

Monday 26 March 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Mar 27: CB consumer confidence (Mar)
- Mar 28
 - Q4 GDP (3rd est.)
 - Pending home sales (Feb)
- Mar 29
 - Jobless claims (weekly)
 - Personal income & spending (Feb)
 - PCE price index (Feb)
 - Chicago PMI (Mar)
 - UM consumer conf. (Mar)

EUROZONE

- Mar 26: FR: GDP (Q3, final)
- Mar 27
 - M3 money supply (Feb)
 - ESI (Mar)
 - Business confidence (Mar)
- Mar 29
 - DE: CPI (Mar)
 - DE: unemployment (Mar)
- Mar 30: France's CPI (Mar)

UK

- Mar 29: GDP (final, Q4)

GREECE

- Mar 27: ESI (Mar)
- Mar 30
 - Retail sales (Feb)
 - Credit review by Moody's

SEE

BULGARIA

- Mar 28: Gross external debt (Jan)
- Mar 30
 - PPI (Feb)
 - Budget balance (Feb)

ROMANIA

- Mar 26: 2.3% 2020 T-bonds auction

SERBIA

- Mar 26
 - 10-Yr T-bonds auction
 - Gross wages (Jan)
- Mar 27: 4.5% 2023 T-Bonds auction
- Mar 28: 3-Yr T-bonds auction
- Mar 30
 - Industrial production (Feb)
 - Trade balance (Feb)
 - Retail sales (Feb)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from Asian bourses earlier today, major European equity markets opened in the black on Monday amid optimism that tensions about tariffs between the world's two largest economies will not escalate further. US Treasury yields were higher on a daily basis, albeit still within recent ranges while German Bunds were virtually unchanged. Turning to EMU periphery sovereign bonds, the yield premium vs. their German peers was wider with the exception of Spain favored by the S&P upgrade to its sovereign credit rating by one notch to A- from BBB- on Friday. In FX markets, the USD was broadly weaker. Looking at this week's data calendar, focus is on the 3rd release of the US Q4 GDP on Wednesday ahead of Thursday's US PCE report for February while in the euro area we expect Germany's inflation for March on Thursday.

GREECE: The Euroworking Group President Hans Vijlbrief reportedly stated in an interview that Greece will enter a period of increased surveillance after the current ESM programme expires in August 2018 and that should some kind of debt relief be granted to Greece then it is only sensible that its official lenders will pursue to follow-up on reforms, make sure there will be no reversal thereof and that the agreed policies will be implemented as planned. According to the Bank of Greece, in January 2018, the current account showed a deficit of EUR586 mn, up by EUR246 mn YoY.

SOUTH EASTERN EUROPE

BULGARIA: The main SOFIX stock index followed the selloff in global equity markets last week, though local and foreign currency denominated government bond yields ended the week little changed.

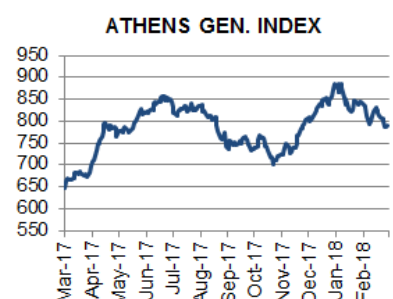
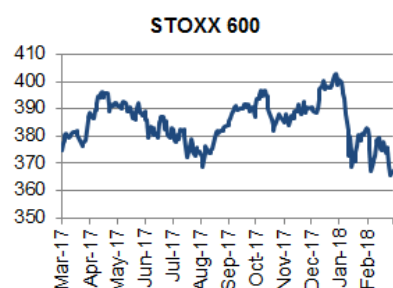
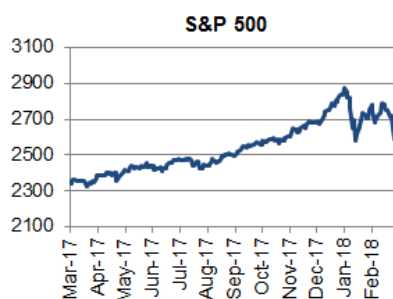
SERBIA: The EUR/RSD remained bound within its recent trading range of 118.00 – 118.80 last week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from Asian bourses earlier today, major European equity markets opened in the black on Monday amid optimism that tensions about tariffs between the world's two largest economies will not escalate further. Following the US President's decision late last week to place tariffs on high-tech Chinese imports worth up to \$60bn and China's warning on reciprocal tariffs, China's foreign ministry said earlier today that China is willing to hold talks with the US to resolve their differences over trade disputes. The above announcement followed press reports suggesting that the Trump administration has asked China to cut its staggering trade surplus with the US through, among others, reduced tariff on US autos, increased purchases of US-made semiconductors and authorization to US firms for greater access to the Chinese financial sector. Meanwhile, US Treasury yields were higher in early European trade on a daily basis, albeit still within recent ranges while German Bunds were virtually unchanged. The 10-yr UST/Bund yield spread was trading slightly above 231bps at the time of writing, the widest so far this year, favored by the euro area business-sentiment indices released over the last few days indicating some moderation in the growth impulse from its cyclical peak. Turning to EMU periphery sovereign bonds, the yield premium vs. their German peers was slightly wider with the exception of Spain favored by the S&P upgrade to its sovereign credit rating by one notch to A- from BBB- on Friday following a similar move by Fitch earlier this year. In FX markets, the USD was broadly weaker with the DXY index standing 0.2% and 1.0% lower on a daily and weekly basis respectively mainly pressured by global trade woes. Looking at this week's data calendar, focus is on the 3rd release of the US Q4 GDP on Wednesday that is likely to be revised higher to an annual rate of 2.7% from 2.5% ahead of Thursday's US PCE report for February that is unlikely to alter expectations for gradual Fed rate tightening. In the euro area, we expect Germany's inflation for March on Thursday with the headline likely to increase by 0.5pp to 1.9%YoY due to a positive Easter effect on prices for services.

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GREECE

The Euroworking Group President Hans Vijlbrief reportedly stated in an interview that Greece will enter a period of increased surveillance after the current ESM programme expires in August 2018, which he described as something in-between the regular surveillance framework and that which applies under a precautionary credit line. He added that should some kind of debt relief be granted to Greece then it is only sensible that its official lenders will pursue to follow-up on reforms, make sure there will be no reversal thereof and that the agreed policies will be implemented as planned. On the economic news front, according to the Bank of Greece, in January 2018, the current account showed a deficit of EUR586 mn, up by EUR246 mn YoY. This development is attributable mainly to the deterioration in the balance of goods (-EUR430mn) – especially in the oil bill (-EUR306mn) – as well as in the balance of services (-EUR36.2mn), which was partly offset by an improvement in the balance of the primary and the secondary income accounts. Exports of goods excluding oil and ships rose by 21.8%YoY at current prices, while the corresponding imports rose by 15.4%YoY at current prices. The decrease in the services surplus is due to a decrease in the transportation balance (-EUR7.6mn) and other services balance (-EUR29.1mn) while the travel balance did not change considerably, despite a significant increase of 16% in non-residents' arrivals in January 2018.

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Latest economic & market developments in the CESEE region

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

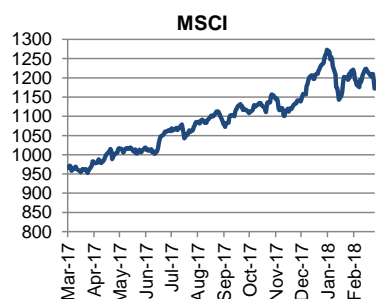
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

* 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-

BULGARIA

The main SOFIX stock index followed the selloff in global equity markets last week, ending on Friday 2.68% lower on a weekly basis at 661.77 points. The weekly trading volume averaged at €3.5mn. Meanwhile, external government bond yields were little changed compared to a week earlier. As usual, paper of shorter tenor, such as the 2023 and 2024 T-bonds, experienced the highest volatility, with their respective yields dropping by 0.9 and 1.4 bps, respectively. Local-currency bonds also closed little changed, with the corresponding yields experiencing small drops. The largest change was evidenced in paper of 7-year tenor, which saw a 3.35bps weekly drop.

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SERBIA

The EUR/RSD remained bound within its recent trading range of 118.00 – 118.80 last week. The said trading area has been held over the last three months or so, with the National Bank of Serbia standing ready to intervene in the event that the cross appears poised to break either below the lower bound or above the upper bound of the said range. Recall that, NBS sold €180mn around the 118.75 level early this year, reversing direction at the end of February and proceeding with hefty EUR purchases, which totaled €525mn in order to mitigate ongoing appreciation pressures on the dinar.

In other news, Telenor, Norwegian telecommunications operator, concluded a deal with PPF international investment fund, to sell all its business in Central and Eastern Europe, including its subsidiary in Serbia. The whole agreement is worth €2.8bn. However, Telenor bank still remains in hands of Norwegian telecommunication giant.

President of Aleksandar Vucic and his Kosovo counterpart Hashim Thaci are to continue EU-led negotiations on normalizing relations between Serbia and Kosovo on Friday, after the latest round of discussions failed to provide tangible results. The last such meeting took place in August 2017 and since then, no progress has been made on the establishment of Association of Serbian Majority Municipalities.

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Monday 26 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	2588.26	-2.1%	-3.2%	EUR/USD	1.2394	0.3%	3.2%	UST - 10yr	2.84	3	44	GOLD	1348	0.1%	3.4%
Nikkei 225	20766.10	0.7%	-8.8%	GBP/USD	1.4197	0.5%	5.0%	Bund-10yr	0.54	1	11	BRENT CRUDE	70	-0.4%	4.9%
STOXX 600	367.20	0.4%	-5.6%	USD/JPY	104.95	-0.2%	7.4%	JGB - 10yr	0.02	0	-2	LMEX	3189	-0.7%	-6.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	0	-18
1-week	2.49	0	-12
1-month	2.65	0	-20
3-month	2.90	0	-22
6-month	3.09	0	-15

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.83	0	-45
5Y RSD	4.12	0	-12
7Y RSD	4.55	0	-63

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.47	0	47
USD Nov-24	6.40	-14	37

CDS

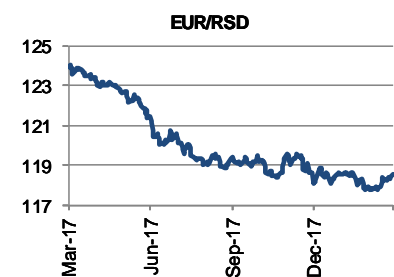
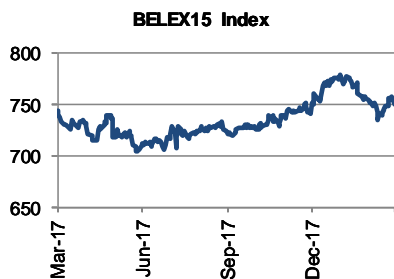
	Last	ΔDbps	ΔYTD bps
5-year	104	2	-14
10-year	136	1	-26

STOCKS

	Last	ΔD	ΔYTD
BELEX15	749.5	-1.03%	-1.36%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.60	-0.10%	0.26%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.48	13	39
1-month	1.62	2	-25
3-month	2.05	0	0
6-month	2.38	-2	11
12-month	2.52	-2	20

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.28	0	-10
5Y RON	4.03	0	25
10Y RON	4.48	0	17

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A	N/A
USD Jan-24	3.81	1	81

CDS

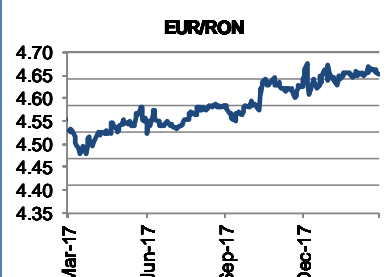
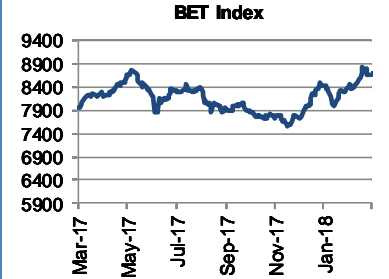
	Last	ΔDbps	ΔYTD bps
5-year	86	1	-4
10-year	124	2	-10

STOCKS

	Last	ΔD	ΔYTD
BET	8667.1	0.07%	11.78%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.658	0.09%	0.15%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.29	-1	-3
3-month	-0.19	0	-1
6-month	-0.05	0	0
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	9

BG Eurobonds

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

CDS

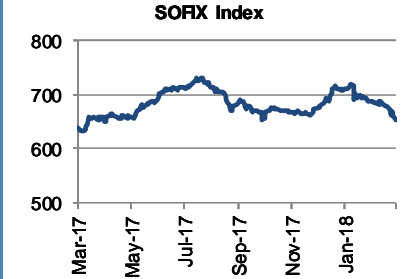
	Last	ΔDbps	ΔYTD bps
5-year	64	1	-33
10-year	111	1	-30

STOCKS

	Last	ΔD	ΔYTD
SOFIX	653.1	-1.31%	-3.60%

FOREX

	0	ΔD	ΔYTD
USD/BGN	1.5783	0.31%	3.24%



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

Data updated as of 12:00 EST

Monday 26 March 2018

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- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
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