

### 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:** All eyes today are on Fed Chairman Jerome Powell's first semi-annual testimony before Congress at 16:00 CET. His remarks are expected to mirror the tone of both last week's January FOMC minutes and the semi-annual policy report released on Friday. The Fed Chair, who will present the Committee's views rather than his own personal opinions, is anticipated to sound optimistic on the US growth outlook and increased confident in inflation moving up to the 2% target medium-term. Besides the FOMC Chairman's testimony, Eurozone M3 money supply (10:00CET) for January and the European Commission's February economic sentiment indicator (11:00CET) also feature high in today's calendar.

**GREECE:** Addressing the Bank of Greece's 85<sup>th</sup> Annual Meeting of Shareholders, the BoG Governor Yiannis Stournaras opined that Greece should consider a precautionary credit line facility after the current ESM programme expires as it will keep borrowing costs low and provide the Greek state and banks security about the availability of funds. Additionally, regarding the banking system he noted that the main developments in 2017 were a gradual recovery of operating profitability, the maintenance of capital adequacy at satisfactory levels, a diversification of banks' funding sources and a small decline in the stock of non-performing exposures in line with the targets set, although this stock remains high (€100.4 billion in September 2017).

### SOUTH EASTERN EUROPE

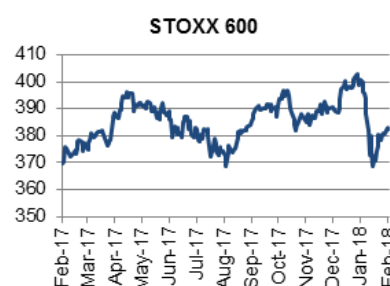
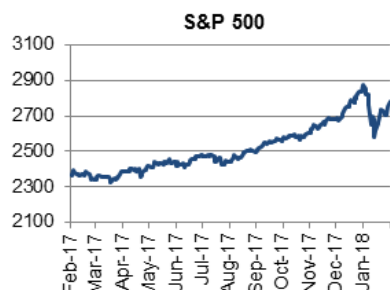
**ROMANIA:** The finance ministry sold on Monday RON 511.3mn (~€110mn) of T-bonds, more than double an initially planned amount of RON 200mn. The average accepted yield came in at 4.48%, 23bps higher compared to that achieved at a prior auction of the same paper held in January this year.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

All eyes today are on Fed Chairman Jerome Powell's first semi-annual testimony before Congress at 16:00 CET (initially planned for Wednesday, Feb. 28). His remarks are expected to mirror the tone of both last week's January FOMC minutes and the semi-annual policy report released on Friday. The Fed Chair, who will present the Committee's views rather than his own personal opinions, is anticipated to sound optimistic on the US growth outlook and increasingly confident about inflation moving up to the 2% target medium-term. On balance, he is expected to stress that further rate tightening will continue at a gradual pace, pointing to a 25bps rate hike per quarter, as has been the case since December 2016. Awaiting the Fed Chairman's verdict, Asian bourses outside China ended moderately higher today and European equity markets retained a positive tone in early trade, after a number of FOMC officials leaned against more aggressive tightening recently, in spite of a flurry of higher than expected US inflation-related data earlier this month. Long-dated US bonds were little changed on the day while short-dated paper was a tad firmer on position adjustment ahead of Jerome Powell's testimony. US data yesterday showing a drop in January new home sales to a five-year low, also supported bond demand. In FX markets, the USD was little changed on the day with the EUR/USD hovering around 1.2330/35 at the time of writing, close to the lower-end of the 1.2200-1.2500 recent range ahead of Italian national election and the announcement of the vote of the SPD party members on a coalition deal with Chancellor Merkel's conservative alliance, both on Sunday. Besides the FOMC Chairman's testimony, Eurozone M3 money supply (10:00CET) for January and the European Commission's February economic sentiment indicator (11:00CET) also feature high in today's calendar.

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### GREECE

Addressing the Bank of Greece's 85<sup>th</sup> Annual Meeting of Shareholders, the BoG Governor Yiannis Stournaras opined that Greece should consider a precautionary credit line facility after the current ESM programme expires as it will keep borrowing costs low and provide the Greek state and banks security about the availability of funds. As regards the post-programme framework for Greece he noted that the expiration of the current programme does not imply Greece's de-engagement from its current obligations but rather the change of the surveillance regime, which will, however, still need to conform to existing EU rules and regulations. With regard to the banking system, the BoG Governor said among others that the main developments in 2017 were a gradual recovery of operating profitability, the maintenance of capital adequacy at satisfactory levels, a diversification of banks' funding sources and a small decline in the stock of non-performing exposures in line with the targets set, although this stock remains high (€100.4 billion in September 2017). Meanwhile, speaking to the Economic and Monetary Affairs Committee of the European Parliament yesterday, the ECB President Mario Draghi stated that in the next two weeks the institutions will assess to what extent electronic auctions are being conducted in a regular and unimpeded manner throughout the whole of Greece. He reportedly added that there have been no discussions on another programme for Greece, clarifying that this is the responsibility of the ESM and not the ECB. On the privatisations front, the Minister of Finance issued on 22 February a ministerial decision authorizing the Committee on Gaming Supervision and Control to initiate the procedure for a casino license in the Hellinikon site. According to market sources, the procedure may take several months to be completed as it foresees the selection of consultants through a tender process, the launch of the international tender for the casino license and the selection of the preferred bidder.

February 27, 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

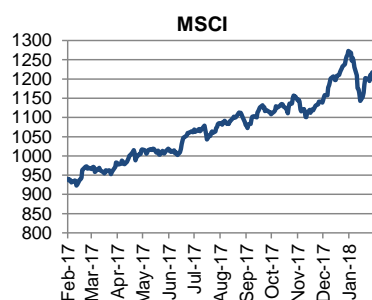
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

## Latest economic & market developments in the CESEE region

### ROMANIA

The finance ministry sold on Monday RON 511.3mn (~€110mn) of T-bonds, more than double an initially planned amount of RON 200mn. Investors offered to buy 1.34 times the amount of paper sold at yesterday's tender, which was a retap of paper initially issued in 2012. The bond bears a coupon of 5.8% and matures on July 26, 2027. It was sold at a price of 109.9518 yesterday, while the average accepted yield came in at 4.48%, 23bps higher compared to that achieved at a prior auction of the same paper held in January this year.

Government bond yields have come under upward pressure over the last few months on mounting economic overheating concerns. In support of the aforementioned, inflation has been on the rise recently, with January's headline CPI having jumped to a 4 ½ year high of 4.3% YoY from 3.3%YoY in December, exceeding a market consensus of 4.1% YoY and the Central Bank 2.5% ±1 percentage points target. The monthly jump was mainly driven by higher food prices (+0.6% MoM/+4.1% YoY) reflecting the upward trend of volatile fruits and vegetables prices, the new regulated hike in energy tariffs (as of January 2018) plus the base effects from the phasing out of last year's VAT rate cut. The adjusted Core CPI (excluding administered and volatile prices, alcohol and tobacco) advanced further to 2.8%YoY in January, the highest level since August 2013, in an illustration of building underlying demand-side pressures. At the same time, real GDP came in at 7.0% YoY in Q3-2017. Despite slowing down from the prior quarter's increase of 8.5% YoY, the reading remained robust and brought the full-year performance at 7.0% YoY, a new post crisis high up from 4.8% in 2016. Growth was largely driven last year by private consumption, financed by an overly expansionary fiscal policy, and led to a revival of macroeconomic imbalances (CAD17: -3.5% of GDP). A sharp slowdown to 4.5% is on the cards in 2018 reflecting the impact of higher real disposable incomes, a front-loaded monetary policy and the need for a more conservative fiscal policy.

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### 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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**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	2779.60	1.2%	4.0%	EUR/USD	1.2324	0.1%	2.7%	UST - 10yr	2.87	1	46	GOLD	1332	-0.1%	2.3%
Nikkei 225	22389.86	1.1%	-1.6%	GBP/USD	1.3963	0.0%	3.3%	Bund-10yr	0.67	2	25	BRENT CRUDE	67	-0.1%	0.8%
STOXX 600	382.46	-0.2%	-1.7%	USD/JPY	107.03	-0.1%	5.3%	JGB - 10yr	0.05	0	0	LMEX	3403	0.3%	-0.5%

**CESEE MARKETS**

SERBIA				ROMANIA				BULGARIA						
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>						
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps			
T/N	2.57	0	5	O/N	1.34	0	25	LEONIA	0.01	0	1			
1-week	2.70	0	9	1-month	1.6	0	-27	1-month	-0.27	-2	-2			
1-month	2.89	0	4	3-month	2.09	0	4	3-month	-0.19	-4	-1			
3-month	3.15	0	3	6-month	2.42	0	15	6-month	-0.05	-4	0			
6-month	3.29	0	5	12-month	2.52	0	20	12-month	0.27	-5	-5			
<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	3.94	-1	-32	3Y RON	3.42	0	4	3Y BGN	-0.03	2	4			
5Y RSD	4.22	-3	-3	5Y RON	3.93	0	15	5Y BGN	0.24	1	9			
7Y RSD	4.58	0	-60	10Y RON	4.47	0	16	10Y BGN	1.10	0	13			
<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	3.56	0	57	EUR Oct-25	1.55	0	1	EUR Mar-22	0.21	0	29			
USD Nov-24	6.30	-21	26	USD Jan-24	3.70	0	70	EUR Sep-24	0.84	0	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	83	0	-7	5-year	56	0	-41			
10-year	147	-1	-15	10-year	128	0	-5	10-year	99	-1	-42			
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
BELEX15	753.3	-0.06%	-0.85%	BET	8389.6	0.13%	8.20%	SOFIX	684.5	-0.24%	1.05%			
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
EUR/RSD	117.85	0.04%	0.90%	EUR/RON	4.6558	0.05%	0.19%	USD/BGN	1.5871	0.05%	2.67%			

**BELEX15 Index**

**BET Index**

**SOFIX Index**

**EUR/RSD**

**EUR/RON**

**USD/BGN**

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:45 EST

February 27, 2018

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