

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 convened yesterday confirmed the completion of all prior actions attached to the 3rd ESM programme review opening the way for the disbursement of the fourth tranche of EUR 5.7 billion. As regards the growth-adjustment mechanism the aim would be to recalibrate the profile of Greece's EFSF loans to adjust future repayments to the growth performance in order to ensure debt sustainability. According to the Hellenic Statistical Authority, in January 2018 the overall industrial production index (IPI) contracted 1.7%YoY whereas in January 2017 the corresponding change was +7.1%. On a monthly basis the seasonally adjusted IPI decreased 0.4%.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded mixed earlier on Tuesday, as caution prevailed ahead of the US inflation data, which is scheduled to be released later on the day.

DISCLAIMER

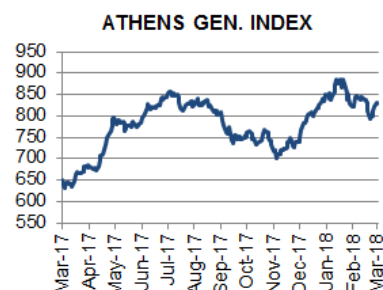
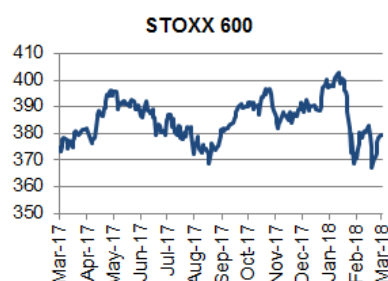
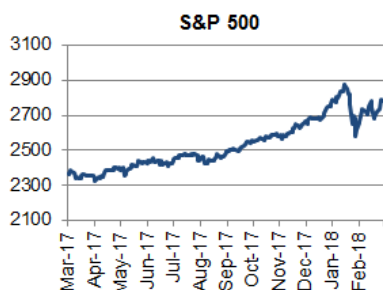
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Latest world economic & market developments

GREECE

The Eurogroup that convened yesterday confirmed the completion of all prior actions attached to the 3rd ESM programme review and, after national procedures have been completed, the ESM Board of Directors may now approve the disbursement of the fourth tranche of EUR 5.7 billion. The Eurogroup reiterated that the full implementation of all deliverables is a condition for further debt relief while, as regards the growth-adjustment mechanism the aim would be to recalibrate the profile of Greece's EFSF loans to adjust future repayments to the growth performance in order to ensure debt sustainability. A more elaborate discussion on this is to take place at the April Eurogroup meeting while Greece is expected to deliver a long-term growth strategy in April, which will be a crucial element of the post-programme framework to be determined closer to the end of the programme. Meanwhile, according to local press, the IMF and the European institutions may reach an agreement on debt relief and debt sustainability in March, which could lead to the activation of the Fund's participation in Greece's programme in April. In this case it is considered likely that the IMF may request that both the pre-legislated pension reform and the reduction of the tax-free threshold be implemented as of 2019. On the economic data front, according to the Hellenic Statistical Authority, in January 2018 the overall industrial production index (IPI) contracted 1.7%YoY whereas in January 2017 the corresponding change was +7.1%. On a monthly basis the seasonally adjusted IPI decreased 0.4%.

andimitriadou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

March 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

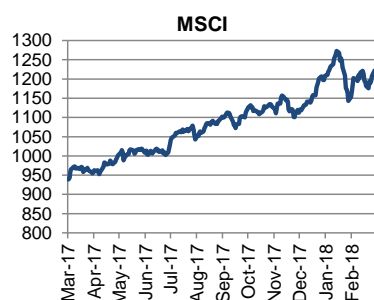
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	1.9	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

CESEE MARKETS

Emerging market assets traded mixed earlier on Tuesday, as caution prevailed ahead of the US inflation data, which is scheduled to be released later on the day and will be closely scrutinized by investors for any hints over the pace of the Fed' monetary policy tightening ahead. In the local-currency debt markets, government bonds were mostly weaker in morning European trade. In Romania, the finance ministry sold on Monday a planned amount of 400mn (~€85.86mn) worth of T-bonds, with investors offering to buy 1.03 times the amount of paper sold. The bond bears a coupon of 4.25% and matures in March, 2023. It was sold at a price of 99.7337 yesterday, while the average accepted yield came in at 4.30%, slightly higher than 4.21% achieved at a prior auction of the same paper in late February.

In FX markets, most regional currencies traded mixed earlier on Tuesday, with a firmer US dollar having a negative impact. The Serbian dinar remained under pressure reaching a 2-½-week low near 118.20/€ in the wake of yesterday's weak inflation data release for February. In more detail, headline CPI came in at 1.5%YoY, sliding to a 1 ½ year low and reaching the lower bound of the 3.0±1.5% Central Bank (NBS) target tolerance band. At the same time, the corresponding core index inched up by 0.1ppt from January's record low print to 1.3% last month, confirming still low price pressures. Nonetheless, the easing in the headline reading appears to be mostly driven by the impact of last year's high base instigated by adverse weather conditions. In support of the aforementioned, headline CPI rose by 0.3% on a monthly basis and most components continued to show positive growth readings. Inflation is anticipated to inch higher later in the year as domestic demand dynamics are expected to improve further, labour market conditions remain tight and some fiscal loosening is penciled in for this year after three consecutive years of significant consolidation. In addition, monetary policy normalization by major Central Banks pose risks to domestic financial markets. Meanwhile, upside risks to the inflation outlook also stem from global oil and food prices. Along these lines, further monetary easing by the National Bank of Serbia seems rather unlikely in our view, albeit such a scenario can not be ruled out entirely as price pressures remain rather subdued. The next policy meeting is scheduled to be held tomorrow. Despite ongoing appreciation pressures on the dinar of late, which pushed the EUR/RSD to a 3-½-year peak just below 118.00, our base case scenario for tomorrow is for interest rates to remain unchanged at the current record low level of 3.50% after taking into consideration all the above arguments.

Also in this week's CESEE calendar, a flurry of government bond auctions take place in Serbia, Turkey, Ukraine, Hungary and Romania. Romania releases tomorrow industrial production and sales data for January, while Bulgaria announces February's CPI. Also on Wednesday, Hungary's Central Bank publishes MPC meeting minutes and holds an interest rate swap tender as part of its monetary easing policy via the use of unconventional tools. On Thursday, unemployment (December) and budget data (February) are due in Turkey, February's CPI in Poland and unemployment rate for February in Bulgaria. On Friday, industrial production and housing data for January are expected in Turkey, labour market data and core CPI for Feb as well as current account readings for January are due in Poland, with the latter also expected in Romania.

gphoka@eurobank.gr

March 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	2783.02	-0.1%	4.1%	EUR/USD	1.2332	0.0%	2.7%	UST - 10yr	2.87	0	47	GOLD	1319	-0.3%	1.2%
Nikkei 225	21968.10	0.7%	-3.5%	GBP/USD	1.3888	-0.1%	2.7%	Bund-10yr	0.62	-1	20	BRENT CRUDE	65	0.0%	-2.8%
STOXX 600	379.55	0.1%	-2.5%	USD/JPY	107.24	-0.8%	5.1%	JGB - 10yr	0.05	0	1	LMEX	3278	-1.0%	-4.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.57	-1	5
1-week	2.69	-2	8
1-month	2.87	-2	2
3-month	3.15	0	3
6-month	3.28	-3	4

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.92	0	-36
5Y RSD	4.23	0	-1
7Y RSD	4.60	0	-58

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.46	-1	47
USD Nov-24	6.36	-17	32

CDS

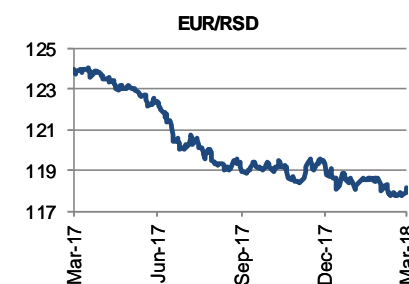
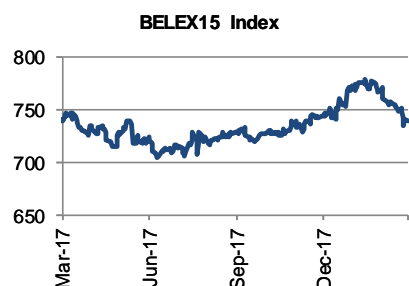
	Last	ΔDbps	ΔYTD bps
5-year	92	0	-26
10-year	134	0	-28

STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.0	0.35%	-2.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.16	-0.15%	0.63%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.33	0	24
1-month	1.59	-1	-28
3-month	2.05	-1	0
6-month	2.37	-2	10
12-month	2.51	-2	19

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.28	0	-10
5Y RON	3.94	0	16
10Y RON	4.58	0	26

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	1
USD Jan-24	3.74	0	74

CDS

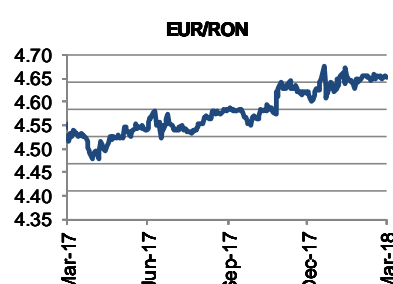
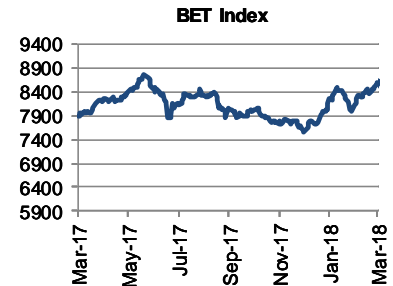
	Last	ΔDbps	ΔYTD bps
5-year	81	-1	-9
10-year	125	-1	-8

STOCKS

	Last	ΔD	ΔYTD
BET	8597.7	0.45%	10.88%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6603	0.04%	0.10%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	-1	-3
3-month	-0.19	0	-1
6-month	-0.05	0	0
12-month	0.27	0	-5

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.01	-1	5
5Y BGN	0.24	-1	10
10Y BGN	1.08	0	11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.20	0	28
EUR Sep-24	0.87	0	29

CDS

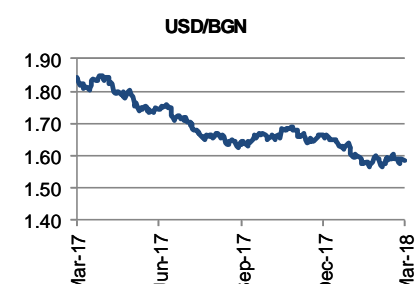
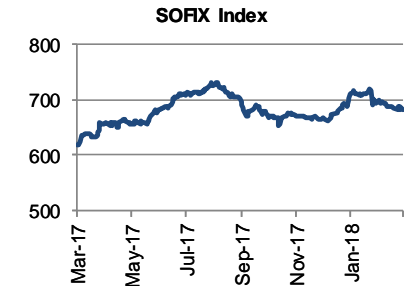
	Last	ΔDbps	ΔYTD bps
5-year	55	0	-42
10-year	97	0	-44

STOCKS

	Last	ΔD	ΔYTD
SOFIX	678.9	-0.37%	0.21%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5862	-0.04%	2.72%



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

Data updated as of 13:05 EST

March 13, 2018

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Senior Economist, Eurobank Ergasias
++30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
+ 30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Đorđe Lučić
Fixed Income Dealer, Eurobank a.d. Beograd
+381 11 2065891
djordje.lucic@eurobank.rs

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Ruslan Raychev
Trader, Eurobank Bulgaria
+359 2 8166 482
rsraychev@postbank.bg

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 37 18 793

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr + 30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr + 30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr + 30 210 33 71 224

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 33 71 228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 33 71 207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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