

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### CHINA

- Feb 28: PMI Manuf (Feb)
- Mar 1: Caixin PMI Manuf (Feb)

##### US

- Feb 26: New home sales (Jan)
- Feb 27
  - Durable goods orders (Jan)
  - CB consumer conf (Feb)
- Feb 28
  - GDP (Q4, 2<sup>nd</sup> estimate)
  - Chicago PMI (Feb)
  - Pending home sales (Jan)
  - Fed Chair Powell testifies (House)
- Mar 1
  - Personal income & spending (Jan)
  - Jobless claims (weekly)
  - ISM manufacturing (Feb)
  - Fed Chair Powell testifies (Senate)
- Mar 2: UM Cons conf (Feb)

##### EUROZONE

- Feb 27: ESI (Feb)
- Feb 28: CPI (prel. Feb)
- Mar 1: U/E rate (Jan)
- Mar 2: DE: retail sales (Jan)

##### UK

- Mar 2: PM May's Brexit speech

##### GREECE

- Feb 28: Retail sales (Dec)
- Mar 1: Markit PMI manuf (Feb)

##### CYPRUS

- Mar 1: CPI (Feb)

##### SEE

##### BULGARIA

- Feb 28
  - Gross external debt (Dec)
  - Budget balance (Jan)

##### ROMANIA

- Feb 26: T-bonds auction
- Mar 1
  - ILO U/E rate (Jan)
  - International reserves (Feb)
- Mar 2: Moody's & S&P review

##### SERBIA

- Feb 26: Gross wages (Jan)
- Feb 28
  - Industrial production (Jan)
  - GDP (Q4, final)
  - Retail sales (Jan)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The VIX volatility index closed at three-week lows on Friday, well below a peak of 50.30 marked at the height of the early-February global stocks sell-off, mostly thanks to the release of the Fed's Monetary Policy Report on Friday — the document on which Chairman Jerome Powell will testify this week before the House (Wednesday) and the Senate (Thursday) — which supported the prevailing market view for a gradual Fed rate tightening path ahead. Elsewhere, US Treasuries and German Bunds recovered some ground in early trade on Monday while the USD was a tad lower across the board.

**GREECE:** The institutions' (EC/ESM/ECB/IMF) heads are expected today in Athens in order to prepare the agenda and timetable of the 4<sup>th</sup> programme review and also assess the progress of the 88 prior actions attached to that review (so far 11 have reportedly been fulfilled). ESM Managing Director Klaus Regling stated that the institutions are ready to grant debt relief to Greece provided that the country continues the implementation of reforms. Technical discussions on debt relief as well as on the mechanism that will link debt repayment to GDP growth are ongoing and their initial conclusions are expected to be presented at the 1 March Euroworking Group. The Hellenic Parliament ratified the agreement between the Greek State and the Thessaloniki Port Authority (OLTH) S.A. for the sale of a 67% share of the latter to the preferred investor South Europe Gateway Thessaloniki.

### SOUTH EASTERN EUROPE

**BULGARIA:** The Bulgarian equity market ended lower last week. Elsewhere, Eurobond yields on the short end of the curve came under some upward pressure. Meanwhile, Bulgarian local-currency bond yields remained largely unchanged on a weekly basis on Friday.

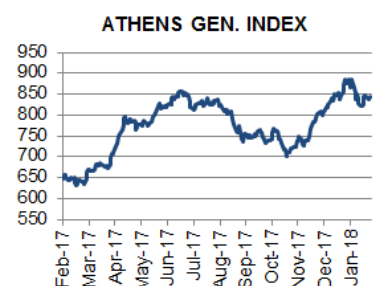
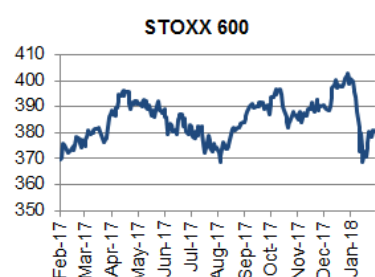
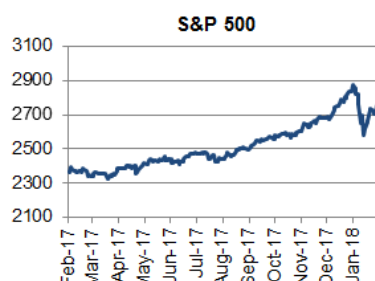
**SERBIA:** Unabated demand for RSD-denominated T-bonds dragged the EUR/RSD lower last week. However, the pair's downside momentum was intercepted by constant presence by the National Bank of Serbia.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from Wall Street's positive performance on Friday, major Asian bourses ended higher earlier today and European bourses were trading into positive territory in early trade. The VIX volatility index closed at a three-week low of 16.49 last week, well below a peak of 50.30 marked at the height of the early-February global stocks sell-off, mostly thanks to the release of the Fed's Monetary Policy Report on Friday —the document on which Chairman Jerome Powell will testify this week before the House (Wednesday) and the Senate on (Thursday) — which supported the prevailing market view for a gradual Fed rate tightening path ahead. Meanwhile, ahead of a flurry of key US data releases this week, including Thursday's January personal income and spending data, US Treasuries recovered some ground in early trade on Monday with the 10-yr yield hovering around 2.866% at the time of writing, 0.5bps and c. 9bps lower, respectively, compared to Friday's close and last week's four-year highs. Along these lines, the 10-yr Bund yield hit a one-month low of 0.641% earlier today, c. 1.5bps lower on the day and further below a more than two-year high of 0.808% marked in early February, ahead of ECB President Mario Draghi's speech before the European Parliament later today (15:00 CET). Market uncertainty ahead of Italy's general election and the announcement of the outcome of the vote of SPD party members on a coalition deal with Chancellor Merkel's conservative alliance CDU/CSU, both on Sunday, have also had an impact. In FX markets, following 0.9% gains last week, the DXY index moved lower in early European trade standing close to 89.657 at the time of writing. The EUR/USD was 0.2% firmer on the day hovering around 1.2320/25 while the GBP/USD recovered to levels slightly above 1.4000 ahead of UK PM Theresa May's keynote Road to Brexit Speech on Friday.

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### GREECE

The institutions' (EC/ESM/ECB/IMF) heads are expected today in Athens in order to prepare the agenda and timetable of the 4<sup>th</sup> programme review and also assess the progress of the 88 prior actions attached to that review (so far 11 have reportedly been fulfilled). The institutions' heads will reportedly stay in Athens for a week and then return towards the end of April, probably after the IMF/World Bank Spring Meetings (20-22 April). By then, according to a recent statement by the Greek FinMin Euclid Tsakalotos, the Greek government will have presented its own growth strategy for the post-programme period. Meanwhile, ESM Managing Director Klaus Regling stated that the institutions are ready to grant debt relief to Greece provided that the country continues the implementation of reforms. Technical discussions on debt relief as well as on the mechanism that will link debt repayment to GDP growth are ongoing and the initial conclusions are expected to be presented at the 1 March Euroworking Group, which will then refer the matter to the 12 March Eurogroup in order to reach an agreement in May or June 2018. On the privatisations front, the Hellenic Parliament ratified the agreement between the Greek State and the Thessaloniki Port Authority (OLTH) S.A. for the sale of a 67% share of the latter to the preferred investor South Europe Gateway Thessaloniki. According to the Hellenic Republic Asset Development Fund (HRADF) the total value of the agreement is estimated at c. EUR 1.1 billion, which includes: EUR 231.9 million for the 67% share acquisition, c. EUR 180 million in mandatory investments within the next 7 years, EUR 170 million expected revenues from the concession agreement for the Hellenic Republic, expected dividends receivable by the HRADF from the remaining 7.22% stake and investments in excess of the mandatory ones until the end of the concession period in 2051.

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February 26, 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

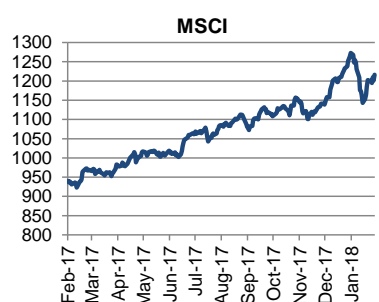
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities**ROMANIA: Indicator:**

	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	-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
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	B1	BB-

## Latest economic & market developments in the CESEE region

### BULGARIA

The Bulgarian equity market ended lower last week, with the blue chip SOFIX index falling by 1.3% to end on Friday below the 690 mark for the first time since early January at 687.26 points. The trading volume was lower than usual totaling €3.4mn. Elsewhere, Eurobond yields on the short end of the curve came under some upward pressure with the 2023 paper yield rising by 3.5 bps. Meanwhile, Bulgarian local-currency bond yields remained largely unchanged on a weekly basis on Friday. The yield of paper of 8 year tenor registered the largest change with a drop of 5.4 basis points followed by that of 9 year maturity, which marked a 4 bps decrease.

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### SERBIA

Unabated demand for RSD-denominated T-bonds dragged the EUR/RSD lower last week. However, the pair's downside momentum was intercepted by constant presence by the National Bank of Serbia. The Central Bank intervened in the FX markets in all of last week's five sessions buying a total of €120mn in order to halt the dinar's ongoing appreciation. On a weekly basis, the pair ended marginally lower, as the downmove, which was mostly instigated by strong investor interest for government bond auctions, was partly offset by Central Bank action aimed at mitigating excessive daily oscillations in the foreign exchange market.

In last week's T-bond auction calendar, the Ministry of Finance selling on Tuesday 10Y RSD-denominated T-bonds worth RSD18.89bn. The average accepted yield was at 5.29%, 6 basis points lower compared to that achieved at the previous auction of the same bond held on February 6<sup>th</sup>. The bid-to-cover ratio was 1.34 (RSD 24.18bn bids vs. RSD 18.05bn allotted). Going forward, we do believe that EUR/RSD downtrend will likely prevail in the sessions/weeks ahead as the bond auction schedule for March remains heavy (5y and 10YRSD auctions every Tuesday). However, the size of dinar appreciation will remain dependent on Central Bank interventions in the FX market.

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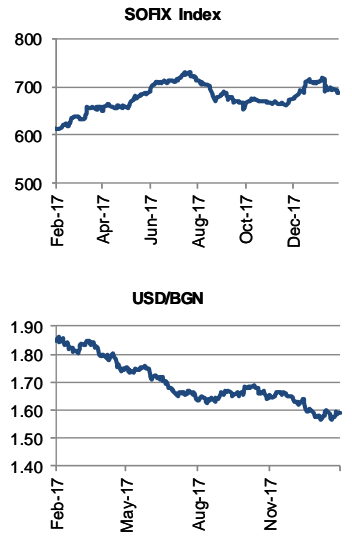
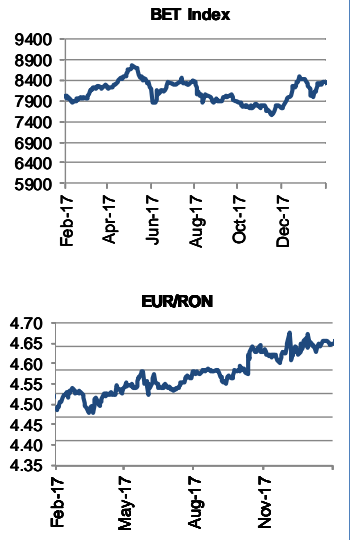
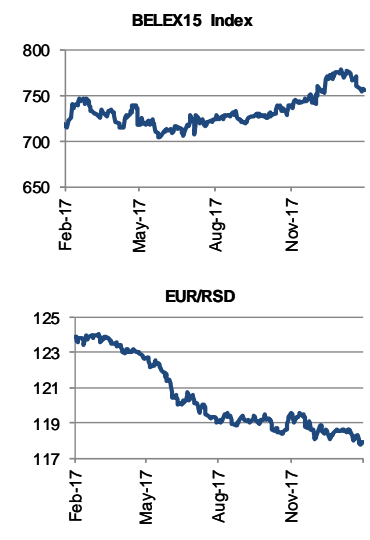
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GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2747.30	1.6%	2.8%	EUR/USD	1.2323	0.2%	2.6%	UST - 10yr	2.86	-1	45	GOLD	1340	0.8%	2.8%
Nikkei 225	22153.63	1.2%	-2.7%	GBP/USD	1.4031	0.4%	3.8%	Bund-10yr	0.65	0	22	BRENT CRUDE	67	0.0%	0.7%
STOXX 600	381.16	0.2%	-2.1%	USD/JPY	106.53	0.3%	5.8%	JGB - 10yr	0.05	-1	0	LME X	3392	-1.1%	-0.8%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA				
Money Market				Money Market				Money Market				
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps	
T/N	2.58	-2	6	O/N	1.31	0	22	LEONIA	0.01	0	1	
1-week	2.71	-2	10	1-month	1.61	0	-26	1-month	-0.27	0	-2	
1-month	2.90	-1	5	3-month	2.09	0	4	3-month	-0.19	0	-1	
3-month	3.17	0	5	6-month	2.42	0	15	6-month	-0.06	0	-1	
6-month	3.29	-1	5	12-month	2.52	0	20	12-month	0.31	0	-1	
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps	
3Y RSD	3.95	0	-32	3Y RON	3.44	0	6	3Y BGN	-0.06	0	0	
5Y RSD	4.25	0	-5	5Y RON	3.94	0	16	5Y BGN	0.23	0	8	
7Y RSD	4.58	0	-60	10Y RON	4.49	0	18	10Y BGN	1.06	0	10	
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
USD Feb-20	3.53	0	54	EUR Oct-25	1.60	#N/A	N/A	1	EUR Mar-22	0.21	0	29
USD Nov-24	6.27	-21	24	USD Jan-24	3.71	0	71	EUR Sep-24	0.83	2	26	
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
5-year	101	0	-17	5-year	84	0	-6	5-year	56	-1	-40	
10-year	148	0	-14	10-year	128	0	-5	10-year	100	0	-42	
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
BELEX15	755.5	-0.18%	-0.57%	BET	8356.0	0.00%	7.77%	SOFIX	687.3	-0.08%	1.45%	
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
EUR/RSD	117.89	0.07%	0.87%	EUR/RON	4.6552	-0.03%	0.21%	USD/BGN	1.5873	0.21%	2.65%	



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:00 EST

February 26, 2018

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