

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)

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: Reports suggesting behind-the-scenes talks between the US and China fueled market hopes that a global trade war could be averted. The improvement in market sentiment sent US equity markets higher overnight while European bourses followed suit in early trade. UST yields rose while the USD remained under broad pressure. Looking at the remainder of the day, focus is on euro area February's M3 money supply growth and the US Conference Board consumer confidence index for March.

GREECE: According to press reports, significant delays are noted in the implementation of the 4th review prior actions, especially privatisations, increasing the likelihood of completing the review in July instead of June. The Hellenic Fiscal Council estimates that the primary surplus in Financial Facility Agreement terms may reach 3.5% of GDP for 2017, significantly above the 1.75% of GDP programme target. The economic sentiment indicator for March 2018 fell by 4.5 points after three consecutive increases.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets recovered ground earlier on Tuesday amid somewhat easing global trade tensions following reports suggesting that the US and China will hold discussions on the issue.

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Latest world economic & market developments

GLOBAL MARKETS

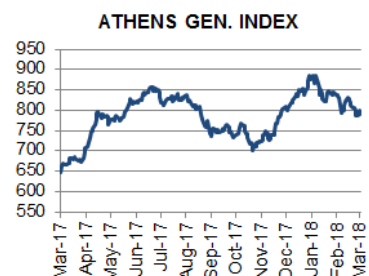
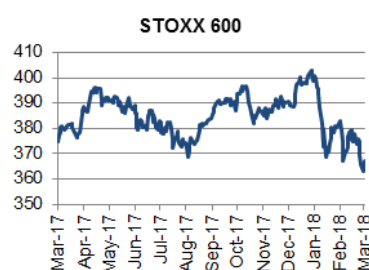
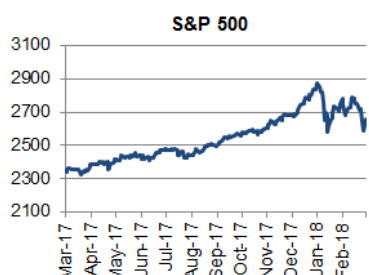
Reports late yesterday suggesting behind-the-scenes talks between the US and China fueled market hopes that a global trade war with potential negative repercussions to the world economy could be averted. The improvement in market sentiment sent US equity markets higher overnight with the Dow Jones Index recording its highest daily gain since August 2015. With US equity futures suggesting no tendency to give back any of yesterday's gains, European equity markets opened higher on Tuesday with the FTSEurofirst 300 index standing more than 1% higher at the time of writing, more than fully recovering yesterday's 0.7% losses but still c. 2.5% lower since mid-March. Taking their lead from firmer equity markets, UST yields rose with the 10-yr UST/Bund yield spread undertaking some further widening in early European trade at 232bps, close to a 236bps multi-year high recorded in late December 2016. EMU periphery sovereign bonds outperformed German Bunds with the 10-yr Italy/Bund yield spread narrowing by c. 2bps on the day in spite of risks of an alliance between 5-Star Movement and center-right coalition for the formation of a government after last week's deal for the election of the presidents of the two chambers of Italy's parliament. In FX markets, the USD remained under pressure with the DXY index hitting an intraday multi-week low below 89.00 earlier today before recovering modestly to levels around 89.125 at the time of writing, virtually unchanged on the day. The EUR/USD was hovering around 1.2445/50 at the time of writing, not far from a six-week peak of 1.2476 marked earlier today favored by the USD's broad weakness and comments by ECB Governing Council Member Jens Weidmann that expectations for a mid-2019 rate hike are "not completely unrealistic". Looking at the remainder of the day, focus is on euro area February's M3 money supply growth which is expected to improve slightly from January's 4.6%YoY while the US Conference Board consumer confidence index is expected to decline in March, halting a two-month rising streak.

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GREECE

According to press reports, significant delays are noted in the implementation of the 4th review prior actions, especially privatisations, increasing the likelihood of completing the review in July instead of June. Particular concerns are reportedly raised as regards the privatisation of DEPA and the divestment of the PPC. It is reminded that according to the 2 March Compliance Report, by March 2018 all obstacles must be lifted for the tender of DEPA to proceed while by May 2018 the divestment of the PPC must be concluded. The possibility of not having completed all prior actions until the programme expires in August 2018 has given rise to discussions about the potential transfer of some of the incomplete conditionality into the post-programme surveillance framework. On the economic news front, according to a report published yesterday by the Hellenic Fiscal Council, it is estimated that the primary surplus in Financial Facility Agreement terms may reach 3.5% of GDP for 2017, significantly above the 1.75% of GDP programme target. The economic sentiment indicator for March 2018 fell by 4.5 points after three consecutive increases. Aside from consumer confidence which improved slightly (+0.2 points), confidence in all other sectors weakened: industry -7.5 points, services -1.2 points, retail -0.6 points and construction -9.9 points.

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Source: Reuters, Bloomberg, Eurobank Research

Tuesday 27 March 2018

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets recovered ground earlier on Tuesday amid somewhat easing global trade tensions following reports suggesting that the US and China will hold discussions on the issue. Against this backdrop, the MSCI Emerging Markets index rose by 0.85% on the day in morning European trade, marking the second consecutive session in the black after yesterday's 0.87% advance. The index's advance so far this week has offset half of last week's 3.4% losses suffered mostly due to mounting global trade war fears. Indicatively, in the CESEE space main indices in Poland and Hungary led the gains firming by more than 1% each in morning trade compared to the prior session's settlement, while Serbia's BELEX15 was the only exception to buck the positive trend and post losses to the tune of 0.5%

In the FX markets, most emerging market currencies firmed against a weaker US dollar and improving risk appetite. Nonetheless, the Turkish lira remained under pressure underperforming peers, with the USD/TRY trading 0.3% higher vs. Monday's close around 3.9775, though standing somewhat below a record high of 4.0346 hit late last week. The TRY also remained just off Friday's lifetime low near 4.9730 against the euro as the Turkish currency is amongst the most vulnerable to Fed rate hikes – the last one was delivered last 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. The global risk-on mood also lifted the Hungarian forint, despite market expectations that the Central Bank will maintain its loose monetary policy at its MPC meeting which concludes later in the day. The MNB is broadly expected to stand pat on its monetary policy and keep the key policy base rate at the current record low of 0.90% and deposit rate at -0.15%. It is also expected to publish its updated forecasts for the economy.

A flurry of government bond auctions is also scheduled for today in Poland, Serbia, Hungary and Ukraine. Looking further ahead, market attention turns to Q4 2017 National Accounts data which is due on Thursday in Turkey, while the National Bank of Poland releases its latest MPC minutes. On Friday, Turkey announces trade balance data and tourist arrivals, while Serbia also releases trade balance, retail sales and industrial production and Poland budget balance data, all for the month of February.

In other news, the Serbian Public Debt Administration sold on Monday €86.852mn of 10-year government bonds. The paper was sold at an average price and yield of 100 and 3.5%, respectively. The security matures on March 28, 2028 and bears an annual coupon of 3.5%. The bid to cover ratio came in at 1.1 yesterday. Separately, Romania's finance ministry raised on Monday RON 586.6mn (~€126.20mn) in a re-tap of T-bonds due on October 26, 2020, slightly above an initially planned amount of RON 500mn. The average accepted yield came in at 3.19%, a tad below 3.51% achieved at a prior auction of the same paper held in mid-February. Investors offered to buy 1.22 the amount of securities sold.

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

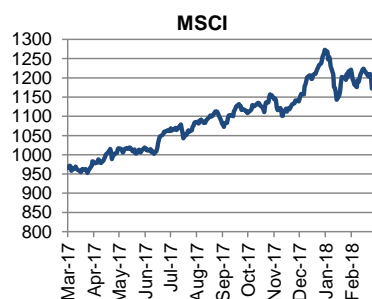
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

* 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



L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	B1	BB-

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Tuesday 27 March 2018

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2658.55	2.7%	-0.6%
Nikkei 225	21317.32	2.7%	-6.4%
STOXX 600	367.14	1.1%	-5.7%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.2447	0.0%	3.7%
GBP/USD	1.4167	-0.4%	4.8%
USD/JPY	105.49	-0.1%	6.8%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.84	-1	44
Bund-10yr	0.52	-1	9
JGB - 10yr	0.04	1	-1

Commodities

	Last	ΔD	ΔYTD
GOLD	1353	-0.1%	3.8%
BRENT CRUDE	70	0.2%	5.1%
LMEX	3184	-0.2%	-6.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	0	-18
1-week	2.48	-1	-13
1-month	2.65	0	-20
3-month	2.90	0	-22
6-month	3.08	-1	-16

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	3.45	-2	45
USD Nov-24	-4.36	3	-440

CDS

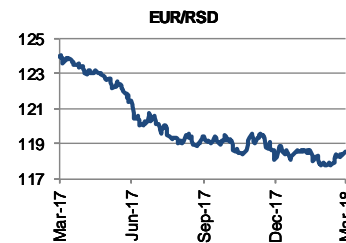
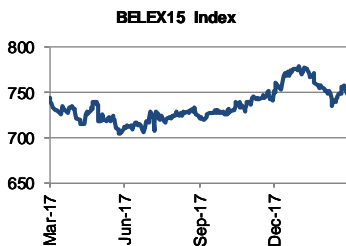
	Last	ΔDbps	ΔYTD bps
5-year	103	-1	-15
10-year	136	-1	-26

STOCKS

	Last	ΔD	ΔYTD
BELEX15	746.8	-0.27%	-1.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.57	0.03%	0.28%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.48	0	39
1-month	1.63	1	-24
3-month	2.06	1	1
6-month	2.39	1	12
12-month	2.52	0	20

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.28	0	-10
5Y RON	4.02	0	24
10Y RON	4.48	0	16

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A	N/A
USD Jan-24	3.81	0	81

CDS

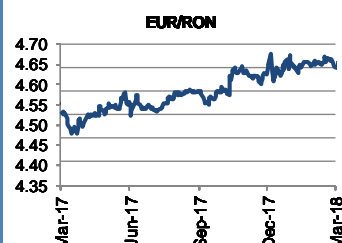
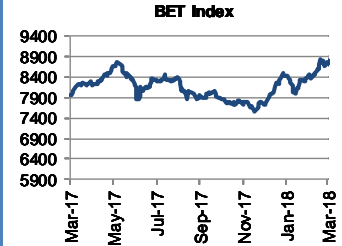
	Last	ΔDbps	ΔYTD bps
5-year	86	-1	-4
10-year	123	-1	-11

STOCKS

	Last	ΔD	ΔYTD
BET	8767.2	0.51%	13.07%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.651	0.01%	0.30%



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	-0.02	-1	5
5Y BGN	0.21	-1	7
10Y BGN	1.07	0	10

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.19	2	27
EUR Sep-24	0.84	4	26

CDS

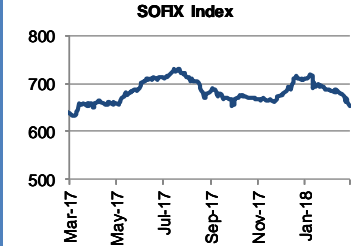
	Last	ΔDbps	ΔYTD bps
5-year	64	0	-33
10-year	111	0	-31

STOCKS

	Last	ΔD	ΔYTD
SOFIX	656.9	0.47%	-3.03%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5711	0.05%	3.71%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:10 EST

Tuesday 27 March 2018

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