



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, February 28, 2018

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, 2nd 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: In his first semi-annual monetary policy testimony before Congress yesterday, new Fed Chair Jerome Powell was optimistic on the US growth outlook and increasingly confident about inflation moving up closer to the 2% target medium-term, reiterating that further gradual rate increases are warranted. More importantly, in the Q&A session Jerome Powell emphasized that the US growth outlook has strengthened since December, triggering a hawkish shift in Fed rate tightening expectations. In reaction to the above, equity markets came under pressure, US Treasury yields moved higher and the USD firmed against most of its major currency peers, with the JPY being the main exception. Looking at today's calendar, focus is on euro area HICP inflation for February and the second estimate of US Q4 2017 GDP. Elsewhere, the European Commission is scheduled to release the first draft of the legal text covering the UK withdrawal issues.

GREECE: According to press reports, a cabinet reshuffle might take place later today after both Greek Economy Minister D. Papadimitriou and Deputy Labor and Social Solidarity Minister R. Antonopoulou resigned from their post earlier this week. Private sector deposits stood at €124.8 bn in January 2018 from €126.3 bn at the end of December of 2017 registering a monthly decrease of -1.3%. On an annual basis private sector deposits increased by 4.9%.

SOUTH EASTERN EUROPE

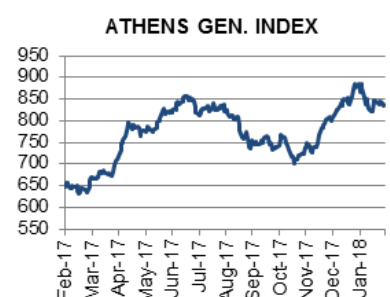
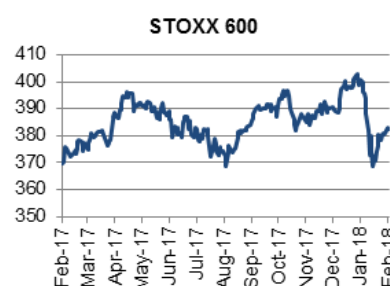
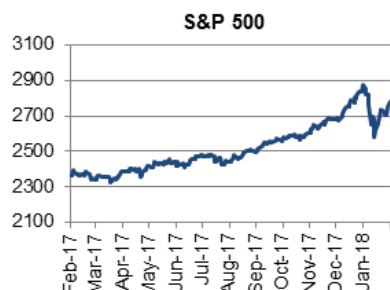
CYPRUS: Total bank deposits recorded in January the highest net monthly decrease since September 2015.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In his first semi-annual monetary policy testimony before Congress yesterday, new Fed Chair Jerome Powell was optimistic on the US growth outlook and increasingly confident about inflation moving up closer to the 2% target medium-term, reiterating that further gradual rate increases are warranted. More importantly, in the Q&A session Jerome Powell emphasized that the US growth outlook has strengthened since December when the latest Fed dot plot was released, triggering a hawkish shift in Fed rate tightening expectations. In reaction to the above, US equity markets ended lower overnight while the negative sentiment was also evident in Europe today, reinforced by the weaker than expected China's PMI readings for February and Japan's industrial production data for January. Turning to bond markets, US Treasury yields moved higher with short-dated paper underperforming taking the 2/10-yr yield spread close to 62bps earlier today, the narrowest since early February. German Bunds outperformed their US counterparts on weaker than expected February's German inflation data released yesterday, in line with ECB President Draghi's dovish comments before the European Parliament's Committee on Economic and Monetary Affairs earlier this week. Against this background, the 10-yr US/Bund yield spread undertook some further widening today standing close to 223bps, the widest so far this year. In FX markets, the USD firmed against most of its major currency peers, with the JPY being the main exception, after the BoJ trimmed the amount of long-dated government bonds it offered to buy at today's regular debt buying operation. The EUR/USD extended yesterday's losses testing levels slightly below 1.2200 at some point earlier today for the first time since mid-January, while the GBP/USD remained under pressure ahead of the release of the European Commission's first draft of the legal text covering the UK withdrawal issues, due later today. On the data front, focus today is on euro area HICP inflation for February which is expected to ease slightly to 1.2%YoY from 1.3%YoY while the second estimate of US Q4 2017 GDP is anticipated to show a somewhat slower pace of annual growth from 2.6% to 2.5%.

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GREECE

According to press reports, a cabinet reshuffle might take place later today after both Greek Economy Minister D. Papadimitriou and Deputy Labor and Social Solidarity Minister R. Antonopoulou resigned from their post earlier this week. In other news, according to the most recent Bank of Greece data, private sector deposits come in at €124.8 bn in January 2018 from €126.3 bn at the end of December 2017, registering a monthly decrease of -1.3%. On an annual basis, private sector deposits increased by 4.9%. On the other side of the ledger, outstanding credit to the private sector stood at €182.8 bn in January 2018 from €184.0 bn at the end of December 2017 recording a monthly decrease of -0.6%. On an annual basis, outstanding credit to the private sector decreased by -0.8%. According to the final State Budget Execution data for January 2018, the fiscal surplus was at €1.9bn, against a targeted deficit of €0.7bn in the 2018 Budget and a shortfall of €1.0bn in the respective period of 2017. The State Budget Primary Balance recorded a surplus of €1.6bn, well above a targeted primary surplus of €0.5bn in the 2018 Budget. Ordinary Budget net revenues over-performed their respective target by €0.4bn while Ordinary Budget expenditures were lower by €0.1bnmn compared to the 2018 Budget target.

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February 28, 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

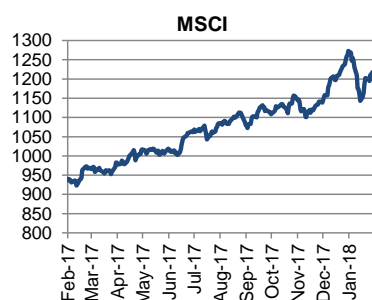
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Latest economic & market developments in the CESEE region

CYPRUS

From a flow point of view, total deposits recorded a substantial net decline of €557.1mn in January on top of a net increase of €259.0mn in December, up from a net decrease of €96.4mn in November and a net increase €335.1 in October. The annual rate of expansion- which has been in positive territory since October 2015- has slowed down to 1.7% YoY in January from 3.1% YoY in December and 2.4% YoY in November compared to 6.2% YoY in Dec2016 and only 0.2% YoY in Dec2015. The outstanding amount of total deposits had reached as of October the highest level in the post-MoU era. Total deposits stood at €48.6bn in January down from €49.4bn in December vs. €49.5bn in October compared to €49.0bn in December 2016 and €45.97bn in December 2015.

Total loans in January exhibited a net increase of €53mn, for a third consecutive month in a row, on top of net increases of €2.2mn in December and €32.6mn in November. The annual growth rate of contraction narrowed to -1.5% YoY in January down from -1.7% YoY in December compared to -1.6% YoY in November, -0.7% YoY in June which was the lowest reading since April 2013- compared to -10.7% YoY in December 2016 and only -3.4% YoY in December 2015. A substantial part of these repayments concern previous transfers of loans from non-resident MFIs and are not related to the domestic economic activity. The outstanding amount of loans reached €51.1bn in January down from €51.3bn in December vs. €52.1bn in November compared to €55.3bn in December 2016 and €62.7bn in December 2015.

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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	2744.28	-1.3%	2.6%	EUR/USD	1.2218	-0.1%	1.8%	UST - 10yr	2.90	0	49	GOLD	1321	0.2%	1.4%
Nikkei 225	22068.24	-1.4%	-3.1%	GBP/USD	1.39	-0.1%	2.8%	Bund-10yr	0.67	-1	24	BRENT CRUDE	67	-0.2%	-0.5%
STOXX 600	381.62	-0.2%	-1.9%	USD/JPY	107.06	0.3%	5.3%	JGB - 10yr	0.05	1	1	LMEX	3378	-0.7%	-1.2%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA					
Money Market				Money Market				Money Market					
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps		
T/N	2.57	0	5	O/N	1.35	1	26	LEONIA	0.01	0	1		
1-week	2.70	0	9	1-month	1.6	0	-27	1-month	-0.28	-1	-3		
1-month	2.89	0	4	3-month	2.09	0	4	3-month	-0.19	0	-1		
3-month	3.15	0	3	6-month	2.43	1	16	6-month	-0.05	0	0		
6-month	3.29	0	5	12-month	2.53	1	21	12-month	0.27	0	-5		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	3.95	#N/A	N/A	3Y RON	3.42	0	3	3Y BGN	-0.03	0	3		
5Y RSD	4.27	3	3	5Y RON	3.92	0	14	5Y BGN	0.25	1	10		
7Y RSD	4.58	0	-60	10Y RON	4.47	0	16	10Y BGN	1.09	0	12		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Feb-20	3.56	-1	57	EUR Oct-25	1.55	0	0	EUR Mar-22	0.21	0	28		
USD Nov-24	6.32	-18	29	USD Jan-24	3.72	0	72	EUR Sep-24	0.84	0	26		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	101	0	-17	5-year	82	-1	-8	5-year	56	0	-41		
10-year	147	-1	-15	10-year	126	-2	-7	10-year	99	0	-42		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	752.7	0.06%	-0.93%	BET	8389.1	-0.31%	8.19%	SOFIX	686.4	-0.17%	1.32%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	117.92	0.02%	0.84%	EUR/RON	4.6625	0.03%	0.05%	USD/BGN	1.601	-0.14%	1.77%		

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 12:00 EST

February 28, 2018

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