

### 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:** Following the publication of the results of the US Section 301 investigation into China's intellectual property practices on Thursday, US President Donald Trump announced his decision for the imposition of 25% tariffs on goods imported from China valued at about \$50-60bn and signaled plans to increase restrictions on Chinese investment in key US technologies. In response to the US's tariff order, China announced plans for reciprocal tariffs on goods imported from the US valued at \$3bn adding that it will pursue legal action against the US at the WTO in response to the US planned tariffs on steel and aluminum. Amid fears over a global trade war, global equity markets weakened sharply while the USD lost ground across the board. In a day lacking important data releases, focus is on S&P, which will review the sovereign credit rating of Spain. Market consensus is that the rating agency will follow the upgrade of Spain by Fitch from BBB+ to A-.

**GREECE:** According to the draft ESM proposal for the terms of the 4<sup>th</sup> tranche of EUR 6.7bn under the Financial Assistance Facility Agreement for Greece, the said tranche will be earmarked as follows: EUR 3.3bn for debt service, EUR 1.5bn for domestic arrears clearance and EUR 1.9bn as a cash buffer. According to the Hellenic Statistical Authority (ELSTAT), the overall turnover index in industry in January 2018 recorded an increase of 12.7%YoY. According to the Outlook 2018 report released by the intelligence unit of the Greek Tourism Confederation (INSETE), as of 31 January 2018, the reserved airline slots in Greece's regional airports for the summer of 2018 are 22% higher compared to the respective ones of 2017.

### SOUTH EASTERN EUROPE

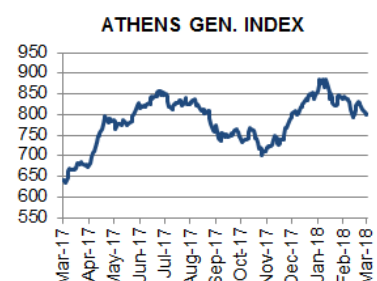
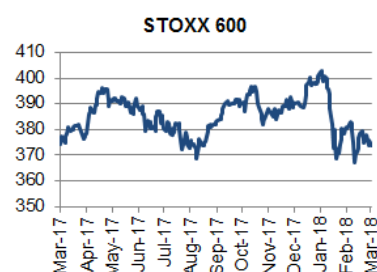
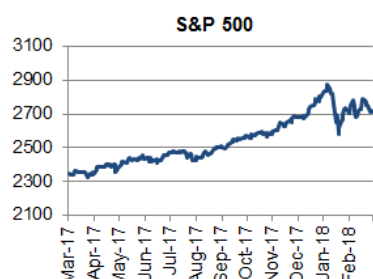
**CESEE MARKETS:** Trailing the sell-off in global equity markets amid mounting trade war fears emerging market assets lost ground in early European trade on Friday. In FX markets, the Turkish lira hit new record lows against the EUR and the USD.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Following the publication of the results of the US Section 301 investigation into China's intellectual property practices on Thursday, US President Donald Trump announced his decision for the imposition of 25% tariffs on goods imported from China valued at about \$50-60bn and signaled plans to increase restrictions on Chinese investment in key US technologies. The US President instructed the US Trade Representative to propose a list of products and tariffs within 15 days of the tariff order announcement and subsequently, there will be a 30-day period during which companies could raise objections. At the same time, the US President announced that, besides Mexico and Canada, four additional major trading partners, the EU, S. Korea, Australia and Brazil, will be temporarily exempted from the recently announced steel and aluminum tariffs that come into effect as of today, March 23. In response to the US's tariff order, China announced plans for reciprocal tariffs on goods imported from the US valued at \$3bn adding that it will pursue legal action against the US at the WTO in response to the US planned tariffs on steel and aluminum. Amid fears that US tariff orders could escalate into a global trade war, US stocks fell sharply overnight by 2.5-3.0%, the biggest daily losses since early February with the equity implied volatility index (VIX) rising above the 23% level. Asian bourses followed suit along with major European equity markets which were deeply in the red in early trade today. Enhanced by their safe-haven allure at periods of increased risk aversion, core government bonds firmed with the 10-yr UST yield falling by c. 1.5bp on the day to 2.81% while the 10-yr Bund yield weakened towards 0.52%. In FX markets, the USD was weaker on the day across the board especially against the JPY falling to 104.62 at some point earlier today, the lowest since early November. In a day lacking important data releases, focus is on S&P, which will review the sovereign credit rating of Spain. Market consensus is that the rating agency will follow the upgrade of Spain by Fitch from BBB+ to A-.

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### GREECE

According to the draft ESM proposal for the terms of the 4<sup>th</sup> tranche of EUR 6.7bn under the Financial Assistance Facility Agreement for Greece, based on the assessment of Greece's financing needs carried out in August 2015 as well as the most recent appraisal for the current financing needs, the said tranche will be earmarked as follows: EUR 3.3bn for debt service, EUR 1.5bn for domestic arrears clearance and EUR 1.9bn as a cash buffer. The first disbursement of EUR 5.7bn will take place before 15 April 2018 while the remaining EUR 1bn may be disbursed in one or more further disbursements from 1 May 2018 onwards. It should be noted that a favourable assessment by the European institutions on the effectiveness of the e-auctions system will be an additional condition for further disbursements for arrears clearance purposes. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the overall turnover index in industry in January 2018 recorded an increase of 12.7%YoY while in January 2017 the corresponding change was +27.9%YoY. For the 12-month period from February 2017 to January 2018 the average overall turnover index in industry increased 11.0%YoY while in January 2017 the corresponding change was -2.4%YoY. In other news, according to the Outlook 2018 report released by the intelligence unit of the Greek Tourism Confederation (INSETE), as of 31 January 2018, the scheduled airline slots in Greece's regional airports for the summer of 2018 are 22% higher compared to the respective ones of 2017. Although scheduled airline slots do not necessarily translate into arrivals, the significant demand increase bodes well for the coming tourism season.

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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

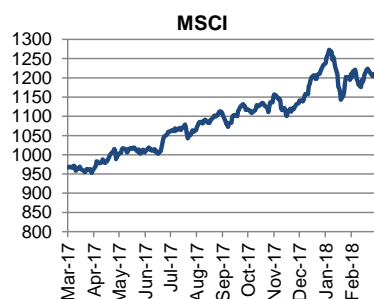
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: 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-

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Trailing the sell-off in global equity markets amid mounting trade war fears emerging market assets lost ground in early European trade on Friday. Following the announcement of tariffs on Chinese imports US President Donald Trump yesterday, China retaliated with the Commerce Ministry unveiling overnight plans for tariffs of 15-25% to be imposed on goods imported from the US worth USD 3bn.

In this context, emerging equity markets sold off with Asian bourses leading the decline amid losses in the tune of more than 4% in key indices in China. Meanwhile, the broader MSCI Emerging Markets Index fell by ca 2% on the day, poised to end the week with losses in excess of 3%, its worst weekly performance since the early February global equity sell-off. In the CESEE space, regional bourses also fell, albeit registering rather contained losses compared to their Asian peers. Indicatively, Poland's WIG20 and Turkey's BIST 100 led the losers' pack having lost 1.8% and 1.2%, respectively, in European trade compared to the prior session's settlement. Meanwhile, main indices in Serbia and Bulgaria bucked the negative trend to post modest gains of 0.8-0.2% at the time of writing.

In FX markets, emerging market currencies recoiled amid deteriorating risk appetite. The Turkish lira reached a new record lows near 4.9730 against the EUR and 4.0346 vs. the USD. The Turkish currency is amongst the most vulnerable to Fed rate hikes – the last one was delivered earlier this week - due to the country's elevated external imbalances, having come under additional pressure in recent months in view of ongoing geopolitical jitters, increased frictions with the EU and the US and the lack of a more aggressive Central Bank action despite elevated inflation.

Today's calendar of macroeconomic data releases and events is very light, with a review by Moody's on Poland's sovereign credit rating among those worth noting. The agency is most likely to maintain Poland's current rating at A2 with stable outlook stable, though any hints about a possible change in the outlook later in the year will likely be the main focus of today's review. A change to positive in the outlook in the second half of 2018 appears likely amid improved fiscal metrics and overall favorable macroeconomic fundamentals.

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Friday 23 March 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	2677.01	-1.3%	0.1%	EUR/USD	1.2302	-0.3%	2.5%	UST - 10yr	2.82	-7	41	GOLD	1329	-0.2%	2.0%
Nikkei 225	21591.99	1.0%	-5.2%	GBP/USD	1.4098	-0.3%	4.3%	Bund-10yr	0.53	-7	10	BRENT CRUDE	69	-0.9%	2.9%
STOXX 600	367.95	-1.9%	-5.5%	USD/JPY	105.48	0.5%	6.8%	JGB - 10yr	0.04	-1	-1	LMEX	3250	0.7%	-4.9%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.33	-1	-19
1-week	2.47	-2	-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	4.14	0	-10
7Y RSD	4.62	0	-56

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.48	-2	48
USD Nov-24	6.39	-17	35

#### CDS

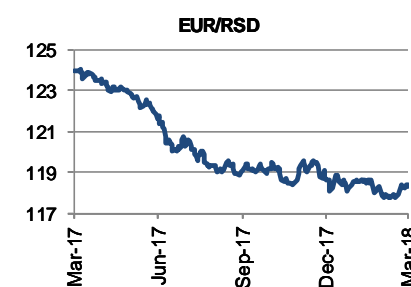
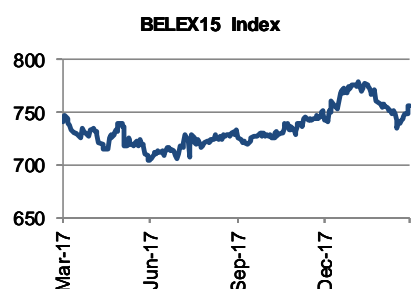
	Last	ΔDbps	ΔYTD bps
5-year	101	0	-17
10-year	136	-1	-26

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	754.7	-0.26%	-0.67%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.21	1.02%	0.59%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.34	2	25
1-month	1.59	1	-28
3-month	2.05	2	0
6-month	2.39	1	12
12-month	2.53	2	21

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.31	0	-7
5Y RON	4.06	0	28
10Y RON	4.49	0	18

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	-3
USD Jan-24	3.79	-1	80

#### CDS

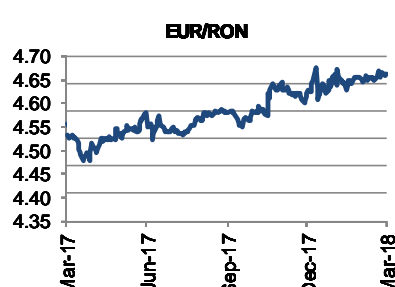
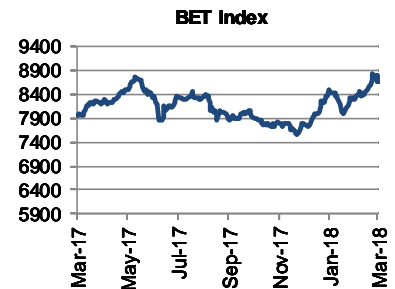
	Last	ΔDbps	ΔYTD bps
5-year	90	0	0
10-year	128	0	-6

#### STOCKS

	Last	ΔD	ΔYTD
BET	8676.9	-1.29%	11.91%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.668	0.00%	-0.07%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	-1	-3
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	0.00	0	6
5Y BGN	0.22	-1	8
10Y BGN	1.06	0	10

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.19	0	27
EUR Sep-24	0.86	0	28

#### CDS

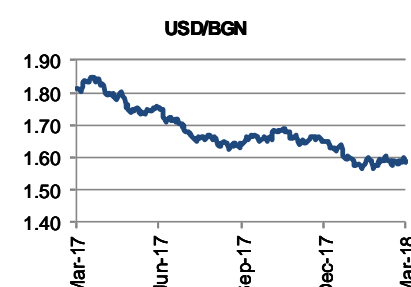
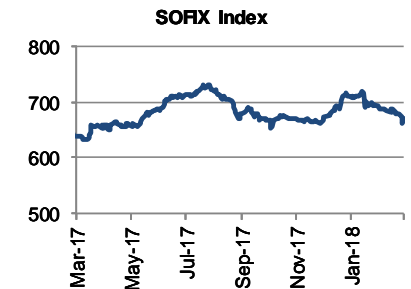
	Last	ΔDbps	ΔYTD bps
5-year	58	0	-38
10-year	103	0	-38

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	667.7	-0.29%	-1.44%

#### FOREX

	0	ΔD	ΔYTD
USD/BGN	1.5899	-0.28%	2.48%



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

Data updated as of 17:15 EST of previous session

Friday 23 March 2018

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