



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, February 20, 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Feb 21
  - Existing home sales (Jan)
  - FOMC meeting minutes (Jan. 31)
- Feb 22
  - Jobless claims (weekly)
  - Atlanta Fed President Bostic speaks
- Feb 23: San Francisco Fed President Williams speaks

##### EUROZONE

- Feb 21: PMI manufacturing & services (Feb, prel.)
- Feb 22
  - German IFO business climate (Feb)
  - Account of the ECB January policy meeting
- Feb 23
  - HICP (Jan, final)
  - German Q4 GDP (details)

##### UK

- Feb 21: Claimant count unemployment (Feb), average earnings & unemployment rate (Jan)
- Feb 22: GDP (Q4, 2<sup>nd</sup> est.)

##### GREECE

- Feb 20: Current account (Dec)

##### CYPRUS

- Feb 20: CPI (Jan)

##### SEE

##### ROMANIA

- Feb 22: T-bonds auction
- Feb 23: Money supply (Jan)

##### SERBIA

- Feb 20: T-bonds auction
- Feb 23: CPI (Jan)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US Treasuries were weaker in early European trade on Tuesday and the 2/10-yr yield curve flattened, in line with the recent equity market recovery. In FX markets, the USD was firmer supported by higher US Treasury yields. Looking at the remainder of the week, market focus is on the FOMC minutes from the January monetary policy meeting due for release on Wednesday. Atlanta Fed President Bostic is scheduled to speak on Thursday and San Francisco Fed President John Williams who is reportedly under consideration by the White House for the post of Vice Chair of the Federal Reserve Board, will speak on the US economic outlook on Friday.

**GREECE:** The Eurogroup that convened yesterday verified that Greece has acted on all prior actions and exhibits strong ownership of the programme. Nevertheless, out of the 110 prior actions 2, which are outside of the government's controls, are still pending. On 16 February Fitch upgraded Greece's Long-Term Foreign Currency Issuer Default Rating (IDR) to 'B' from 'B-' with outlook positive. According to the Hellenic Statistical Authority (ELSTAT), the turnover index in industry in December 2017 decreased by 2.6%YoY against an increase of 14.7%YoY, which was the corresponding change in December 2016.

### SOUTH EASTERN EUROPE

**BULGARIA:** The Bulgarian equity and Eurobond markets ended little changed on a weekly basis last week, while local-currency bond yields followed the global trend upwards.

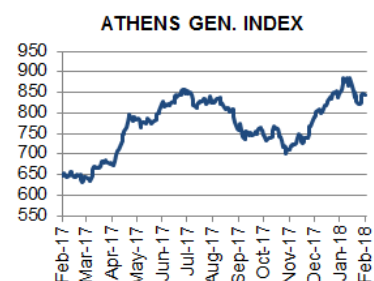
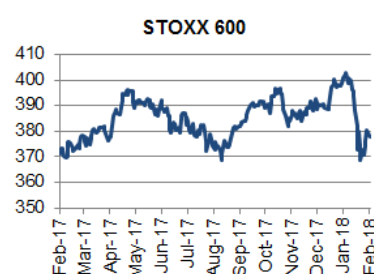
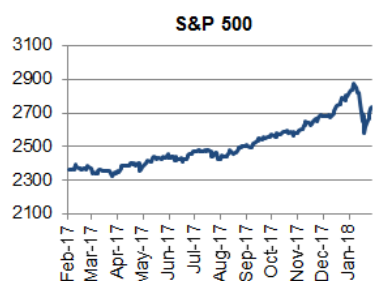
**SERBIA:** Downside pressures on the EUR/RSD continued over the last few days due to oversupply of euros amid strong demand for dinar-denominated bonds this month.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasuries were weaker in early European trade on Tuesday with the 10-yr yield hovering around 2.92% at the time of writing, some 4bps higher compared to Friday's settlement but below a fresh four-year high of 2.94% marked late last week (US markets were closed on Monday for Presidents Day). US short-dated notes underperformed with the 2/10-yr US yield curve flattening, in line with the recent equity market recovery. The respective spread narrowed to a two-week intraday low of 67.5bps in early trade today after marking a 3 ½ month high close to 78bps on February 12 mainly driven by increased volatility in equities. Looking at the remainder of the week, market focus is on the FOMC minutes from the January monetary policy meeting, due for release on Wednesday, for likely hints over a steeper path of rate tightening compared to the December dot plot amid stronger than expected US economic growth and a steady tightening of the US labor market. In addition, Atlanta Fed President Raphael Bostic is scheduled to speak on Thursday while San Francisco Fed President John Williams who is reportedly under consideration by the White House for the post of Vice Chair of the Federal Reserve Board, will speak on the US economic outlook on Friday. Turning to equity markets, major European bourses were modestly firmer in early trade. After hitting a peak of 36.5 on February 2, the main indicator of European stock volatility was standing close to 18.6 at the timing of writing, approaching the levels that prevailed in late January before the latest bout of sell-off in equity markets. In FX markets, the USD was firmer supported by higher US Treasury yields with the DXY index hovering around a multi-session intraday high of 89.635 marked earlier today, 0.6% higher from Friday's close.

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### GREECE

The Eurogroup that convened yesterday verified that Greece has acted on all prior actions and exhibits strong ownership of the programme. Nevertheless, out of the 110 prior actions 2, which are outside of the government's controls, are still pending, namely the Presidential Decree for the Integrated Development Plan of Hellinikon and progress in electronic auctions in terms of unimpeded flow and geographical coverage. Once the institutions validate the completion of these 2 outstanding actions, national procedures will take place to approve the disbursement of the EUR 5.7 billion sub-tranche. Meanwhile, on 16 February Fitch upgraded Greece's Long-Term Foreign Currency Issuer Default Rating (IDR) to 'B' from 'B-' with outlook positive. The upgrade came on the back of improved expectations regarding general government debt sustainability supported by sustained GDP growth and general government primary surpluses, reduced political risks and additional fiscal measures to take effect by 2020. The positive outlook is based on expectations for a smooth completion of the 4<sup>th</sup> programme review and on the granting of substantial debt relief to Greece by the Eurogroup in 2018. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the turnover index in industry in December 2017 decreased by 2.6%YoY against an increase of 14.7%YoY, which was the corresponding change in December 2016. For the twelve-month period from January 2017 to December 2017 the average overall turnover index increased by 11.6% compared with the corresponding index of the 12-month period from January 2016 to December 2016.

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February 20, 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

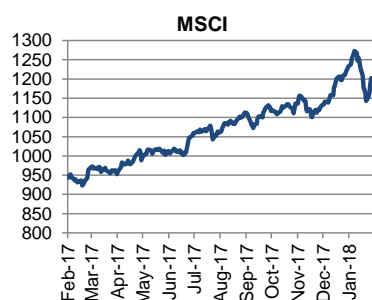
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities**ROMANIA: Indicator:**

	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

### BULGARIA

The Bulgarian equity market ended little changed on a weekly basis on Friday, with the main blue chip SOFIX index gaining 0.36% to finishing at 696 points. The weekly trading volume came in a little over €5.4mn. In a similar vein, Eurobond yields also ended the week little changed, with that of paper maturing in 2023 rising by 0.8 basis points. On the other hand, Bulgarian local-currency bond yields followed the global trend upwards, with that of 8-year tenor advancing by 4.9 bps on a weekly basis.

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### SERBIA

Downside pressures on the EUR/RSD continued over the last few days due to oversupply of euros amid strong demand for dinar-denominated bonds this month. An attempt to breach below the 118.00 level was a trigger for the National Bank of Serbia (NBS) to appear on the EUR buying side, for the first time since December 26<sup>th</sup> last year. In more detail, the pair hit a 3-1/2-year low of 118.00/20 intraday on Monday, before NBS bought €30mn in the FX market to halt the dinar's gains. Considering the fact that Serbia's Public Debt Administration has two more scheduled auctions this month, on February 20<sup>th</sup> and 27<sup>th</sup> for dinar-denominated T-bonds, we could expect the EUR/RSD to remain underdownside pressure. Consequently, renewed NBS interventions are very possible in the coming days.

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February 20, 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	2732.22	0.0%	2.2%	EUR/USD	1.2342	-0.5%	2.8%	UST - 10yr	2.91	3	50	GOLD	1338	-0.7%	2.7%
Nikkei 225	21925.10	-1.0%	-3.7%	GBP/USD	1.3992	-0.1%	3.5%	Bund-10yr	0.74	0	31	BRENT CRUDE	65	-1.1%	-2.9%
STOXX 600	377.70	-0.1%	-2.9%	USD/JPY	107.19	-0.6%	5.1%	JGB - 10yr	0.07	0	2	LMEX	3428	-1.0%	0.3%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	2	0
1-week	2.65	1	4
1-month	2.83	1	-2
3-month	3.13	1	1
6-month	3.24	2	0

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.99	0	-29
5Y RSD	4.23	0	-7
7Y RSD	4.63	#N/A	N/A

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.42	#N/A	N/A
USD Nov-24	6.23	#N/A	N/A

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	100	0	-18
10-year	147	-1	-15

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	753.4	-0.61%	-0.85%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.11	0.10%	0.68%

**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.32	0	23
1-month	1.6	0	-27
3-month	2.09	1	4
6-month	2.4	0	13
12-month	2.5	1	18

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.49	0	11
5Y RON	3.97	0	19
10Y RON	4.60	0	29

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.61	#N/A	N/A
USD Jan-24	3.71	3	71

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	79	-1	-11
10-year	125	-1	-9

**STOCKS**

	Last	ΔD	ΔYTD
BET	8320.7	0.07%	7.31%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.662	-0.01%	0.06%

**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.27	0	-1
3-month	-0.19	0	-1
6-month	-0.06	0	-1
12-month	0.32	0	-1

**BG Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	0	2
5Y BGN	0.25	0	10
10Y BGN	1.09	0	12

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.18	0	25
EUR Sep-24	0.77	0	20

**CDS**

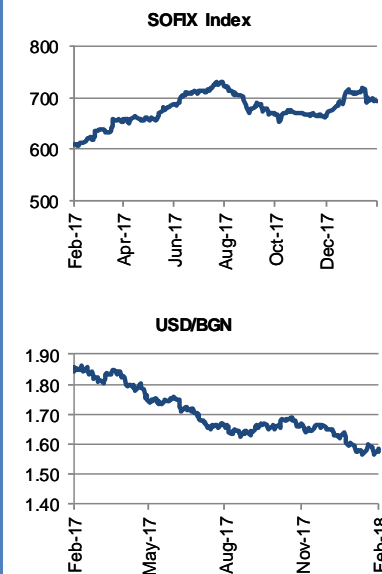
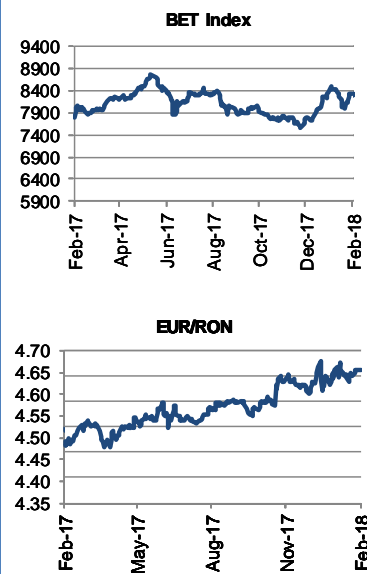
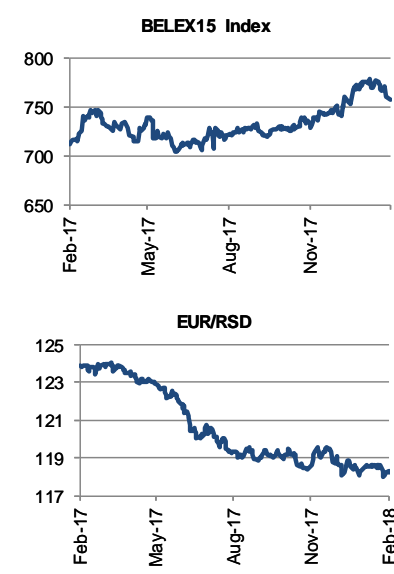
	Last	ΔDbps	ΔYTD bps
5-year	59	-1	-38
10-year	103	-1	-39

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	691.9	-0.02%	2.13%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.5848	-0.52%	2.81%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:30EST

February 20, 2018

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