

Wednesday, February 14, 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 13: T-bonds auction
- Feb 14: Inflation Report

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Amid signs of increasing US inflation pressures following a higher than expected rise of 2.9%YoY in January average hourly earnings, which pushed bond yields higher and weighed heavily on equities, all eyes today are on US consumer prices for January. Meanwhile, core bond markets were moderately firmer in European trade with the exception of UK bonds following yesterday's firmer than expected UK inflation data, which increased the risk for a BoE rate hike in the coming months. In FX markets, safe-haven related currencies outperformed.

**GREECE:** Greek bonds remained under pressure yesterday with the 10-year GGB yield rising for the sixth consecutive day to 4.43%, the 7-year GGB yield remaining above 4.0% and the 5-year GGB yield standing in the area of 3.75%, the highest level since December 2017. The conversion of traditional auctions to electronic ones is reportedly continuing with 1,341 auctions having been transferred to the platform so far while 20 e-auctions are scheduled for today. With regard to the post-programme framework for Greece, a European Commission spokesperson reportedly stated that "We do not wish to speculate or make further comment on that form at this time [...] the precise details of any post-programme support arrangement, and the appropriate type of post-programme surveillance as provided for in EU law, will be discussed at the appropriate time."

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets extended this week's recovery earlier on Wednesday as risk appetite improved.

#### DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

## Latest world economic & market developments

### GLOBAL MARKETS

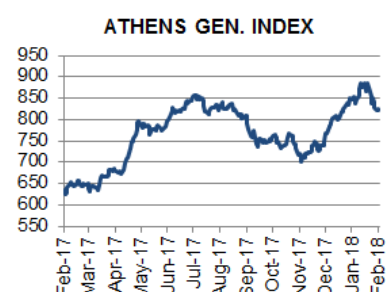
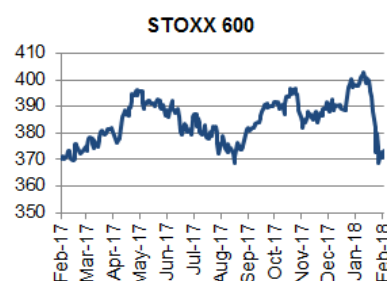
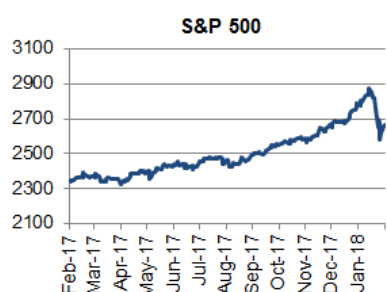
Amid signs of increasing US inflation pressures following a higher than expected rise of 2.9%YoY in January average hourly earnings —released earlier this month— which pushed bond yields higher and weighed heavily on equities, all eyes today are on US consumer prices for January. Mainly due to base effects, market consensus is set for a drop in both the headline and core rate to 1.9%YoY and 1.7%YoY, respectively, from 2.1% and 1.8% in the prior month. A reading in line or below market expectations is anticipated to support the recent stabilization in equity markets while the USD may move lower across the board. On the flip side, should US inflation data surprise on the upside, the US yield curve is likely to steepen and global equity markets to come under renewed pressure. Under such a scenario, the USD is likely to rebound, though any gains are likely to be short-lived as US structural woes continue to have an impact on market sentiment. Meanwhile, core bond markets were moderately firmer in European trade with the exception of the UK bonds following yesterday's firmer than expected UK inflation data, which increased the risk for a BoE rate hike in the coming months. UK CPI inflation stood at 3.0%YoY in January, unchanged compared to January's reading, confounding expectations for a drop to 2.9%YoY while core inflation rose by 2pps to 2.7%YoY, reversing fully last month's fall. In FX markets, safe-haven related currencies outperformed with the USD/JPY hitting a 15-month low of 106.80 yesterday following a sustained break below the technically important level of 108.00. Besides US inflation data, today we also await the second estimate of Q4 GDP for the euro area, which is expected to confirm broad-based expansion of 0.6%QoQ and 2.5%YoY with domestic demand remaining the key growth driver.

[petropoulou@eurobank.gr](mailto:petropoulou@eurobank.gr)

### GREECE

Greek bonds remained under pressure yesterday with the 10-year GGB yield rising for the sixth consecutive day to 4.43%, the 7-year GGB yield remaining above 4.0% and the 5-year GGB yield standing in the area of 3.75%, the highest level since December 2017. In other news, the conversion of traditional auctions to electronic ones is reportedly continuing with 1,341 auctions having been transferred to the platform so far concerning mainly debts to banks while 20 e-auctions are scheduled for today pertaining primarily to debtors that are legal entities. According to the 3<sup>rd</sup> review Compliance Report as of 21 February 2018 all auctions are to be conducted electronically while among the prior actions for the disbursement of the EUR 6.7 billion loan tranche of the 3<sup>rd</sup> review is the regular and unimpeded flow of e-auctions. With regard to the post-programme framework for Greece, a European Commission spokesperson reportedly stated that "We do not wish to speculate or make further comment on that form at this time [...] the precise details of any post-programme support arrangement, and the appropriate type of post-programme surveillance as provided for in EU law, will be discussed at the appropriate time" adding that "All partners are currently working to ensure that the programme can be concluded successfully this summer." The statement came following the Bank of Greece Governor Yiannis Stournaras' comment that a precautionary credit line for Greece would boost investors' confidence and keep borrowing costs low.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)



Source: Reuters, Bloomberg, Eurobank Research

February 14, 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

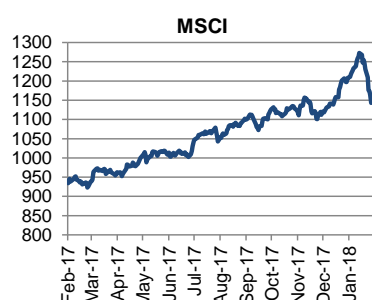
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

Emerging market assets extended this week's recovery earlier on Wednesday as risk appetite improved. Against this backdrop, the MSCI Emerging Markets index rallied by more than 1% earlier today compared to the prior session's settlement, bringing this week's gains to approximately 3%. The index currently stands further in the black, thanks to this week's rise after temporarily swinging into a negative territory last week following a 7.15% weekly decline. Bourses in the CESEE region trailed behind in early European trade on Wednesday, albeit most standing in a positive territory on the day. Turkey's BIST 100 led the gains with a 0.7% advance, while Serbia's BELEX15 and Ukraine's PFTS fell by 1.02% and 0.14%, respectively.

In FX markets, regional currencies and local-currency government bonds were mixed earlier on Wednesday. In the debt markets, Serbia's Public Debt Administration raised on Tuesday RSD 11.64bn (~€98.5mn) of 5-year T-bonds in a re-tap from January 23, 2018, more than an amount of RSD 10bn initially planned. The paper was sold at an average price of 101.2543 and the average accepted yield came in at 4.28%, 2bps below the yield achieved at a prior auction of the same security held in January. The tender's bid-to-cover ratio stood at 1.10 yesterday. The paper matures on January 25, 2023 and bears an annual coupon of 4.5%.

Today's CESEE calendar is particularly heavy, with CPI for January and Q4 GDP releases in several countries in the region. Among those announced earlier in the day, Romania's CPI came in higher than expected at 4.32%YoY, vs. a market median forecast of 3.90%YoY and December's 3.32%YoY print. The data exceeds the Central Bank's inflation target of 2.5% ±1 ppts and adds to arguments in favor of further monetary tightening ahead. As recently as last week, the MPC increased its key policy rate for the second consecutive month, after incepting in January its rate-hiking cycle amid rising inflation and economic overheating concerns. Separately, Q4 GDP data released earlier today proved slightly weaker than anticipated in most CESEE countries, but confirmed that the region enjoyed robust growth rates in 2017. In more detail, economic output in Romania decelerated more than anticipated, to 6.9%YoY from 8.8%YoY in Q3, coming in against market expectations for a more modest slowdown to 7.3%YoY. In Poland, real GDP growth accelerated less than expected at 5.1%YoY after a 4.9%YoY rate of increase recorded in Q3, coming in against a market consensus of 5.2%YoY. In Bulgaria, economic activity slowed to 3.6%YoY from 3.9%YoY in Q3, decelerating more than market expectations for a slowdown to 3.8%YoY. In Hungary, GDP growth came in slightly stronger than anticipated, picking up pace to 4.4%yoY from 3.9%YoY in the prior quarter, a tad above a market median forecast of 4.3%YoY.

Also due today, are the publication of the Inflation Report from the National Bank of Serbia, the release of Romania's and Hungary's Central Bank meeting minutes, a government bond auction in Romania and Q4 GDP data from Ukraine. From a global perspective, a key indicator to watch is the US CPI. Given the recent increase in concerns for a higher than expected rise in US inflation that pushed core government bond yields higher and triggered a sell-off in global equity markets last week, a higher than expected reading may instigate renewed pressures on emerging market assets.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

February 14, 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	2662.94	0.3%	-0.4%	EUR/USD	1.2355	0.0%	2.9%	UST - 10yr	2.83	0	43	GOLD	1330	0.1%	2.1%
Nikkei 225	21154.17	-0.4%	-7.1%	GBP/USD	1.3859	-0.2%	2.5%	Bund-10yr	0.74	-1	31	BRENT CRUDE	62	-0.6%	-6.7%
STOXX 600	373.36	0.8%	-4.1%	USD/JPY	107.48	0.3%	4.8%	JGB - 10yr	0.07	-1	2	LMEX	3354	1.9%	-1.9%

**CESEE MARKETS**

SERBIA				ROMANIA				BULGARIA																							
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>																							
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>LEONIA</b>	Last	ΔDbps	ΔYTD bps																
T/N	2.51	0	-1	O/N	1.33	-1	24	1-month	0.01	0	1	1-month	-0.27	1	-2																
1-week	2.63	1	2	1-month	1.6	0	-27	3-month	-0.19	0	-1	3-month	-0.19	0	-1																
1-month	2.83	2	-2	3-month	2.06	0	1	6-month	-0.06	0	-1	6-month	-0.06	0	-1																
3-month	3.13	3	1	6-month	2.37	1	10	12-month	0.32	0	-1	12-month	0.32	0	-1																
3-month	3.13	3	1	12-month	2.48	2	16	<b>BG Local Bonds</b>																							
6-month	3.23	0	-1	<b>RO Local Bonds</b>				<b>(yields)</b>																							
<b>RS Local Bonds</b>				<b>3Y RON</b>				Last				ΔDbps				ΔYTD bps															
Last				ΔDbps				ΔYTD bps				3Y BGN				5Y BGN				10Y BGN											
3Y RSD				3.90				0				-37				-0.04				0				2							
5Y RSD				4.23				0				-7				0.25				0				11							
7Y RSD				4.61				0				-56				1.08				0				12							
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>																							
Last				ΔDbps				ΔYTD bps				Last				ΔDbps				ΔYTD bps											
USD Feb-20				3.36				1				37				EUR Mar-22				0.18				0				26			
USD Nov-24				6.19				-25				16				EUR Sep-24				0.78				0				20			
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>																							
Last				ΔDbps				ΔYTD bps				Last				ΔDbps				ΔYTD bps											
5-year				105				0				-13				5-year				60				-2				-36			
10-year				151				-1				-11				10-year				105				-2				-37			
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>																							
Last				ΔD				ΔYTD				Last				ΔD				ΔYTD											
BELEX15				761.8				-1.12%				0.26%				BET				8153.4				0.19%				5.15%			
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>																							
Last				ΔD				ΔYTD				Last				ΔD				ΔYTD											
EUR/RSD				118.20				-0.06%				0.60%				EUR/RON				4.6582				0.06%				0.14%			
<b>BELEX15 Index</b>				<b>BET Index</b>				<b>SOFIX Index</b>																							
<b>EUR/RSD</b>				<b>EUR/RON</b>				<b>USD/BGN</b>																							

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:45 EST

February 14, 2018

## Contributors

**Paraskevi Petropoulou**  
Senior Economist, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

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

**Anna Dimitriadou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

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

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

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Ruslan Raychev**  
Trader, Eurobank Bulgaria  
+359 2 8166 482  
[rsraychev@postbank.bg](mailto:rsraychev@postbank.bg)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Tasos Anastasatos: Group Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), + 30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), + 30 210 3718 793

**Ioannis Gkionis: Senior Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) + 30 210 33 71 225

**Stylios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) + 30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) + 30 210 33 71 227

**Mariana Papoutsaki**  
[mpapoutsaki@eurobank.gr](mailto:mpapoutsaki@eurobank.gr) + 30 210 33 71 224

**Paraskevi Petropoulou: Senior Economist**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), + 30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), + 30 210 37 18 922

**Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), + 30 210 33 71 228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto: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](mailto:Research@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- **7 Ημέρες Οικονομία:** Weekly review of the Greek economy
- **Greece Macro Monitor - Focus Notes:** Periodic publication on the latest economic & market developments in Greece
- **Economy & Markets:** Analysis & research on the Greek and international economy
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Global Macro Themes & Market Implications for the EA Periphery and the CESEE:** Monthly review of the international economy and financial markets
- **Global Markets Special Focus Reports:** Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

