

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Mar 21
  - Existing home sales (Feb)
  - FOMC policy announcement
- Mar 22: Jobless claims (weekly)
- Mar 23
  - Durable goods orders (Feb)
  - New home sales (Feb)

##### EUROZONE

- Mar 20: German ZEW (Mar)
- Mar 22
  - PMI manufacturing & services (Mar)
  - German IFO (Mar)

##### UK

- Mar 21: Claimant count unemployment (Feb), average earnings & unemployment rate (Jan)
- Mar 22
  - Retail sales (Feb)
  - BoE policy announcement & minutes
- Mar 22-23: EU Council

##### GREECE

- Mar 19-22: Credit expansion (Jan)
- Mar 23: Current account deficit (Jan)

##### SEE

##### BULGARIA

- Mar 21: Current account deficit (Jan)

##### ROMANIA

- Mar 19: 3.25% 2024 T-bonds auction
- Mar 22: 4.75% 2019 T-bonds auction
- Mar 23: M3 money supply (Feb)

##### SERBIA

- Mar 19-21: Current account deficit (Jan)
- Mar 20: 5.875% 2028 T-bonds auction
- Mar 22: 2-year T-Bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The majority of European bourses were weaker in early trade on Monday as investors adopt a cautious stance ahead of this week's two-day FOMC monetary policy meeting that concludes on Wednesday. Market consensus is for a 25bps rate hike that would lift the federal funds target range to 1.50-1.75%. The BoE also meets this week (Thursday) and expectations are for unchanged interest rates while the minutes are anticipated to reiterate that interest rates will likely move higher "somewhat earlier" should the UK economy continue to evolve in line with BoE expectations. In addition to the above, the EU Council convenes on 22-23 March and a Brexit transition agreement cannot be ruled out at that meeting.

**GREECE:** According to press reports, the German Minister of Finance Olaf Scholz stated in an interview that the new German government will continue to remain in dialogue with the Greek government to ensure that it maintains the reform policy, which will determine whether Greece gets significant debt relief. The Gaming Supervision and Control Commission launched two tenders for the legal and financial advisers who will in turn prepare the tender for the casino license in Hellinikon. As regards the privatisation of HELPE, its two main shareholders – HRADF (35.5%) and Paneuropean (45.5%) – have reportedly agreed to sell a 51% shareholding to a strategic investor including management, keeping a stake of 15% each and are currently working on the shareholders agreement.

### SOUTH EASTERN EUROPE

**BULGARIA:** The domestic equity market broadly fell on a weekly basis on Friday, while foreign and local currency government bonds continued to exhibit little to no change.

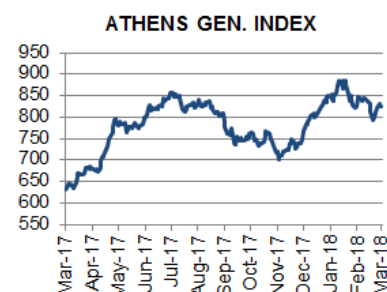
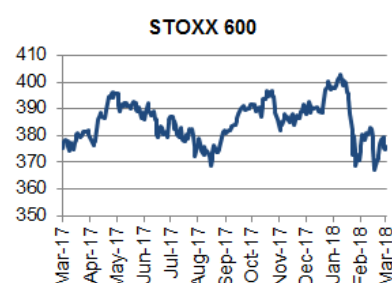
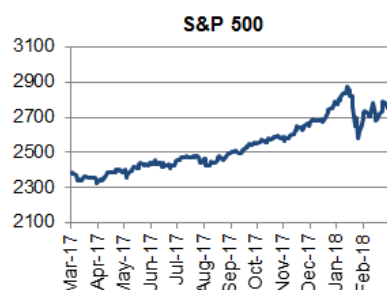
**SERBIA:** The National Bank of Serbia decided to lower the key policy rate by 25bps to 3.25% on Wednesday's monetary policy meeting, with the announcement appearing to have a rather limited impact on the FX market.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of European bourses were weaker in early trade on Monday as investors adopt a cautious stance ahead of this week's two-day FOMC monetary policy meeting that concludes on Wednesday. Market consensus is for a 25bps rate hike that would lift the federal funds target range to 1.50-1.75%. The post-meeting statement is expected to reflect increased optimism on the US growth outlook and the prospect of a gradual pick up of inflation towards the 2% target in the medium-term, in line with Chair Jerome Powell's comments at his first semi-annual testimony in late February. With respect to the updated Summary of Economic Projections, the median GDP growth forecasts for both 2018 and 2019 are likely to be revised upwards taking into account the expected effect of the recently enacted tax changes. As regards the interest-rate projections, the median longer-run dots are likely to be pushed higher towards 3% while those for end-2018 will be a close call, signaling either three or four rate hikes this year. Meanwhile, US Treasury yields were higher on a daily basis in European trade with long-dated paper underperforming in anticipation of the FOMC meeting and affected by Friday's firmer than expected February's US industrial production data and an increase in the UM's March consumer sentiment index to the highest level since 2004. German Bund yields followed suit, pushing off Friday's multi-week lows in the way of upbeat comments on the euro area inflation outlook from a number of ECB officials over the weekend. In FX markets, the DXY index was virtually unchanged on the day following gains of 0.2% last week, mostly against commodity related currencies amid cautious risk appetite. The BoE also meets this week (Thursday) and expectations are for unchanged interest rates while the minutes are anticipated to reiterate that interest rates will likely move higher "somewhat earlier" should the UK economy continue to evolve in line with BoE expectations. In addition to the above, the EU Council convenes on 22-23 March and a Brexit transition agreement cannot be ruled out at that meeting.

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### GREECE

According to press reports, the German Minister of Finance Olaf Scholz stated in an interview that the new German government will continue to remain in dialogue with the Greek government to ensure that it maintains the reform policy, which will determine whether Greece gets significant debt relief. As regards the privatisations programme, the Gaming Supervision and Control Commission launched two tenders for the legal and financial advisers who will in turn prepare the tender for the casino license in Hellinikon – a pre-requisite for the project to go ahead. The reported timeline foresees the launch of the tender for the casino license in October 2018 and the conclusion of the process in late 2018 or early 2019 at the latest. Meanwhile, as regards the privatisation of HELPE, its two main shareholders – HRADF (35.5%) and Paneuropean (45.5%) – have reportedly agreed to sell a 51% shareholding to a strategic investor including management, keeping a stake of 15% each and are currently working on the shareholders agreement. At the same time, the privatisation consultants appointed by the HRADF are reportedly investigating potential investors' interest while the company's portfolio valuation is also underway.

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March 19, 2018

## Latest economic & market developments in the CESEE region

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

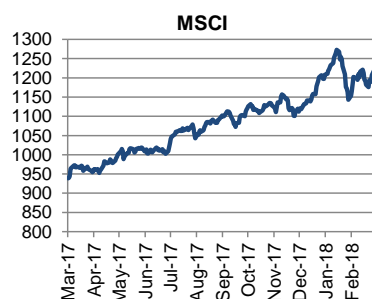
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

\* 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-

### BULGARIA

The main SOFIX stock index dropped 0.86% on a weekly basis on Friday ending at 679.98 points. The average trading volume was at €2.2mn. Elsewhere, external government bond yields continued to exhibit little to no change with the largest mover being in the 2023 paper, where the corresponding yield dropped by 0.9 bps compared to the prior Friday's settlement. In a similar vein, local-currency bond yields also remained largely unchanged. The largest change was observed in paper of 7 year tenor, which saw its yield registering an increase of 1.95 bps.

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### SERBIA

The National Bank of Serbia decided to lower the key policy rate by 25bps to 3.25% on Wednesday's monetary policy meeting. The decision's main impetus was the latest inflation figure, which showed very low inflation pressures (1.7% YoY in January and 1.5% YoY in February). In addition, the Central Bank projects that price pressures will remain subdued in the months to come, providing leeway for last week's rate cut. The announcement on Wednesday appeared to have a rather limited impact on the FX market. In more detail, the EUR/RSD spiked to a 1-month high of 118.45/65 in a knee-jerk reaction after the MPC meeting announcement but failed to preserve traction having settled at 118.10/30 on Friday.

In other news, the U.S. Assistant Secretary of State for European and Eurasian Affairs Wess Mitchell visited Belgrade on March 14. Mr. Mitchell is on a tour visiting Kosovo and FYROM along with Serbia. Moody's praised Serbia's economic performance in 2017 and cited that there is a potential of 3% growth in 2018. Furthermore, the agency noted that additional structural reforms and an improved fiscal outlook will lead to a further gradual decrease in the country's debt burden ahead. That said, the main obstacle for further progress appears to stem from state owned enterprises (SOEs).

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March 19, 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	2752.01	0.2%	2.9%	EUR/USD	1.2276	-0.1%	2.3%	UST - 10yr	2.86	2	46	GOLD	1310	-0.3%	0.6%
Nikkei 225	21480.90	-0.9%	-5.6%	GBP/USD	1.3947	0.0%	3.2%	Bund-10yr	0.58	1	15	BRENT CRUDE	66	-0.5%	-1.5%
STOXX 600	374.62	-0.8%	-3.7%	USD/JPY	105.92	0.1%	6.4%	JGB - 10yr	0.04	1	-1	LMEX	3276	-0.2%	-4.2%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.32	0	-20
1-week	2.47	0	-14
1-month	2.65	0	-20
3-month	2.90	0	-22
6-month	3.08	0	-16

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.92	0	-36
5Y RSD	4.20	0	-4
7Y RSD	4.58	#N/A	N/A

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.44	0	45
USD Nov-24	6.36	-17	33

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	94	1	-24
10-year	135	0	-28

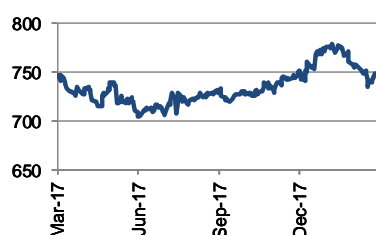
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	748.8	0.00%	-1.45%

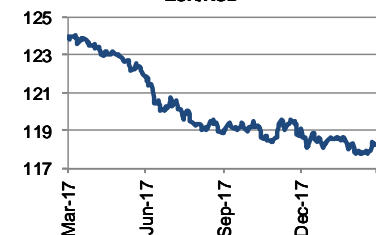
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.40	-0.12%	0.43%

## BELEX15 Index



## EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.3	0	21
1-month	1.56	0	-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	3.18	0	-21
5Y RON	3.78	0	-1
10Y RON	4.47	0	15

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	1
USD Jan-24	3.75	1	76

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	82	0	-8
10-year	126	-1	-8

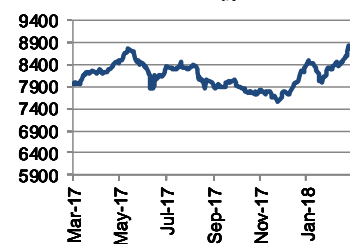
## STOCKS

	Last	ΔD	ΔYTD
BET	8772.9	-0.50%	13.14%

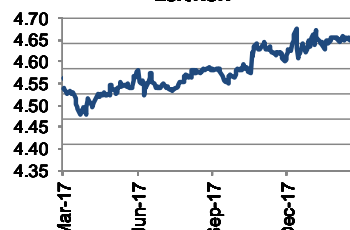
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6669	0.07%	-0.05%

## BET Index



## EUR/RON



## 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	-1	9
10Y BGN	1.08	0	12

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.20	0	27
EUR Sep-24	0.87	0	29

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	57	0	-40
10-year	100	0	-42

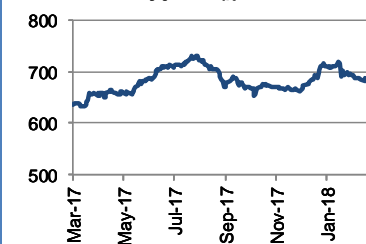
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	679.1	-0.14%	0.24%

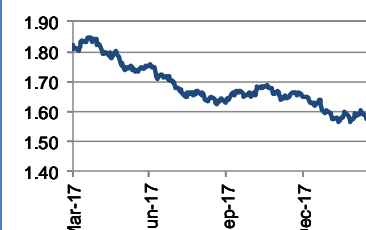
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5933	-0.11%	2.27%

## SOFIX Index



## USD/BGN



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

Data updated as of 11:00 EST

March 19, 2018

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