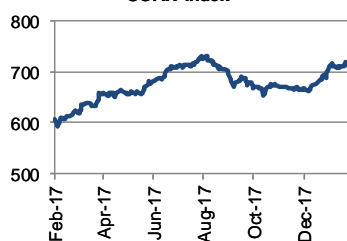
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	697.8	0.15%	3.00%

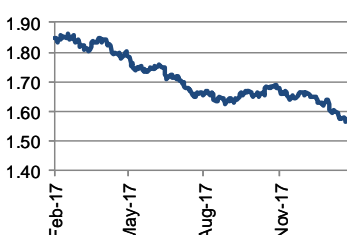
#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5849	0.39%	2.81%

SOFIX Index



USD/BGN



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

Data updated as of 12:45 EST

February 13, 2018

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