



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday 29 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:** Wall Street declined modestly overnight, as gains in consumer staples and healthcare were offset by a continuing slide in tech stocks amid expectations for tighter government regulation for the industry. Nevertheless, Asian equity indices traded mixed on Thursday amid easing tensions regarding North Korea. Reduced risk appetite favored the safe haven appeal of US government bonds, with the 10-yr Treasury yield falling by c. 2bps on the day standing close to 2.76% in European trade, after touching a near two-month low of 2.74% overnight as the extended selloff in US tech stocks countered the positive US economic data. In FX markets, the USD/JPY eased somewhat to 106.40 in early European trade following a two-week high of 107.01 on Wednesday reporting its biggest daily rise since September 2017 on positive news flow from North Korea concerning the nuclear program.

**GREECE:** The binding offers for the acquisition of 66% of the Hellenic Gas Transmission System Operator (DESFA) that were submitted on 16 February are expected to be unsealed today. According to the Bank of Greece data, in February 2018 the annual growth rate of credit to the private sector stood at -1.0% from -0.8% in the previous month.

### SOUTH EASTERN EUROPE

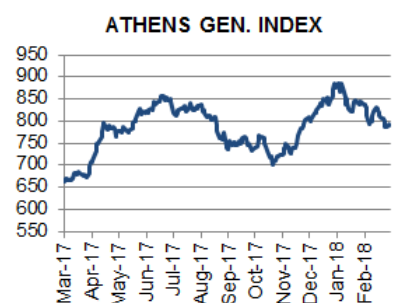
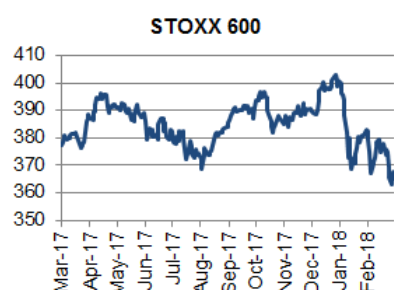
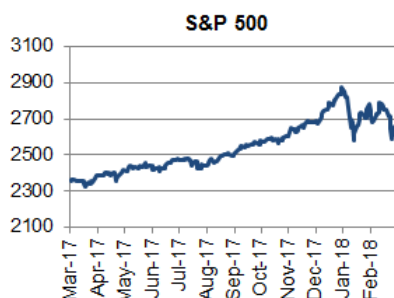
**CYPRUS:** The deadline of the invitation for the expression of interest for the Cyprus Cooperative Banks' assets and liabilities expires today.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street declined modestly overnight, as gains in consumer staples and healthcare were offset by a continuing slide in technology stocks amid expectations for tighter government regulation for the industry. Nevertheless, Asian equity indices traded mixed on Thursday amid easing tensions regarding North Korea, with Japan reportedly seeking a bilateral summit following North Korea leader Kim Jong Un's commitment to denuclearization and to meet US government officials during his visit to China. Reduced risk appetite favored the safe haven appeal of US government bonds, with the 10-yr Treasury yield falling by c. 2bps on the day standing close to 2.76% in European trade, after touching a near two-month low of 2.74% overnight as the extended selloff in US tech stocks countered the positive US economic data. According to the third BEA's estimate of Q4 GDP, real GDP growth was revised to 2.9%QoQ saar from 2.5% in the second estimate with a 20bps upward revision in personal consumption being the major driver. Although corporate profits numbers declined by 0.1%QoQ in Q4 following two straight quarters of growth, the decline appeared to be driven by a drop in financials with non-financial corporate profits still standing firm. Regarding the US housing market, US pending home sales rose by a higher than expected 3.1%MoM in February following a decline of 4.7%MoM in the prior month. In Europe, Bunds were little changed with the 10-yr respective yield hovering around 0.50% in European trade at the time of writing, while the German GfK Consumer Confidence Index surprised on the upside to 10.9 in April (vs consensus estimate of 10.7) from 10.8 in March. In FX markets, the USD/JPY eased somewhat to 106.40 in early European trade following a two-week high of 107.01 on Wednesday reporting its biggest daily rise since September 2017 on positive news flow from North Korea concerning the nuclear program. Looking at today's calendar, US February PCE deflator, as well as personal income and spending data take centre stage, while the latest weekly jobless claims reading and March University of Michigan consumer sentiment index are also due. In Europe, focus centres on the flash March CPI report in Germany.

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### GREECE

The binding offers for the acquisition of 66% of the Hellenic Gas Transmission System Operator (DESFA) that were submitted on 16 February are expected to be unsealed today. According to the 2 March 2018 Compliance Report, the Share Purchase Agreement and the Shareholders' Agreement are to be signed by April 2018 while the transaction is to be completed by June 2018. According to the Bank of Greece data, in February 2018 the annual growth rate of credit to the private sector stood at -1.0% from -0.8% in January. The annual growth rate of credit to corporations stood at 0.2% from 0.6% in the previous month. In February 2018 the annual growth rate of deposits by the total economy stood at 7.7% from 6.8% in the prior month while the annual growth rate of deposits placed by the private sector stood at 5.6% from 4.9% in the previous month.

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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

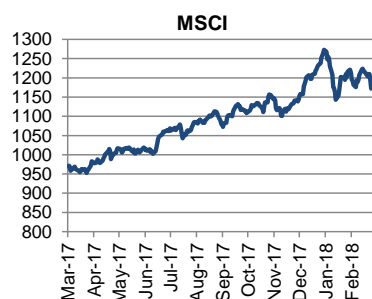
ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.25	3.00

\* 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-

### CYPRUS

The deadline of the invitation for the expression of interest on behalf of interested parties for the Cyprus Cooperative Bank (CCB) expires today. On March 19<sup>th</sup>, Cyprus Cooperative Bank (CCB), the second largest bank in terms of assets in the domestic market, provided access to a virtual data room in order to attract private investors to the bank's equity, aiming to reduce the state's participation in its ownership structure. Currently, there are two options for potential buyers to either subscribe additional capital, or to buy its assets and liabilities. According to press reports, the Minister of Finance Harris Georgiades, who was replying on Wednesday evening to a question on the matter after a meeting with Citizens Alliance President Giorgos Lillikas, said that on the basis of the information he has so far "there is investor interest and rather significant at that", but added it would be best to wait until the end of the process in order to have a full picture.

Meanwhile, on March 27<sup>th</sup>, Moody's placed on review with direction uncertain CCB's Caa2 long-term, local and foreign currency deposit ratings and downgraded the bank's baseline credit assessment (BCA) adjusting it to ca from caa2. According to Moody's, the two-notch downgrade of the bank's BCA to ca from caa2 reflects the rating agency's view that the bank has a provision shortfall which will have to be filled either through a capital increase, with funds coming from private investors or the government, or through the sale of all or part of the bank's assets and liabilities. The rating agency pointed out that although the CCB currently satisfies all of its regulatory requirements, the bank's capital shortfall stems from weak solvency and limited progress to date in tackling its asset quality issues. The agency added that the stock of non-performing exposures (NPEs) stood at 59% of gross loans as of September 2017, slightly down from its peak of 60% while the bank's provision coverage, the ratio of loan loss reserves to NPEs, at 45%, remained low. Accordingly, it noted that the CCB's capital buffer, with a ratio of tangible common equity to risk weighted assets at 11.3% as of September 2017, is vulnerable owing to its high provision gap.

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Thursday 29 March 2018

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2605.00	-0.3%	-2.6%
Nikkei 225	21159.08	0.6%	-7.1%
STOXX 600	370.98	0.5%	-4.7%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.231	0.0%	2.5%
GBP/USD	1.4061	-0.1%	4.0%
USD/JPY	106.63	0.2%	5.7%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.77	-1	37
Bund-10yr	0.51	0	8
JGB - 10yr	0.04	0	-1

Commodities

	Last	ΔD	ΔYTD
GOLD	1324	-0.1%	1.6%
BRENT CRUDE	69	-0.2%	3.8%
LMEX	3199	0.1%	-6.4%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	1	-18
1-week	2.48	0	-13
1-month	2.66	1	-19
3-month	2.91	1	-21
6-month	3.10	2	-14

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	3.46	0	46
USD Nov-24	-5.10	-27	-515

CDS

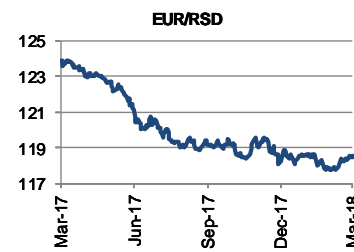
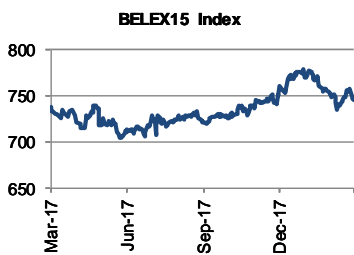
	Last	ΔDbps	ΔYTD bps
5-year	107	1	-11
10-year	156	1	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.7	-0.73%	-2.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.55	-0.74%	0.30%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.56	7	47
1-month	1.68	4	-19
3-month	2.08	2	3
6-month	2.39	0	12
12-month	2.53	0	21

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.30	0	-9
5Y RON	4.04	0	26
10Y RON	4.48	0	17

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	0	-5
USD Jan-24	3.81	0	81

CDS

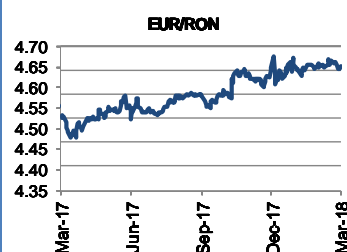
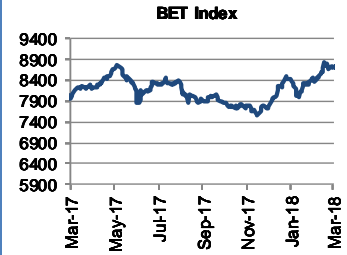
	Last	ΔDbps	ΔYTD bps
5-year	86	0	-4
10-year	130	0	-3

STOCKS

	Last	ΔD	ΔYTD
BET	8694.4	-0.37%	12.13%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6575	-0.08%	0.16%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.27	0	-2
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	-0.02	-2	5
5Y BGN	0.20	-2	5
10Y BGN	1.07	0	11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.15	1	23
EUR Sep-24	0.79	1	21

CDS

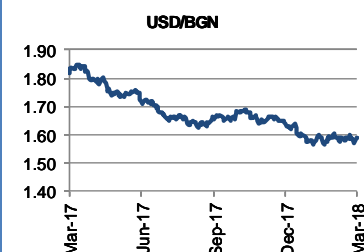
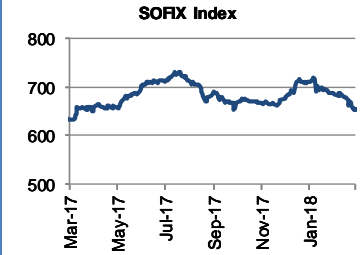
	Last	ΔDbps	ΔYTD bps
5-year	65	0	-31
10-year	113	0	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	650.6	-0.54%	-3.97%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5889	0.01%	2.55%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 13:00EST

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