

Wednesday 28 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)

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: Worries over a trade war between the world's two largest economies prevail. Chinese reports suggested that China will soon announce a list of retaliatory tariffs on US exports to China following the US administration's decision to impose tariffs on steel and aluminum imports and to target China by announcing earlier this month plans for tariffs of up to \$60bn on Chinese imports. European equity markets opened in the red today while reduced risk appetite favored the safe haven appeal of core government bonds. Looking at today's calendar focus is on the 3rd estimate for US Q4 GDP which is expected to be revised upwards to an annual rate of 2.7% from 2.5% previously.

GREECE: The ESM Board of Directors approved yesterday the EUR 6.7 bn tranche for Greece. The first disbursement under this tranche, amounting to EUR 5.7 bn, is expected to be made by the ESM today. The second disbursement of EUR 1 bn is expected to be made after 1 May 2018 dependent on Greece making progress in reducing its stock of arrears and improving the effectiveness of the electronic auctions system and subject to a further decision by the ESM Board of Directors. Eurogroup President Mario Centeno stated in an interview yesterday that he is not worried about the next day of Greece and the Greek economy after exiting the ESM programme on the grounds that the Greek political world will ensure the continuation of the growth process in the future.

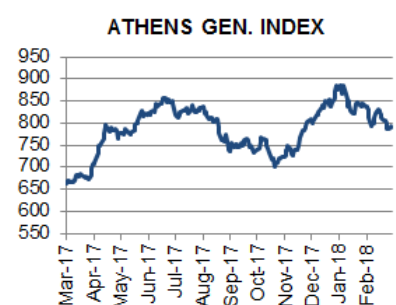
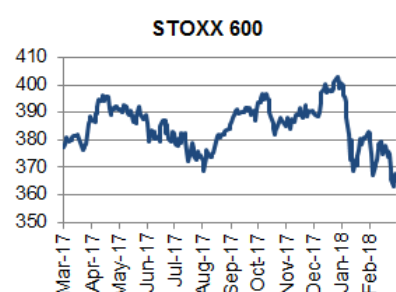
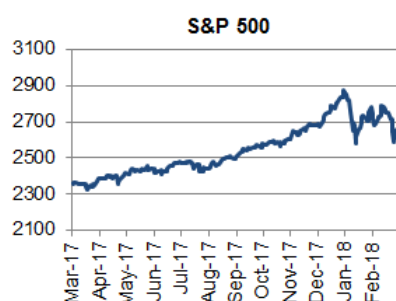
SOUTH EASTERN EUROPE

CESEE MARKETS: Following a short-lived recovery in the wake of last week's sell-off, emerging market assets came under renewed pressure in morning trade on Wednesday amid concerns about tighter controls on the US tech industry and mounting global trade war fears.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Worries over a trade war between the world's two largest economies prevail. Chinese reports suggested that China will soon announce a list of retaliatory tariffs on US exports to China following the US administration's decision to impose tariffs on steel and aluminum imports and to target China by announcing earlier this month plans for tariffs of up to \$6bn on Chinese imports. European equity markets opened in the red today, with the FTSEurofirst 300 index standing 0.7% lower at the time of writing, giving back part of yesterday's 1.2% gains, tracking losses in Wall Street overnight mainly driven by a sharp plunge in tech stocks amid expectations for tighter control on the industry. Reduced risk appetite favored the safe haven appeal of core government bonds with the 10-yr Bund yield falling by c. 3bps on the day standing close to 0.47% in European trade, after moving below 0.50% earlier today for the first time since mid-January. Weaker than expected euro area data yesterday pointing to moderating growth impulse from the cyclical highs reached earlier this year, may also have had some impact. M3 money supply growth dropped to 4.2%YoY in February from January's 4.6%YoY while the economic sentiment indicator for the euro area slipped in March for the third consecutive month coming in at 112.6 from 114.2 in the prior month. In addition to the above, dovish comments by two ECB Governing Council members, the Governor of the Bank of Finland Erkki Liikanen and Jozef Makuch, the Governor of National bank of Slovakia added to the view that the Central Bank will remain patient in removing monetary stimulus. The drop in US Treasury yields was more pronounced with the yield on the 10-yr paper falling by c. 5.5bps to 2.78% moving below 2.80% for the first time since early February. Looking at today's calendar focus is on the 3rd estimate for US Q4 GDP which is expected to be revised upwards to an annual rate of 2.7% from 2.5% previously.

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GREECE

The ESM Board of Directors approved yesterday the EUR 6.7 bn tranche for Greece. The first disbursement under this tranche, amounting to EUR 5.7 bn, is expected to be made by the ESM today. The second disbursement of EUR 1 bn is expected to be made after 1 May 2018 dependent on Greece making progress in reducing its stock of arrears and improving the effectiveness of the electronic auctions system and subject to a further decision by the ESM Board of Directors. The ESM Board also approved an amendment to the Financial Assistance Facility Agreement (FFA) whereby the Hellenic Corporation of Assets and Participations (HCAP) is added as a party to the FFA. Meanwhile, Eurogroup President Mario Centeno stated in an interview yesterday that he is not worried about the next day of Greece and the Greek economy after exiting the ESM programme on the grounds that the Greek political world will ensure the continuation of the growth process in the future. He added that in order for Greece to stand on its own two feet the first condition is for the country to be able to tap the markets and the second condition is a growth model that will be manageable by the Greek authorities. With regard to debt relief, Mario Centeno spoke of a mechanism that will monitor the conditions of the Greek economy and the fulfillment of the country's obligations as a condition for repayment of the debt. This mechanism will have to be incorporated in the general surveillance framework.

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Latest economic & market developments in the CESEE region

CESEE MARKETS

Following a short-lived recovery in the wake of last week's sell-off, emerging market assets came under renewed pressure in morning trade on Wednesday amid concerns about tighter controls on the US tech industry and mounting global trade war fears. Trailing losses in Wall Street overnight as well as in Asian and European bourses earlier today, the MSCI Emerging Markets index slid by 1.4% in morning trade compared to Tuesday's settlement. The index more than offset cumulative gains of 1.1% recorded in the prior two sessions which follow last week's 3.4% decline. CESEE peers seemed to fare a tad better, albeit most indices stood in the red at the time of writing. Indicatively, the main WIG index in Poland led the decline with a 1.2% drop, while Ukraine's PFTS bucked the negative trend to stand in a modestly positive territory and other bourses registered losses to the tune of 0.25-0.5%.

In the FX markets, most emerging market currencies recoiled amid deteriorating risk appetite. The Turkish lira remained amongst the region's main underperformers, with the USD/TRY trading 0.3% higher compared to Tuesday's close around 3.9935, moving anew towards a record high of 4.0346 hit late last week. The TRY also remained near Friday's lifetime low of 4.9728 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.

In the local currency debt markets, the Serbian Public Debt Administration sold on Tuesday RSD 8.979bn (~€ 76mn) of 5-year government bonds, maturing on January 25, 2023 and bearing an annual coupon of 4.5%. The paper was sold at an average price and yield of 102.2884 and 4.15%, respectively. Meanwhile, investors offered to buy 1.03 times the amount of securities sold.

In other news, the Central Bank of Hungary maintained, as was broadly anticipated, the key policy base rate at the record low of 0.90% and deposit rate at -0.15% at its MPC meeting yesterday. The Committee maintained its loose monetary policy as inflation remains (at 1.9%YoY in February) persistently below the 3.0% medium-term target. MNB announced late last year the introduction of new unconditional interest rate swap (IRS) facilities with five and ten-year maturities which came into effect in January 2018 and a targeted mortgage bonds purchasing programme with maturities of three years or more aimed at pushing longer-dated government yields lower and supporting fixed-rate loans.

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

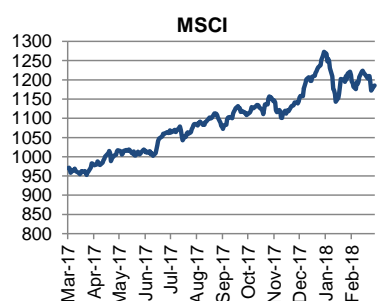
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

* 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-

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Wednesday 28 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	2612.62	-1.7%	-2.3%	EUR/USD	1.2389	-0.1%	3.2%	UST - 10yr	2.76	-2	35	GOLD	1341	-0.3%	2.9%
Nikkei 225	21031.31	-1.3%	-7.6%	GBP/USD	1.4151	-0.1%	4.7%	Bund-10yr	0.48	-2	6	BRENT CRUDE	69	-1.0%	3.8%
STOXX 600	364.86	-0.7%	-6.2%	USD/JPY	105.52	-0.2%	6.8%	JGB - 10yr	0.04	0	-1	LMEX	3196	0.4%	-6.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.33	-1	-19
1-week	2.48	0	-13
1-month	2.66	1	-19
3-month	2.91	1	-21
6-month	3.08	0	-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	0	46
USD Nov-24	-5.05	-99	-510

CDS

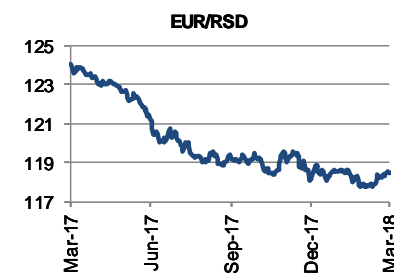
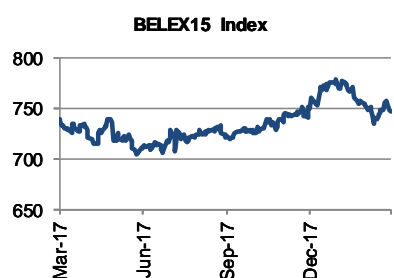
	Last	ΔDbps	ΔYTD bps
5-year	106	3	-12
10-year	155	19	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	746.8	-0.26%	-1.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.40	0.00%	0.43%



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.31	0	-7
5Y RON	4.04	0	26
10Y RON	4.48	0	17

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	#N/A	N/A
USD Jan-24	3.81	0	81

CDS

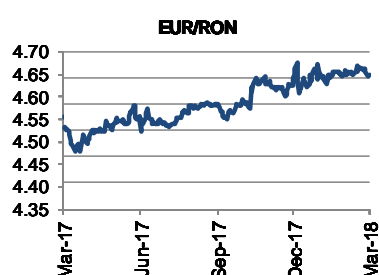
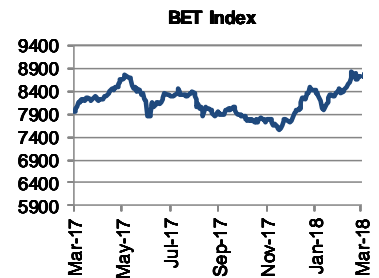
	Last	ΔDbps	ΔYTD bps
5-year	86	0	-4
10-year	130	7	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8736.8	-0.04%	12.68%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.655	-0.03%	0.21%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	1	-3
3-month	-0.19	0	-1
6-month	-0.06	0	-1
12-month	0.27	0	-5

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.00	1	6
5Y BGN	0.21	-1	6
10Y BGN	1.06	0	10

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.19	8	26
EUR Sep-24	0.84	-13	26

CDS

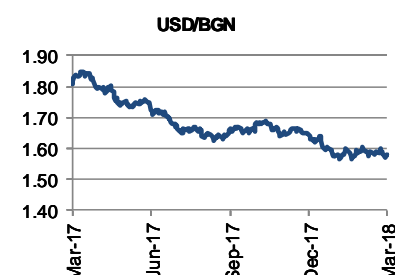
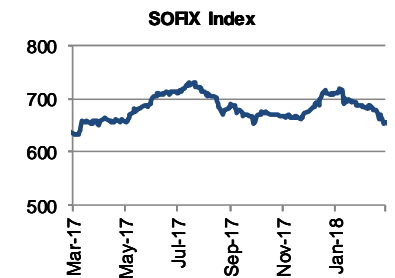
	Last	ΔDbps	ΔYTD bps
5-year	65	1	-31
10-year	113	2	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	652.2	-0.46%	-3.73%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5788	-0.12%	3.21%



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

Data updated as of 10:45 EST

Wednesday 28 March 2018

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