



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, February 23, 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, 2nd 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: The EUR/USD was trading close to 1.2310/20 in European trade on Friday, poised for weekly losses of around 1.0%, the second biggest in nearly four months. Euro area political jitters are mounting as we move closer to March 4 when both Italian general election and the announcement of the outcome of the German SPD members' vote on whether to join another grand coalition, are due. Elsewhere, US Treasuries and German Bunds were firmer on the day with the former underperforming following yesterday's poorly received 7-yr bond auction amid expectations for a considerably higher government bond issuance ahead to fund expanded fiscal stimulus.

GREECE: The Council of State endorsed yesterday the Presidential Decree that approves the Integrated Development Plan of Hellinikon, closing thus one of the two outstanding prior actions for the disbursement of the EUR 5.7 billion loan tranche. According to the Bank of Greece, in 2017 travel receipts rose by 10.5%YoY amounting to EUR 14.6 billion while the number of inbound visitors rose by 9.7%YoY reaching 27.2 million.

SOUTH EASTERN EUROPE

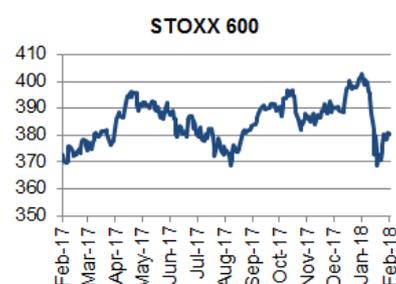
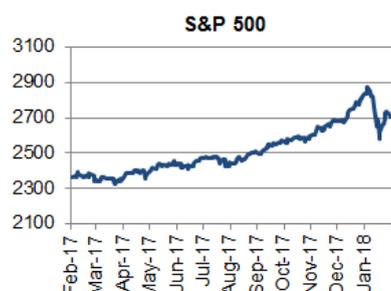
BULGARIA: According to IMF, GDP growth is now expected to reach 3.8% in 2018, 0.2ppts higher than in the WEO autumn forecast.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD retained a positive tone in early European trade on Friday supported by expectations for a continued gradual pace of Fed rate tightening ahead in the wake of the relatively hawkish tone of the minutes from the January 30-31 FOMC meeting released earlier this week. The DXY index was 0.3% firmer compared to Thursday's close and on track for 1.0% weekly gains ahead of the FOMC Chairman Jerome Powell's first semi-annual testimony next week which has the potential to impact the currency's near-term outlook, especially if his comments diverge significantly from the latest FOMC minutes. Against this background, the EUR/USD was trading close to 1.2300 at the time of writing, poised for weekly losses of around 1.0%, the second biggest in the last four months. Euro area political jitters are mounting as we move closer to March 4 when both Italian general election and the announcement of the outcome of the German SPD members' vote on whether to join another grand coalition, are due. German data yesterday showing a bigger than expected 2.2 points drop to 115.4 of the February IFO business climate index, probably due to the latest bout of increased volatility in equity markets, the stronger EUR and political uncertainty in Germany, may have also had a negative impact on the EUR. Furthermore, the tone of the accounts of the January ECB monetary policy meeting released yesterday was similar to President Mario Draghi's comments at the press conference suggesting that, in spite of the positive euro area growth momentum, the Central Bank is in no rush to revisit the forward guidance amid persistently subdued underlying inflation pressures. Elsewhere, US Treasuries and German Bunds were firmer on the day with the former underperforming following yesterday's poorly received 7-yr bond auction amid expectations for a considerably higher government bond issuance ahead to fund expanded fiscal stimulus.

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GREECE

The Council of State endorsed yesterday the Presidential Decree that approves the Integrated Development Plan of Hellinikon, closing thus one of the two outstanding prior actions for the disbursement of the EUR 5.7 billion loan tranche. Although the issuance of the Presidential Decree is decisive for the implementation of the project, a number of actions are still to be carried out before construction works begin such as the issuance of a couple of ministerial decisions and the evacuation of the site by its current users. According to the Bank of Greece, in 2017 travel receipts rose by 10.5%YoY amounting to EUR 14.6 billion, mainly due to the increase of receipts from Euro area countries (+20.6%YoY), and to a lesser extent the increase of travel receipts from Non-euro area countries within the EU28 (+3.6%YoY) and non-EU28 countries (+5.6%YoY). The number of inbound visitors rose by 9.7%YoY reaching 27.2 million with visitors from Non-EU28 countries leading the increase (+13.6%YoY) followed by Euro area visitors (+10.4%YoY) and Non-euro area countries within the EU28 (+5.3%YoY).

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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

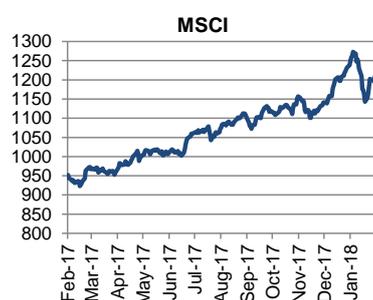
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	-5.7	-4.7
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	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	B1	BB+	BB-

Latest economic & market developments in the CESEE region

BULGARIA

IMF published yesterday the Article IV consultation report on Bulgaria. According to IMF, GDP growth is now expected to reach 3.8% in 2018, 0.2ppts higher than in the WEO autumn forecast. The main challenge is to translate the recent recovery into sustained and inclusive growth and convergence with other EU countries. Bulgaria's per capita income is only half of the EU average and income inequality is higher than the EU average. GDP Growth is projected to moderate to 2.75% over the medium term, reflecting capacity constraints and unfavorable demographics.

Having expanded by 0.8% QoQ/3.6% YoY in Q4-2017 down from 0.9%/3.9% YoY in Q3-2017, Bulgaria is now widely expected to register another year of strong - above potential - growth in 2018. The economy is expected to benefit from further labor market improvement, accelerating credit activity dynamics, a more expansionary fiscal policy stance, a vibrant export oriented manufacturing sector and an emerging tourism sector. The economy is operating at or close to full employment (the relevant % of companies reportedly confronted with labor scarcity in the EU survey, has climbed to 40% in Q4 up from only 13% in Q4-2013). Fiscal policy is expected to be more growth-supportive provided that budget execution aligns with the 1% of GDP deficit target in 2018 vs. a 0.8% surplus in 2017. Credit to the non-government sector accelerated to 4.8% YoY last December vs. only 1.5% YoY in 2016. With capacity utilization standing at an all-time high, private companies will need to invest more in order to strengthen their productive capacity. Finally, investments are going to receive support from improved EU funds absorption.

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February 23, 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	2703.96	0.1%	1.1%	EUR/USD	1.231	-0.2%	2.5%	UST - 10yr	2.90	-2	50	GOLD	1328	-0.3%	1.9%
Nikkei 225	21892.78	0.7%	-3.8%	GBP/USD	1.398	0.2%	3.4%	Bund-10yr	0.68	-2	26	BRENT CRUDE	66	-0.5%	-1.2%
STOXX 600	380.19	0.0%	-2.3%	USD/JPY	106.88	-0.1%	5.4%	JGB - 10yr	0.05	0	1	LMEX	3428	0.1%	0.3%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA								
Money Market				Money Market				Money Market								
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps	LEONIA	Last	ΔDbps	ΔYTD bps	
T/N	2.60	6	8	O/N	1.31	0	22	1-month	0.01	0	1	1-month	-0.27	0	-1	
1-week	2.73	7	12	1-month	1.61	-1	-26	3-month	-0.27	0	-1	3-month	-0.19	0	-1	
1-month	2.91	8	6	3-month	2.09	0	4	6-month	-0.06	0	-1	6-month	-0.06	0	-1	
3-month	3.17	4	5	6-month	2.42	2	15	12-month	0.32	0	-1	12-month	0.32	0	-1	
6-month	3.30	6	6	12-month	2.52	1	20									
RS Local Bonds				RO Local Bonds				BG Local Bonds								
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
3Y RSD	3.99	0	-29	3Y RON	3.46	0	7	3Y BGN	-0.06	0	0	5Y BGN	0.23	0	9	
5Y RSD	4.23	0	-7	5Y RON	3.95	0	17	5Y BGN	0.23	0	9	10Y BGN	1.07	0	10	
7Y RSD	4.62	0	-56	10Y RON	4.53	0	22									
RS Eurobonds				RO Eurobonds				BG Eurobonds								
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
USD Feb-20	3.53	1	54	EUR Oct-25	1.60	#N/A	N/A	1	EUR Mar-22	0.21	0	29	EUR Sep-24	0.84	0	26
USD Nov-24	6.28	-21	25	USD Jan-24	3.70	0	70									
CDS				CDS				CDS								
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
5-year	101	0	-17	5-year	84	0	-6	5-year	57	0	-40	10-year	100	-3	-41	
10-year	148	0	-14	10-year	128	0	-5	10-year	100	-3	-41					
STOCKS				STOCKS				STOCKS								
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
BELEX15	757.7	0.11%	-0.28%	BET	8314.4	0.29%	7.23%	SOFIX	688.6	0.11%	1.65%					
FOREX				FOREX				FOREX								
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
EUR/RSD	117.88	0.05%	0.87%	EUR/RON	4.6548	0.02%	0.21%	USD/BGN	1.5888	-0.16%	2.56%					

BELEX15 Index		BET Index		SOFIX Index	
	800		9400		800
EUR/RSD		EUR/RON		USD/BGN	
	125		4.70		1.90

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:45 EST

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