

### 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

- Feb14
  - 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 Treasury yields retreated from yesterday's fresh multi-year highs as investors are probably getting more cautious, indicating no rush to price in a steeper path of Fed rate tightening in the coming months, in spite of higher than expected US inflation data for January. With respect to global equity markets, risk appetite continued to recover with the VIX volatility index moving below 20. In FX markets, the USD extended recent losses with the DXY index dropping to three-year lows earlier today weighed down by lingering US structural woes and the perceived erosion of its yield advantage.

**GREECE:** According to the meeting agenda, the 19 February Eurogroup will discuss, among others, the implementation of the remaining prior actions under the 3<sup>rd</sup> programme review, which constitutes a precondition for the disbursement of the next loan sub-tranche of EUR5.7 billion. The deadline for the submission of binding offers for the acquisition of 66% of the Hellenic Gas Transmission System Operator S.A. (DESFA) expires today. According to the Hellenic Statistical Authority (ELSTAT), inflation returned into negative territory in January 2018 after 13 months of expansion with the Consumer Price Index dropping by 0.2%YoY. Fitch is scheduled to release its updated review on the Greek sovereign today.

### SOUTH EASTERN EUROPE

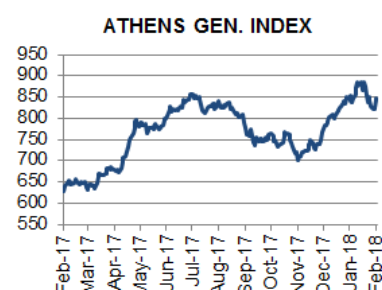
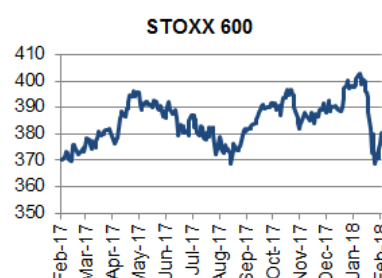
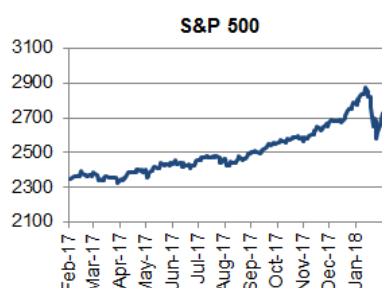
**CESEE MARKETS:** Emerging market assets extended further this week's recovery in morning European trade on Friday amid improved risk appetite and a weaker USD.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasury yields retreated from yesterday's fresh multi-year highs as investors are probably getting more cautious, indicating not rush to price in a steeper path of Fed rate tightening in the coming months, in spite of higher than expected US inflation data for January. US data released yesterday, showing flat factory output in January for the second month in a row against expectations for a 0.3% mom increase, may also had some impact. After hitting a four-year high of 2.944% early on Thursday in reaction to Wednesday's firmer than expected US January's CPI inflation data, the 10-yr UST yield moved lower hovering around 2.891% in European trade at the time of writing, albeit still some 48bps higher so far this year. German Bunds were also modestly firmer primarily due to subdued inflation pressures in the euro area. EMU periphery sovereign debt spreads were tighter on the day with the 10-yr Italian/German Bund yield spread narrowing by 1.5bps presumably on market consensus for a market-friendly outcome in the upcoming general election in Italy. With respect to global equity markets, risk appetite continued to recover with the VIX volatility index dropping below 20 for the first time since hitting a 2 ½ year high of 50.3 earlier this month following the release of the US January's non-farm payrolls report on February 2 that fueled inflation worries and concerns about a faster pace of Fed rate hikes. In FX markets, the USD extended recent losses with the DXY index dropping to three-year lows earlier today weighed down by lingering US structural woes and the perceived erosion of its yield advantage. The EUR/USD hit an intraday peak of 1.2555 today, the highest since December 2014, poised for 2.5% weekly gains, the highest in the last nine months. Looking at today's calendar, main data releases include UK retail sales and US housing starts and permits for January.

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### GREECE

According to the meeting agenda, the 19 February Eurogroup will discuss, among others, the implementation of the remaining prior actions under the 3<sup>rd</sup> programme review, which constitutes a precondition for the disbursement of the next loan sub-tranche of EUR5.7 billion. According to press reports, the outstanding prior actions are: the Presidential Decree for the Hellinikon concession, actions towards the implementation of the target model in the energy market and progress in the flow of electronic auctions. With regard to privatisations, the deadline for the submission of binding offers for the acquisition of 66% of the Hellenic Gas Transmission System Operator S.A. (DESFA) expires today. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), inflation returned into negative territory in January 2018 after 13 months of expansion with the Consumer Price Index dropping by 0.2% YoY. The contraction is attributed to a fall in prices in most goods and services groups with the exception of: alcoholic beverages and tobacco (+6.7% YoY), transport (+2.4% YoY), education (+0.2% YoY) and hotels – cafes – restaurants (+1.1% YoY). The average CPI for the twelve - month period from Feb. 2017 to Jan. 2018, compared with the corresponding index for the period Feb. 2016 to Jan. 2017 increased by 1.0%. The annual rate of change of the average CPI between the twelve - month period Feb. 2016 to Jan. 2017 in comparison to the period Feb. 2015 to Jan. 2016 was -0.7%. Meanwhile, Fitch is scheduled to release its updated review on the Greek sovereign today.

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February 16, 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

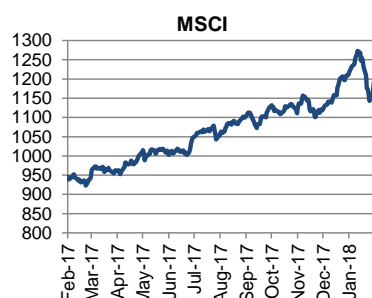
## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Emerging market assets extended further this week's recovery in morning European trade on Friday amid improved risk appetite and a weaker USD. Emerging stock markets advanced in European trade tracking the rise in major global indices. The corresponding MSCI index rose by ca 0.33% earlier today compared to the prior session's settlement, standing in the black for the 5<sup>th</sup> consecutive session and bringing this week's gains to ca 5.5%. The said recovery in the index came in the wake of a 7-session losing streak that resulted to a cumulative decline of more than 9% as amounting inflation concerns in the US pushed UST yields higher and prompted a selloff in global equity markets. Separately, emerging market currencies also firmed against a weaker USD, while the majority of regional government bonds also gained ground earlier on Friday.

In other news, Romania's finance ministry rejected on Thursday all bids at an auction to sell a planned amount of RON 400mn T-bonds amid lack of adequate investor demand which totaled just RON 277mn. The said paper, which matures in June 2023, was last sold in January with the average accepted yield standing at 4%. Elsewhere, Bulgaria's international reserves fell modestly in January, standing at €22.3bn. International Reserves accounted for 41.2 % of the projected GDP in 2018, covering 9.4x months of imports. At the same time, the reserve coverage of short-term external debt also decreased to 3.0.

Today, several markets in Asia are closed for the Chinese New Year. In the CESEE region the focus today centres around a sovereign credit rating by S&P on Hungary. The agency currently rates the country at BBB-, with a positive outlook. Albeit an upgrade cannot be entirely ruled out, the agency will most likely keep its ratings for Hungary unchanged ahead of April's parliamentary elections. On the data front, labour market and budget data for January are scheduled to be released today in Poland.

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| Credit Ratings |             |       |
|----------------|-------------|-------|
| L-T ccy        | Moody's S&P | Fitch |
| SERBIA         | Ba3         | BB    |
| ROMANIA        | Baa3        | BBB-  |
| BULGARIA       | Baa2        | BBB   |
| CYPRUS         | B1          | BB-   |

February 16, 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       | 2731.20  | 1.2% | 2.2%  | EUR/USD | 1.2503 | 0.0%  | 4.1%             | UST - 10yr | 2.89 | -2          | 49       | GOLD        | 1359 | 0.4% | 4.3%  |
| Nikkei 225    | 21720.25 | 1.2% | -4.6% | GBP/USD | 1.4089 | -0.1% | 4.2%             | Bund-10yr  | 0.75 | -2          | 32       | BRENT CRUDE | 65   | 0.4% | -3.4% |
| STOXX 600     | 380.27   | 1.0% | -2.3% | USD/JPY | 106.09 | 0.0%  | 6.2%             | JGB - 10yr | 0.06 | -1          | 1        | LMEX        | 3439 | 0.2% | 0.6%  |

**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 | 0     | -2       |
| 6-month | 3.24 | 0     | 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 | 3.42 | 7     | 43       |
| USD Nov-24 | 6.19 | -25   | 16       |

**CDS**

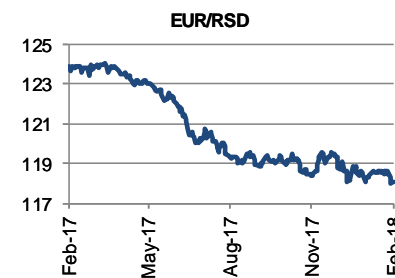
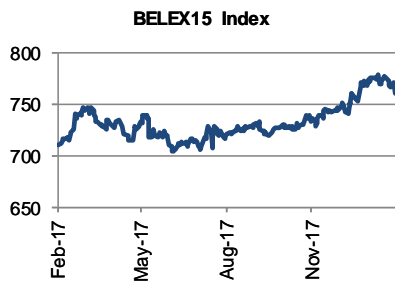
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 102  | -3    | -15      |
| 10-year | 150  | -2    | -12      |

**STOCKS**

|         | Last  | ΔD     | ΔYTD  |
|---------|-------|--------|-------|
| BELEX15 | 760.9 | -1.23% | 0.15% |

**FOREX**

|         | Last   | ΔD    | ΔYTD  |
|---------|--------|-------|-------|
| EUR/RSD | 118.12 | 0.00% | 0.67% |



**ROMANIA**

**Money Market**

| ROBOR    | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N      | 1.33 | 0     | 24       |
| 1-month  | 1.6  | 0     | -27      |
| 3-month  | 2.07 | 0     | 2        |
| 6-month  | 2.38 | 0     | 11       |
| 12-month | 2.49 | 1     | 17       |

**RO Local Bonds**

|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON  | 3.50 | 0     | 11       |
| 5Y RON  | 3.99 | 0     | 21       |
| 10Y RON | 4.62 | 0     | 30       |

**RO Eurobonds**

|            | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.61 | 0     | 1        |
| USD Jan-24 | 3.71 | -2    | 71       |

**CDS**

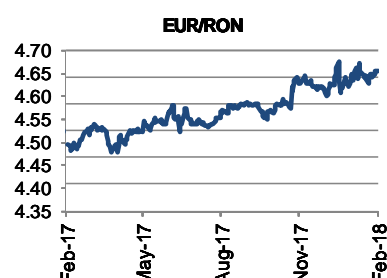
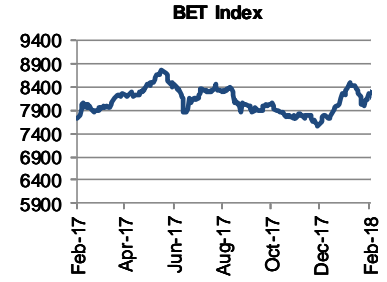
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 82   | -3    | -8       |
| 10-year | 128  | -3    | -5       |

**STOCKS**

|     | Last   | ΔD    | ΔYTD  |
|-----|--------|-------|-------|
| BET | 8271.4 | 0.15% | 6.68% |

**FOREX**

|         | Last | ΔD    | ΔYTD  |
|---------|------|-------|-------|
| EUR/RON | 4.66 | 0.08% | 0.10% |



**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 | 0.32  | 0     | -1       |

**BG Local Bonds**

| (yields) | Last  | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| 3Y BGN   | -0.03 | 2     | 4        |
| 5Y BGN   | 0.26  | 1     | 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**

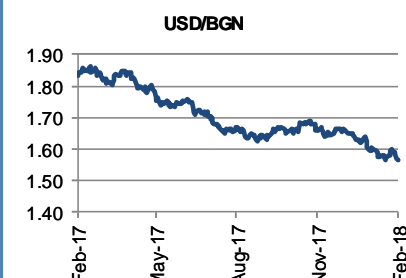
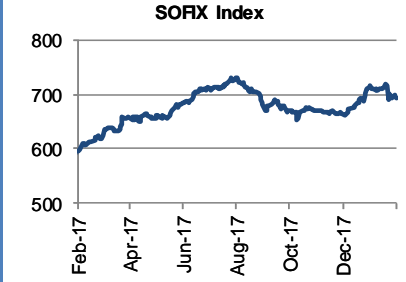
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 60   | 0     | -37      |
| 10-year | 104  | -1    | -37      |

**STOCKS**

|       | Last  | ΔD    | ΔYTD  |
|-------|-------|-------|-------|
| SOFIX | 695.1 | 0.21% | 2.60% |

**FOREX**

|         | Last   | ΔD     | ΔYTD  |
|---------|--------|--------|-------|
| USD/BGN | 1.5645 | -0.03% | 4.15% |



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

Data updated as of 12:25 EST

February 16, 2018

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