



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, March 21, 2018

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: Market focus today is on the FOMC policy announcement at 19:00 CET and the updated Summary of Economic projections, in particular the growth forecasts and interest rate projections (the "dots"). Market consensus is for a 25bps rate hike that would lift the federal funds target range to 1.50-1.75%. Awaiting the FOMC verdict, the USD was slightly weaker and core bond yields were higher on the day coming close to the upper end of recent ranges. Besides the FOMC policy announcement, markets today are eagerly awaiting UK employment related data especially on the back of increased expectations for a BoE rate hike in May following the EU/UK post-Brexit transitional deal earlier this week.

GREECE: In the privatisations front, the unsealing of the binding offers for DESFA, which were submitted on 16 February, will reportedly be further delayed. According to a CEPR report released yesterday on the Greek official debt, the current status quo with full set of potential debt-relief instruments' scenario is not one where Greek debt is sustainable with high probability.

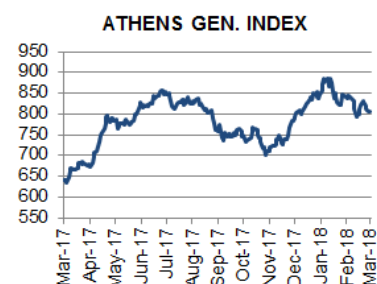
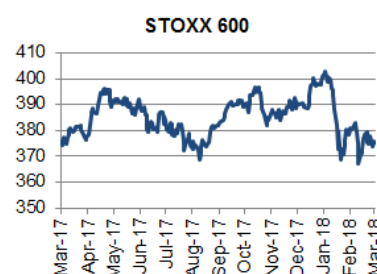
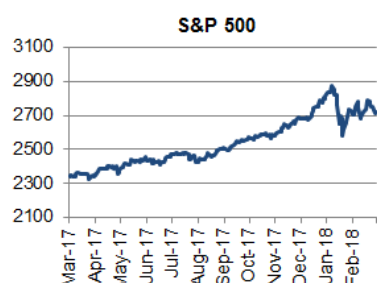
SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded mixed earlier on Wednesday ahead of the FOMC meeting announcement later on the day.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Market focus today is on the FOMC policy announcement at 19:00 CET and the updated Summary of Economic projections, in particular the growth forecasts and interest rate projections (the "dots"). 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. Along these lines, 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 2018 will be a close call, signaling either three or four rate hikes by the end of the year. Awaiting the FOMC verdict, the USD was slightly weaker on a daily basis with the EUR/USD rebounding modestly to levels around 1.2280 in early European trade at the time of writing after hitting a three-week low slightly below 1.2240 in the prior session. Core bond yields were higher on the day coming close to the upper end of recent ranges. The 2-yr UST yield was standing not too far from Tuesday's fresh multi-year intraday high close to 2.35% taking the spread against its European counterpart to levels above 290bps, the widest in 21 years, reflecting market perception about divergence in ECB and Fed monetary policy outlooks on the view that the former will pursue a slow and steady approach to unwinding monetary policy stimulus. Besides the FOMC policy announcement, markets today are eagerly awaiting UK employment related data especially on the back of increased expectations for a BoE rate hike in May following the EU/UK post-Brexit transitional deal earlier this week.

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GREECE

In the privatisations front, the unsealing of the binding offers for DESFA, which were submitted on 16 February, will reportedly be further delayed. According to the January EU 3rd Programme Compliance Report the Share Purchase Agreement and Shareholders' Agreement for DESFA should be signed by April 2018, with a closing by June 2018, but as things stand, the closing of the privatisation is likely to be delayed. In other news, a CEPR (Centre for Economic Policy Reform) report published yesterday opines that as things stand Greece's public debt is not sustainable "even under the most optimistic assumptions and taking into account the 'short-term' debt relief measures already implemented in 2017, the gross financing needs (GFN) thresholds, of 15% of GDP in the medium term and 20% thereafter, that the Eurogroup accepted in its June 2017 statement for the purposes of determining sustainability are violated". Additionally, the report suggests that even under a scenario where the full set of potential debt relief instruments described and hinted at in Eurogroup statements is deployed (including EFSF re-profiling and capping and deferral of interest payments) and under the Eurogroup's relatively optimistic assumptions about growth and fiscal policy, Greece's debt would only be rendered just sustainable, maybe. As a result, according to the CEPR report, "this status quo with full set of potential debt-relief instruments' scenario is not one where Greek debt is sustainable with high probability".

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March 21, 2018

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets traded mixed earlier on Wednesday ahead of the FOMC meeting announcement later on the day. The Committee is expected to deliver another 25bps rate hike on the fed funds rate, while market focus will be primarily on the accompanying dot-plot, updated economic projections and press conference by the FOMC's Chair Powell for any hints over the Fed's tightening trajectory ahead. Against this backdrop, the MSCI Emerging Markets Index fell by 0.2% on the day in morning European trade. The index eased to a multi-session trough this week amid increased global trade war fears. On the flipside, most bourses in the CESEE region stood in a modestly positive territory, with Turkey's BIST 100 leading the gains via a 0.7% daily advance.

In FX markets, emerging market currencies were mostly weaker earlier on Wednesday. The Turkish lira gained some ground in European trade compared to Tuesday's settlement, but remained within distance from yesterday's record low near 4.87 hit against the euro and 3 1/2 month trough of 3.9525 reached against the US dollar. The Turkish currency has come under pressure in recent months as the country is considered amongst the economies most exposed to a tighter Fed monetary policy due to its high external imbalances. At the same time, geopolitical jitters have also weighed on the TRY. Earlier this week President Tayyip Erdogan highlighted that Turkey may expand a military operation against Kurdish YPG fighters along the length of its border with Syria and, if necessary, to northern Iraq. Meanwhile, tensions in the country's relations with the US and the EU have mounted of late. Additionally, the lack of a more aggressive Central Bank action despite elevated inflation has added to the lira's woes. Recall that Moody's downgraded in early March the country's sovereign credit rating by one notch to Ba2 with stable outlook, citing "continued loss of institutional strength" and high external vulnerabilities. Elsewhere, the Polish zloty slid to a 4-month low close to 4.2430/€ on worries that the European Commission may launch proceedings under Article 7. Speaking on the sidelines of a meeting with EU ministers in Brussels, European Commission's deputy head Frans Timmermans reportedly dismissed a "white paper" published by Poland defending judicial changes, which the European Commission has warned they may compromise the independence of the country's courts.

In the local currency debt markets, Serbia's Public Debt Administration sold on Tuesday RSD 8.361bn of 10-year T-bonds. The paper was sold at an average price of 106.0505 and yield of 5.17%, slightly below 5.29% achieved at a prior tender of the same paper held earlier in the month. The security matures on February 8, 2028 and bears an annual coupon of 5.875%. It is worth noting that government bond yields have decreased further in Serbia so far this year, as macro fundamentals continue to improve while the Central Bank recently delivered yet another 25bps rate cut on its key policy rate to 3.25% at its MPC meeting in March amid low inflation pressures.

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

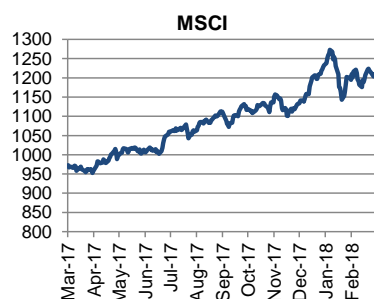
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

* 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 21, 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	2716.94	0.1%	1.6%	EUR/USD	1.2287	0.4%	2.3%	UST - 10yr	2.88	-1	48	GOLD	1317	0.5%	1.1%
Nikkei 225	21380.97	-0.5%	-6.1%	GBP/USD	1.4042	0.3%	3.9%	Bund-10yr	0.59	1	16	BRENT CRUDE	68	0.2%	1.0%
STOXX 600	375.36	-0.1%	-3.6%	USD/JPY	106.27	0.2%	6.0%	JGB - 10yr	0.04	0	-1	LMEX	3227	-1.1%	-5.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.33	-1	-19
1-week	2.47	-1	-14
1-month	2.65	-1	-20
3-month	2.89	-2	-23
6-month	3.08	-1	-16

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.92	0	-36
5Y RSD	4.18	-2	-6
7Y RSD	4.62	0	-56

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.48	0	48
USD Nov-24	6.39	-16	36

CDS

	Last	ΔDbps	ΔYTD bps
5-year	101	7	-16
10-year	137	3	-25

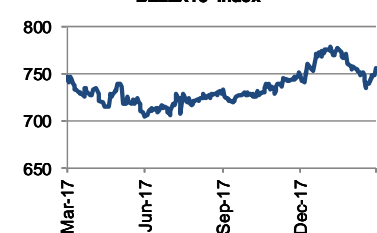
STOCKS

	Last	ΔD	ΔYTD
BELEX15	754.7	-0.11%	-0.67%

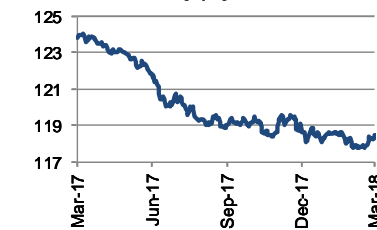
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.38	0.03%	0.45%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.32	0	23
1-month	1.58	0	-29
3-month	2.03	0	-2
6-month	2.37	0	10
12-month	2.51	0	19

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.30	0	-9
5Y RON	4.03	0	25
10Y RON	4.46	0	15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	2
USD Jan-24	3.79	1	79

CDS

	Last	ΔDbps	ΔYTD bps
5-year	90	7	0
10-year	128	2	-5

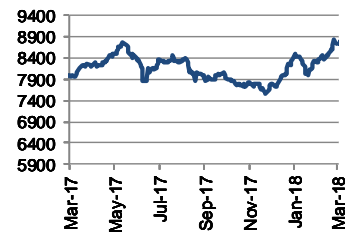
STOCKS

	Last	ΔD	ΔYTD
BET	8742.1	0.12%	12.75%

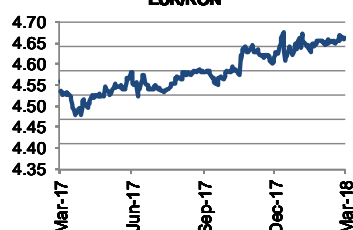
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6672	-0.04%	-0.05%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.01	0	1
1-month	-0.27	0	-2
3-month	-0.19	0	-1
6-month	-0.06	0	-1
12-month	0.27	0	-5

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.01	0	6
5Y BGN	0.23	0	8
10Y BGN	1.09	0	12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.19	0	27
EUR Sep-24	0.86	0	29

CDS

	Last	ΔDbps	ΔYTD bps
5-year	58	1	-38
10-year	104	3	-38

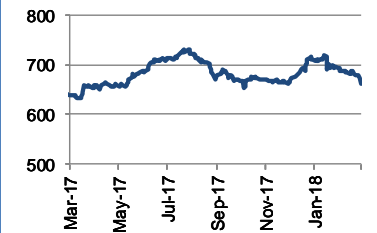
STOCKS

	Last	ΔD	ΔYTD
SOFIX	662.4	0.25%	-2.22%

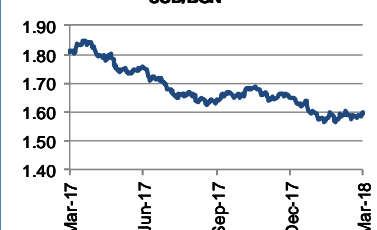
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.592	0.36%	2.35%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:45 EST

March 21, 2018

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