

Friday, March 16, 2018

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

GLOBAL MARKETS: Concerns that the US administration is leaning towards trade protectionism are mounting with investors getting increasingly worried over the risk of a trade war with material negative repercussions to the global economy. Favoured by its safe-haven appeal during times of increased market uncertainty, the JPY was firmer across the board while the US Treasury bond yield curve continued to flatten. Looking at today's calendar, Moody's and Fitch will review Italy's sovereign credit rating. S&P will also review the rating for Portugal.

GREECE: The Ministry of Finance published the preliminary State Budget Execution for January-February 2018. The State Budget balance for the January-February 2018 period registered a surplus of EUR1.5 billion, versus a 2018 Budget targeted surplus of EUR0.01 billion for the respective period. The State Budget Primary Balance registered a surplus of EUR2.8 billion versus a 2018 Budget targeted surplus of EUR1.3 billion.

SOUTH EASTERN EUROPE

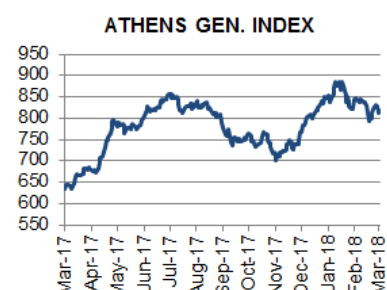
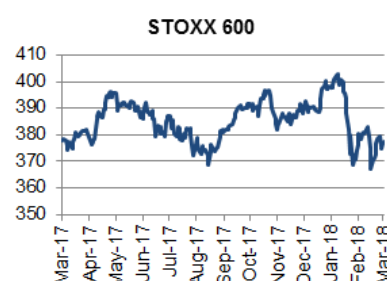
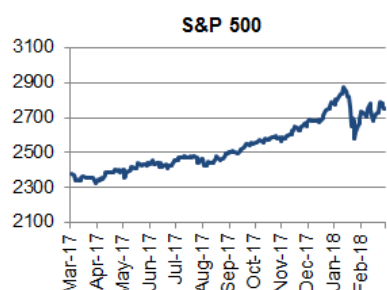
CESEE MARKETS: Most emerging market assets lost ground earlier on Friday, on lingering worries over the US trade protectionism that dented their high yield allure.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Concerns that the US administration is leaning towards trade protectionism are mounting with investors getting increasingly worried over the risk of a trade war with material negative repercussions to the global economy. Following the recent departure of two key officials from the US administration – former Secretary of State Rex Tillerson who was viewed as a supporter of free trade and was replaced by the more hawkish former Central Intelligence Agency Director Mike Pompeo as well as top economic advisor Gary Cohn who strongly opposed the US President’s decision for import tariffs on steel and aluminum – US press reports conveyed yesterday that the US President has also decided to remove H.R. McMaster from the position of national security advisor. Adding to the above, reports suggested earlier this week that the US President is seeking to impose tariffs on imports of up to \$60bn worth of Chinese information technology, telecoms and consumer products as part of a US investigation into China’s intellectual property practices. Favoured by its safe-haven appeal during times of increased market uncertainty, the JPY was firmer across the board in European trade with the USD/JPY hitting a multi-session low of 105.63 earlier today. Elsewhere, the EUR/USD was a tad firmer compared to Thursday’s settlement trading just below 1.2350 while the GBP/USD remained below the key 1.4000 resistance level failing to capitalize on today’s median reports suggesting that the UK and the EU have made significant progress in Brexit talks and a transition deal at the March 22-23 EU Council meeting cannot be ruled out. Turning to core government bonds, the US Treasury bond yield curve continued to flatten with the 2/10-yr yield spread shrinking close to 52.5bps earlier today, approaching late January’s decade low. Along these lines, long-dated German paper outperformed this week with the 10-yr yield falling close to 0.56% earlier today, the lowest since late January favored by recent ECB dovish talk and mounting political uncertainty in Italy. Looking at today’s calendar, Moody’s and Fitch will review Italy’s sovereign credit rating but no rating action is expected as the rating agencies will likely wait for the formation of the new government for a better understanding regarding the potential impact of its economic policies on the country’s rating. S&P will also review the rating for Portugal.

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GREECE

The Ministry of Finance published the preliminary State Budget Execution for January-February 2018. The State Budget balance for the January-February 2018 period registered a surplus of EUR1.5 billion, versus a 2018 Budget targeted surplus of EUR0.01 billion for the respective period. The State Budget Primary Balance registered a surplus of EUR2.8 billion versus a 2018 Budget targeted surplus of EUR1.3 billion. Ordinary Budget net revenues amounted to EUR8.3 billion registering an over-performance of EUR0.7 billion (9.0%) compared to the respective 2018 Budget target. Ordinary Budget expenditure amounted to EUR7.2 billion registering an under-performance of EUR0.1 billion (-1.5%) compared to the respective 2018 Budget target. Finally Public Investment Budget (PIB) revenue registered an increase of 208.3% compared to the respective 2018 Budget target while PIB expenditure registered a decrease of -51.4% compared to the respective 2018 Budget target.

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March 16, 2018

Latest economic & market developments in the CESEE region

CESEE MARKETS

Most emerging market assets lost ground earlier on Friday, on lingering worries over the US trade protectionism that dented their high yield allure. In this context, the MSCI Emerging Markets index slid by ca 0.2% on the day in European trade, while bourses in the CESEE space traded little changed compared to Thursday's settlement. In FX markets, regional currencies were mixed earlier today, with the Turkish lira remaining under pressure on the back of idiosyncratic factors. In more detail, the currency hit a new record low slightly above 4.83 against the EUR amid persisting concerns over the impact on the Turkish economy and markets of further Fed rate tightening ahead, increased domestic political uncertainty following the passage of a controversial elections law recently, mounting tensions in the country's relations with the US and the EU, lingering geopolitical jitters, a high current account deficit and the lack of a more aggressive Central Bank action despite elevated inflation. Moody's downgraded in early March the country's sovereign credit rating by one notch to Ba2 citing "continued loss of institutional strength" and an increased risks stemming from a wide current account deficit. Against the USD, the lira reached a 3-month low at 3.9190 not too far from a record low of 3.9815 hit in November.

In the local currency T-bond markets, Romania's finance ministry sold on Thursday RON 560.2mn (~€120.09mn) of T-bonds, more than a planned amount of RON 300mn. The paper was sold at an average price of 109.244 and the average accepted yield stood at 4.56%, 8bps higher compared to that achieved at a prior auction of the same paper held about a month ago. Bond yields in Romania have inched higher over recent months amid increased economic overheating concerns and a loose fiscal policy that prompted the inception of the Central Bank's rate hiking cycle earlier this year. The tender's bid-to-cover ratio stood at 1.7, reflecting healthy investor demand. The said security matures in July 2027 and carries an annual coupon of 5.8%.

Today's macroeconomic releases and events calendar in the CESEE region includes housing data for January in Turkey as well as core CPI for February and current account data for January in Poland. Industrial production for January released earlier today in Turkey showed unexpected contraction of 0.8% on a month-on-month basis. But, the annual rate of increase came in at 12.0% nearly double the market's median forecast of 6.7%, confounding expectations for a slowdown from December's 8.7% rise. Meanwhile, average gross wages' growth in Poland for the month of February decelerated to 6.8%YoY from 7.3%, more than market expectations for a 7.2% advance. In addition, the annual pace of employment increase of 3.7% in February vindicated a market consensus and came in against a 3.8% increase in the prior month.

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

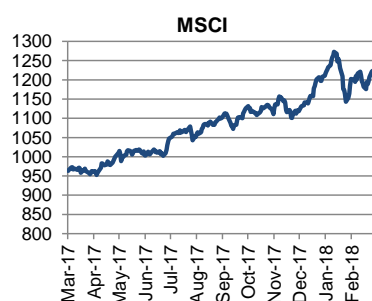
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

* 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	3.25	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-

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March 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	2747.33	-0.1%	2.8%	EUR/USD	1.2326	0.2%	2.7%	UST - 10yr	2.82	-1	41	GOLD	1319	0.2%	1.3%
Nikkei 225	21676.51	-0.6%	-4.8%	GBP/USD	1.397	0.2%	3.3%	Bund-10yr	0.57	-1	14	BRENT CRUDE	65	0.1%	-2.5%
STOXX 600	377.50	0.2%	-3.0%	USD/JPY	105.75	0.6%	6.6%	JGB - 10yr	0.04	-1	-1	LMEX	3283	-0.5%	-4.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	-23	-18
1-week	2.49	-21	-12
1-month	2.66	-22	-19
3-month	2.91	-23	-21
6-month	3.09	-21	-15

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.91	0	-37
5Y RSD	4.20	-3	-4
7Y RSD	4.58	0	-60

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.43	0	44
USD Nov-24	6.34	-18	31

CDS

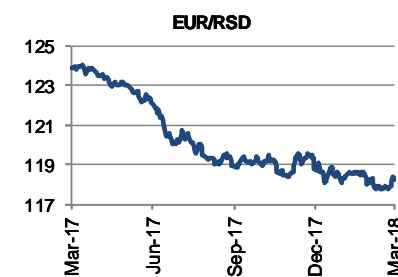
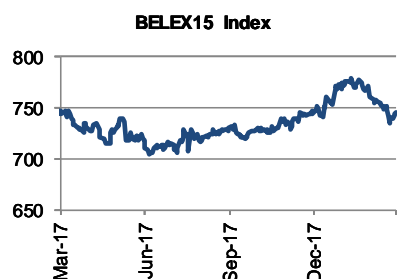
	Last	ΔDbps	ΔYTD bps
5-year	93	0	-25
10-year	134	0	-28

STOCKS

	Last	ΔD	ΔYTD
BELEX15	745.0	0.02%	-1.95%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.20	-0.09%	0.60%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.3	-1	21
1-month	1.56	-1	-31
3-month	2.03	0	-2
6-month	2.36	0	9
12-month	2.5	0	18

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.22	0	-17
5Y RON	3.83	0	5
10Y RON	4.49	0	18

RO Eurobonds

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

CDS

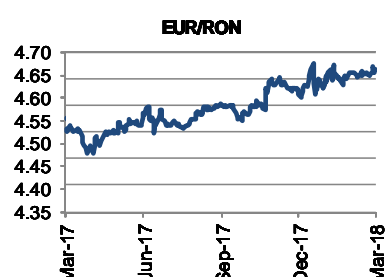
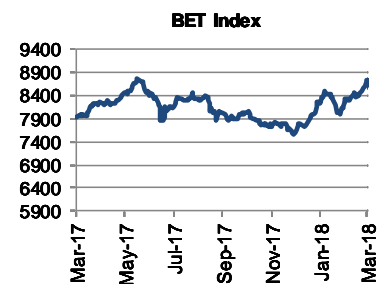
	Last	ΔDbps	ΔYTD bps
5-year	82	1	-8
10-year	126	1	-7

STOCKS

	Last	ΔD	ΔYTD
BET	8724.7	0.42%	12.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.668	-0.01%	-0.07%



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	-0.05	0	0
12-month	0.27	0	-5

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.00	0	6
5Y BGN	0.24	0	10
10Y BGN	1.08	0	12

BG Eurobonds

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

CDS

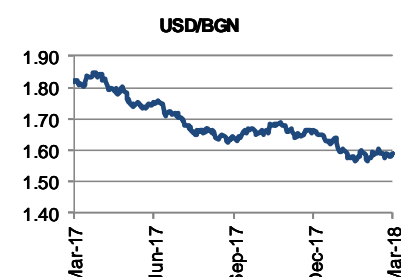
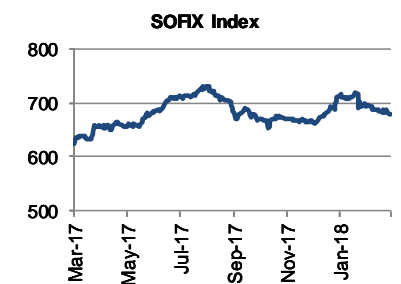
	Last	ΔDbps	ΔYTD bps
5-year	56	1	-40
10-year	99	1	-42

STOCKS

	Last	ΔD	ΔYTD
SOFIX	678.8	-0.06%	0.20%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5868	0.17%	2.68%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:10 EST

March 16, 2018

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