

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Feb 19:  
NHAB Housing Market Index
- Feb 20
  - MBA  
Mortgage Applications
  - FOMC Meeting Minutes
- Feb 21:
  - Initial jobless claims  
(Feb. 16)
  - Durable Goods Orders  
(Dec. Prel)
  - Markit Manufacturing,  
Services and Composite  
PMI (Feb., prel)
  - Leading Indicator (Jan.)
  - Existing Home Sales (Jan.)

#### EUROZONE

- Feb 19:  
ZEW Survey Expectations  
(Feb.)
- Feb 20: Consumer Confidence  
(Feb.)
- Feb 21: Markit Manufacturing,  
Services and Composite PMI  
(Feb., prel)
- Feb 22:
  - CPI (Jan.)
  - CPI Core (Jan.)

#### GREECE

- Feb 19:  
Turnover index in industry  
(Dec.)
- Feb 20:  
Current Account (Dec.)

#### SEE

##### BULGARIA

- Feb 19: Current Account (Dec.)

##### CYPRUS

- Feb 22: CPI Harmonised (Jan.)

##### SERBIA

- Feb 22: CPI (Jan.)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Market optimism for a positive outcome in US/China trade talks prevails. High-level officials from both countries reported progress in the latest round of talks and US President Donald Trump is reportedly considering pushing back the 1 March deadline for imposing higher tariffs on \$250bn worth of Chinese imports. However, worries over higher US tariffs on EU car imports prevail, keeping European core government bonds well supported. In FX markets, the EUR/USD was struggling around 1.1300 in early European trade but 7% higher from fresh year-to-date lows marked late last week. Turning to EMU periphery sovereign bonds, Spanish paper retained a positive tone despite the fact that the country is heading into another period of political uncertainty as opinion polls suggest that no party will manage to secure an absolute majority in the parliament at the 28 April snap general election. Today's calendar is light, with just Germany's ZEW survey for March due for release and the NAHB housing market index for February in the US.

**GREECE:** Pressure by the institutions on the Greek government concerning the completion of pending actions is mounting as the deadline for the completion of the 2nd EPPS review is approaching. According, European officials warned yesterday that the upcoming review, scheduled to be released on 27 February, is likely to say that Greece has not completed the agreed reforms. Consequently, the 11 March Eurogroup might not give the go-ahead for the return of the SMP/ANFA profits that amount to c.€750 million. On the privatisations front, the latest HRADF Asset Development Plan foresees that the projects whose financial closing is expected in H1 2019 are: the privatisation of HELPE, the extension of the AIA concession agreement, the concession of the marinas of Chios and Alimos, and the sale of Afantou Rhodes and Castello Bibelli Corfu. No specific timeline however is provided for other key projects such as Hellinikon, Egnatia motorway, EYDAP, EYATH, the sale of 30% of AIA, PPC and DEPA.

### SOUTH EASTERN EUROPE

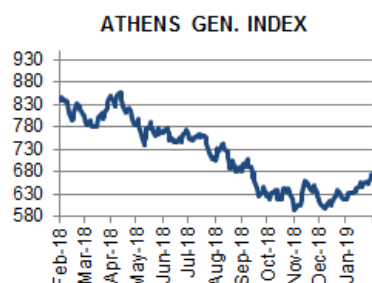
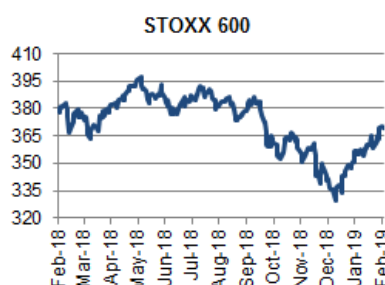
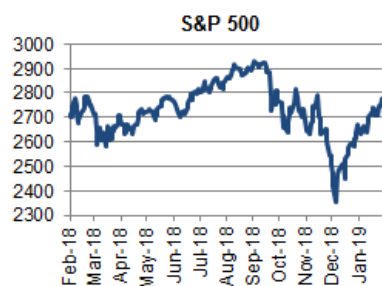
**BULGARIA:** Inflation accelerated to 3% YoY in January up from 2.7% YoY in December.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market optimism for a positive outcome in US/China trade talks prevails. High-level officials from both countries reported progress in the latest round of talks while US President Donald Trump is reportedly considering pushing back the 1 March deadline for imposing higher tariffs on \$250bn worth of Chinese imports. Deliberations are set to continue with China's Ministry of Commerce saying that Vice-Premier Liu He will meet US Representative Robert Lighthizer and US Treasury Secretary Steven Mnuchin on Thursday and Friday. However, concerns prevail about higher US tariffs on auto imports from the EU. In its report submitted on Sunday, the US Department of Commerce reportedly labelled the imports of cars a threat to national security and proposed recommendations for action to the US President. Donald Trump has 90 days to decide whether to move ahead with a duty hike of 20% on auto imports while the EU has already drawn up a list of retaliatory measures. Worries over US higher tariffs on EU car exports in the midst of a pronounced slowdown in the euro area, keep European core government bonds well supported with the 10-yr German Bund yield continuing to hover close to zero. Turning to EMU periphery sovereign bonds, Spanish paper retained a positive despite the fact that the country is heading into another period of political uncertainty as opinion polls suggest that no party will manage to secure an absolute majority in the parliament at the 28 April snap general election. The reason probably lies in the relatively strong fundamentals of Spain. Indeed, Spanish economic growth has started moderating but remains one of the fastest growing in the euro area mainly supported by domestic demand. In FX markets, the EUR/USD was struggling around 1.1300 in early European trade but 0.7% higher from fresh year-to-date lows marked late last week. Today's calendar is light, with just Germany's ZEW survey for March and the US NAHB housing market index for February.

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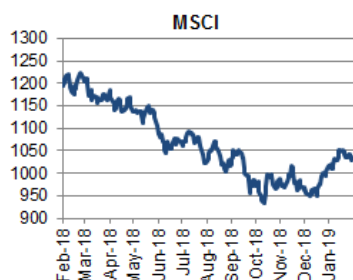
### GREECE

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Tuesday 19 February 2019

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

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba2	BBB-	BB+

## Latest economic & market developments in the CESEE region

### BULGARIA

Headline inflation accelerated to 0.5% MoM/3% YoY in January up from 0.0% MoM/2.7% YoY in December, not very far from 3.7% YoY in October, which was the highest reading since 2013. Food prices were the largest contributor to inflation in the past month (3.5% YoY in January compared to 2.6% YoY in December vs. only 0.9% YoY in January 2018). Bread and Vegetables posted very high increases by 11.1% YoY and 16.3% YoY both driven by supply-side factors, namely a poor summer harvest and allegedly high domestic electricity prices prevailing in the past month for producers, which led them to adjust their prices. The slowdown in non-food prices (0.5% YoY in January compared to 1.2% YoY in December vs. a multi-month peak of 4.2% YoY recorded in July 2018) mirroring a further decline in world energy prices. As a result, transportation prices were the group that posted the highest decrease on an annual basis (-2.6% YoY in January compared to 0.0% YoY in December vs. a multi-month peak of 9.5% YoY in July 2018). Services picked up to 5.1% YoY in January up from 4.3% YoY in December and 4.2% YoY in November reflecting the 10% hike in water services. Moreover, the sharp adjustment in regulated energy prices (gas prices up by 10.8%, electricity up by 2.0%) as of past July is expected to maintain utility prices at relatively high levels in the period ahead. Having fluctuated at very low or even negative levels in 2013-2016, headline inflation has staged a dynamic comeback in 2017-2018. The annual average inflation came in at 2.8% YoY in 2018 up from 2.1% YoY in 2017 and -0.8% YoY in 2016.

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Tuesday 19 February 2019

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities													
<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tr> <td>S&amp;P 500</td> <td>2775.60</td> <td>1.1%</td> <td>10.7%</td> </tr> <tr> <td>Nikkei 225</td> <td>21302.65</td> <td>0.1%</td> <td>6.4%</td> </tr> <tr> <td>STOXX 600</td> <td>369.37</td> <td>-0.1%</td> <td>9.4%</td> </tr> </table>		Last	ΔD	ΔYTD	S&P 500	2775.60	1.1%	10.7%	Nikkei 225	21302.65	0.1%	6.4%	STOXX 600	369.37	-0.1%	9.4%
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 |         | Last   | ΔD    | ΔYTD  | |---------|--------|-------|-------| | EUR/USD | 1.1311 | 0.0%  | -1.4% | | GBP/USD | 1.2918 | -0.1% | 1.2%  | | USD/JPY | 110.72 | -0.1% | -0.9% | | | (yields)   | Last  | ΔDbps | ΔYTD bps | |------------|-------|-------|----------| | UST - 10yr | 2.65  | -1    | -3       | | Bund-10yr  | 0.09  | -2    | -15      | | JGB - 10yr | -0.03 | -1    | -3       | | |             | Last | ΔD    | ΔYTD  | |-------------|------|-------|-------| | GOLD        | 1329 | 0.2%  | 3.6%  | | BRENT CRUDE | 66   | -0.2% | 23.3% | | LMEX        | 2944 | 0.6%  | 5.1%  | |

SERBIA

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.32	0	-12
1-week	2.49	2	-7
1-month	2.69	3	-4
3-month	3.02	3	-1
6-month	3.15	2	-3

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.16	0	9
5Y RSD	3.78	0	27
7Y RSD	4.17	0	1

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.75	#N/A N/A	-25

**CDS**

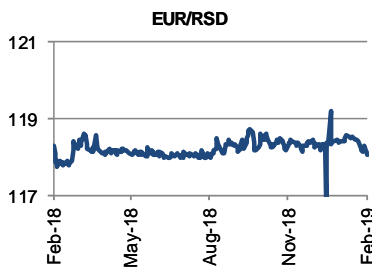
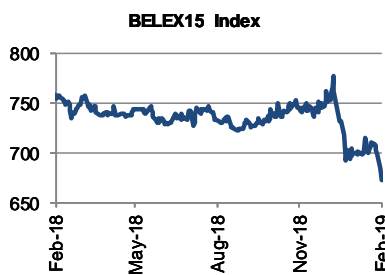
	Last	ΔDbps	ΔYTD bps
5-year	109	10	-8
10-year	158	13	-4

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	671.8	-1.92%	-11.80%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.03	0.07%	0.18%



ROMANIA

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.68	8	259
1-month	3.32	5	145
3-month	3.19	5	114
6-month	3.36	3	109
12-month	3.53	3	121

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.77	0	-26
5Y RON	4.25	0	-9
10Y RON	4.74	0	-7

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	-	1
USD Jan-24	3.69	-1	-54

**CDS**

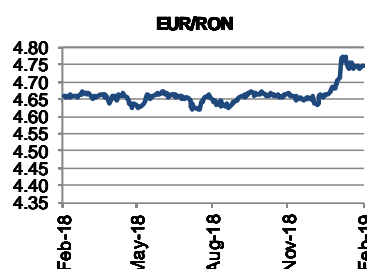
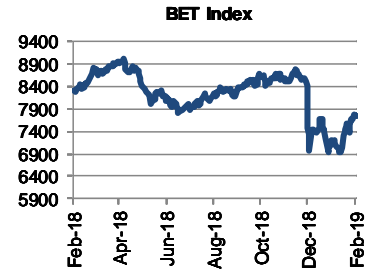
	Last	ΔDbps	ΔYTD bps
5-year	106	2	16
10-year	150	2	17

**STOCKS**

	Last	ΔD	ΔYTD
BET	7740.5	-0.30%	4.83%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.7469	-0.01%	-1.96%



BULGARIA

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	8	3
3-month	-0.14	9	4
6-month	-0.02	10	3
12-month	0.36	14	4

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.17	-1	-11
5Y BGN	0.04	3	-7
10Y BGN	0.67	0	-8

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	2	-2
EUR Sep-24	0.25	-3	-23

**CDS**

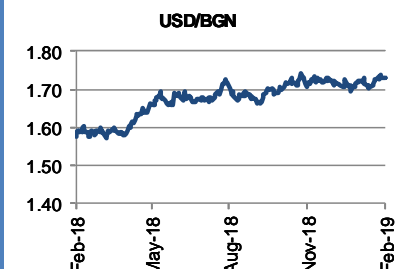
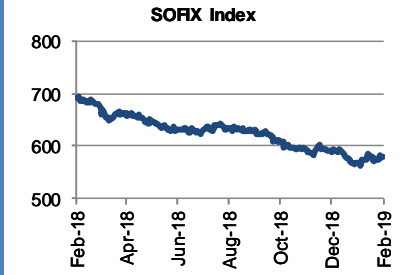
	Last	ΔDbps	ΔYTD bps
5-year	78	-1	-18
10-year	120	-1	-21

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	578.6	0.04%	-2.67%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7292	0.00%	-1.37%



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

Data updated as of 10:40 EEST

Tuesday 19 February 2019

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