



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, February 15, 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:** US inflation data for January surprised to the upside fueling another sell-off in US Treasuries. Along these lines, Bunds also moved lower, albeit to a lesser extent. Global equities were not affected by weaker bond markets. In FX markets, post-CPI gains for the USD proved short-lived with the USD/JPY falling close to 106.00 in early trade today for the first time since late 2016.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets extended this week's recovery in morning European trade on Thursday as risk appetite improved despite higher than anticipated inflation data that was released yesterday in the US. Emerging stock markets rallied trailing the rebound in global equity markets, while currencies also firmed against a weaker USD.

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## Latest world economic & market developments

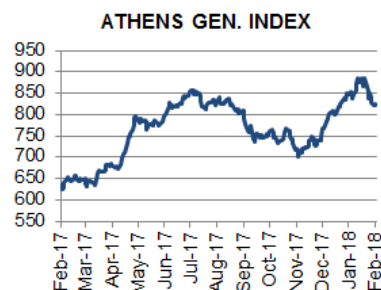
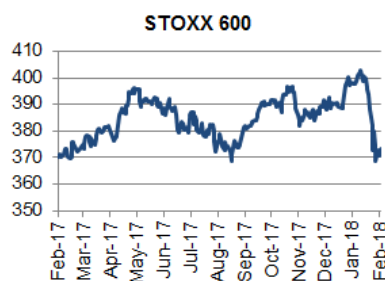
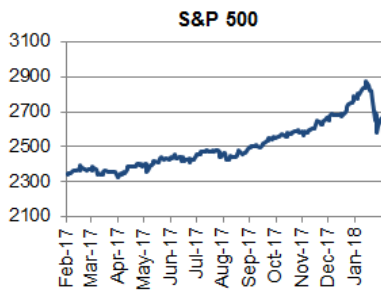
### GLOBAL MARKETS

US inflation data for January surprised to the upside fueling another sell-off in US Treasuries. The inflation headline rose by a higher than expected 0.3% mom leaving the annual rate at 2.1%, unchanged compared to the prior month's level, against market consensus for a decline to 1.9%. Along these lines, the core rate was up to 1.8% YoY for the second month in a row, confounding expectations for a drop to 1.7% YoY. The main driver behind the higher than expected core rate was a strong 1.4% mom rise in core commodities spurred by an unusually firm reading on both apparel and used cars pricing.

In reaction to higher than expected US inflation data, the 10-yr UST yield hit a fresh four-year peak of 2.944% earlier today, c. 3bps higher on the day and up by c. 11.5bps so far this week, shrugging off disappointing US retail sales. In more detail, US retail sales unexpectedly fell by 0.3% mom in January, the highest since February 2017, while, adding to the negative tone of the report, the December reading was revised lower showing unchanged sales instead of rising 0.4% mom as previously reported. Along these lines, Bunds also moved lower, albeit to a lesser extent. The 10-yr Bund yield rose to 0.786% earlier today, up 3bps on the day but still c. 2bps lower from last week's multi-year highs. Against this background, the 10-yr UST/Bund yield spread widened hovering around 214bps in European trade at the time of writing, within sight from Thursday's 215.7bps settlement which was the highest in almost a year.

Global equities were not affected by weaker bond markets with the FTSEurofirst 300 index recording 0.8% gains in early trade on Thursday, taking its cue from Wall Street's positive performance overnight. In FX markets, post-CPI gains for the USD proved short-lived with the DXY index hovering around 88.700 at the time of writing after marking an intraday peak slightly above 90.000 in the prior session, soon after the release of the US inflation data. The EUR/USD marked an intraday high of 1.2510 earlier today while the USD/JPY dropped to 106.15, the lowest since November 2016 after breaking a string of technically important levels earlier this week. With key US inflation data out of the way, focus today is on US January industrial data, the US January PPI, the February NAHB housing index and New York/Philly Fed manufacturing surveys.

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Source: Reuters, Bloomberg, Eurobank Research

February 15, 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

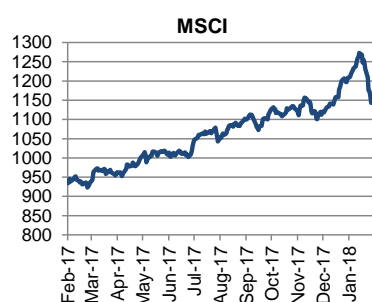
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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 in morning European trade on Thursday as risk appetite improved despite higher than anticipated inflation data that was released yesterday in the US. Trailing the rebound in global equity markets, emerging stock markets rallied, with the corresponding MSCI index firming by more than 1.4% earlier today compared to the prior session's settlement. Since snapping on Monday a 7-session losing streak that resulted to a cumulative decline of more than 9% and the elimination of earlier hefty year-to-date gains in view of the recent global equity selloff, the index has amassed gains in excess of 5% so far this week.

Separately, emerging market currencies also firmed against a weaker USD, while regional government bonds were mixed earlier on Thursday. In FX markets, the Romanian leu remained near yesterday's lows hit in the wake of GDP and CPI data releases. Recall that, real GDP growth decelerated on an annual basis in the last quarter of 2017, coming in at 6.9% from 8.8% in the prior quarter, confounding market expectations for a more modest slowdown to 7.3%. Meanwhile, on a quarter-on-quarter basis, economic activity contracted by 0.6%. These readings were released in tandem with the publication of January's consumer inflation data, where the headline index outpaced market expectations, revealing a rise to a 4-½ year high of 4.32%YoY, above the upper bound of the Central Bank's targeted range of 2.5% ±1 ppts, which added to recent arguments in favor of further monetary tightening ahead. In more detail, the EUR/RON traded near 4.6565 earlier today, not too far from yesterday's 3-week peak of 4.6606 and a record high near 4.67 hit earlier in the year amid mounting domestic political tensions as well as increased fiscal and overheating concerns.

In today's data releases in the region, January's headline CPI in Poland vindicated market expectations coming in at 1.9%YoY from 2.1%YoY in the prior month, sliding further below the 2.5% midpoint of the Central Bank target. In Bulgaria, CPI stood at 1.8%YoY, proving softer than a market's median forecast of 2.3% and December's 2.8%YoY print. In other releases earlier today, January's rate of registered unemployment in Bulgaria rose to 7.2% from 7.1% in the prior month, while in Turkey the same rate for November was in line with market expectations and the prior month's reading of 10.3%. Government bond auctions are scheduled to be held today in Romania and Hungary. Hungary's Central Bank also holds an interest rate swap tender, as part of its monetary easing policy. 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. Markets in Serbia are closed for holiday for the rest of the week.

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February 15, 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	2650.11	-0.5%	-0.9%	EUR/USD	1.2324	-0.2%	2.7%	UST- 10yr	2.88	5	47	GOLD	1335	0.4%	2.5%
Nikkei 225	21154.17	-0.4%	-7.1%	GBP/USD	1.3839	-0.4%	2.4%	Bund-10yr	0.76	1	33	BRENT CRUDE	62	-1.0%	-7.1%
STOXX 600	371.94	0.4%	-4.4%	USD/JPY	107.41	0.4%	4.9%	JGB - 10yr	0.07	-1	2	LMEX	3354	1.9%	-1.9%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-1
1-week	2.63	0	2
1-month	2.83	0	-2
3-month	3.10	-3	-2
6-month	3.24	1	0

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.90	0	-37
5Y RSD	4.23	0	-7
7Y RSD	4.61	0	-56

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.40	5	41
USD Nov-24	6.21	-23	18

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	105	0	-13
10-year	151	-1	-11

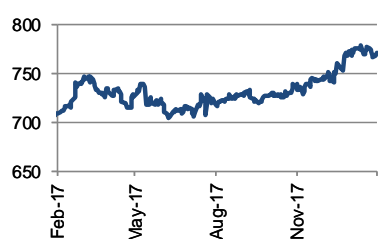
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	760.9	-1.23%	0.15%

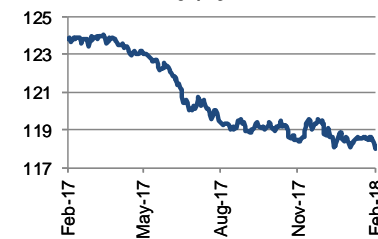
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.02	0.09%	0.75%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.33	-1	24
1-month	1.6	0	-27
3-month	2.06	0	1
6-month	2.37	1	10
12-month	2.48	2	16

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.47	0	9
5Y RON	3.98	0	20
10Y RON	4.57	0	25

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A	N/A
USD Jan-24	3.72	5	72

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	84	-1	-6
10-year	129	-1	-4

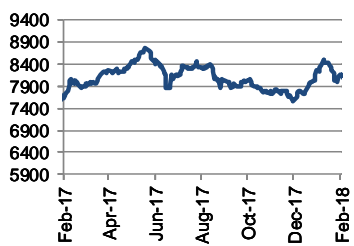
#### STOCKS

	Last	ΔD	ΔYTD
BET	8151.3	0.16%	5.13%

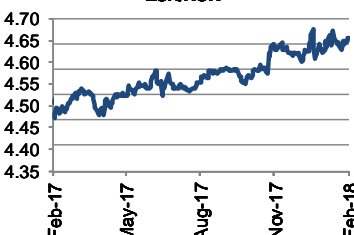
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6628	-0.04%	0.04%

BET Index



EUR/RON



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.27	1	-2
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	0.25	0	11
10Y BGN	1.08	0	12

#### 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	60	-2	-36
10-year	105	-2	-37

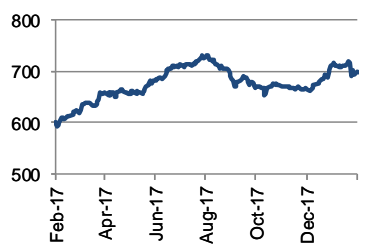
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	698.2	0.01%	3.06%

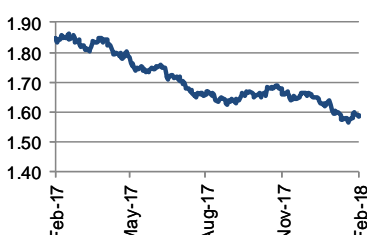
#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.587	-0.23%	2.67%

SOFIX Index



USD/BGN



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

Data updated as of 16:55 EST of previous session

February 15, 2018

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