

### 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 is rising, following yesterday's comments by US President Donald Trump that negotiations are going well and he is open to pushing back the 1 March deadline for striking a final deal and imposing higher tariffs on \$250bn worth of Chinese imports. Against this background, Asian bourses ended higher in today's session and major European bourses followed suit, standing in positive territory in the first hour of trading. Meanwhile, core government bonds retained a firm tone ahead of the release of the minutes of the 30 January FOMC meeting later today, when the Committee dropped its tightening bias, pledging to be patient with further rate hikes and ready to adjust the details of its balance-sheet normalization program. In FX markets, the GBP gained some ground across the board on market optimism that, at today's meeting with European Commission President Jean Claude Juncker in Brussels, UK Prime Minister Theresa May might strike some sort of compromise on the controversial Irish border backstop, ahead of the probable decisive vote on Brexit in the House of Commons on 27 February.

**GREECE:** According to press, banks have expressed a number of objections regarding the bill for the revised household insolvency framework while the institutions have also expressed concerns. Given that the matter regards the financial sector, the ECB is reportedly planning to release its opinion thereon in the next couple of weeks. On the economic data front, according to the Hellenic Statistical Authority the average Overall Turnover Index in Industry for the 12-month period from January 2018 to December 2018 increased by 11.1%YoY while in December 2017, the corresponding annual rate of change of the Overall Turnover Index in Industry was 11.8%.

### SOUTH EASTERN EUROPE

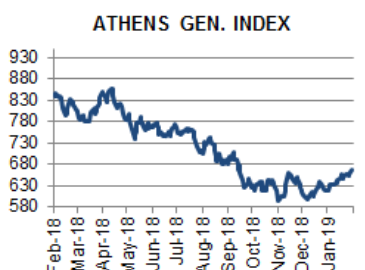
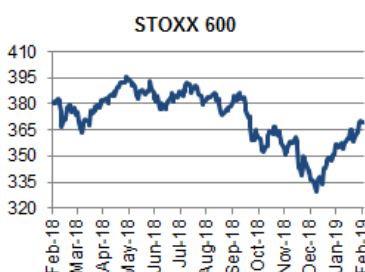
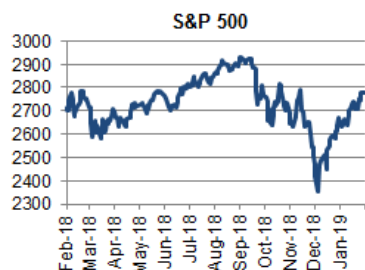
**CESEE MARKETS:** According to official data released yesterday by the National Bank of Bulgaria (BNB), the current account (CA) deficit narrowed by 81.9% YoY in December, coming in at EUR51.00mn. The cumulative CA surplus for FY2018 was EUR2.5bn, reduced by 24.6% YoY and representing 4.1% of the GDP for 2018. In Serbia, the EBRD announced yesterday that it has invested RSD542mn (EUR4.6mn) in a RSD 3.87bn bond issued by Erste Bank Serbia which constitutes EBRD's first investment in a local currency bond in Serbia.

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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 is rising, following yesterday's comments by US President Donald Trump that negotiations are going well and he is open to pushing back the 1 March deadline for striking a final deal and imposing higher tariffs on \$250bn worth of Chinese imports. A new round of talks was launched on Tuesday while meetings at a higher level are scheduled for Thursday and Friday, aiming to finalise a "Memorandum of Understanding" that will reportedly form the basis of a US/China trade deal. Positive market sentiment around US/China trade negotiations helped Asian bourses to move higher in today's session, while major European bourses followed suit with the FTSEurofirst 300 index gaining c. 0.2% in the first hour of today's session and posting fresh year-to-date intraday highs. Meanwhile, core government bonds retained a firm tone ahead of the release of the minutes of the 30 January FOMC meeting later today, when the Committee dropped its tightening bias, pledging to be patient with further rate hikes and ready to adjust the details of its balance-sheet normalization program. The 10-yr US sovereign bond was yielding levels around 2.64% in early European trade at the time of writing, within distance from yesterday's 11-session intraday low of 2.63%. In FX markets, EUR/USD was still struggling around the 1.1300 level as worries over slower Eurozone growth momentum are offset by the Fed's recent shift to a more dovish policy stance. Elsewhere, the GBP gained some ground across the board, hitting a two-week high of 1.3076 against the USD earlier today, while the EUR/GBP retreated to levels close to 0.87 on market optimism that, at today's meeting with European Commission President Jean Claude Juncker in Brussels, UK Prime Minister Theresa May might strike some sort of compromise on the controversial Irish border backstop, ahead of the probable decisive vote on Brexit in the House of Commons on 27 February.

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### GREECE

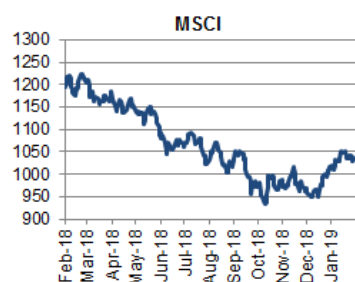
According to press, banks have expressed a number of objections regarding the bill for the revised household insolvency framework, proposing instead: a) the comprehensive revision of the framework instead of parallel bankruptcy proceedings, b) the automated assessment of the debtor's eligibility through the electronic platform and the non-provision of temporary protection if the debtor is deemed non-eligible, c) the compulsory eligibility check through the electronic platform also for those who have already applied to the current framework but whose cases have not been tried yet, d) the subsidy by the state to take place without further judicial procedures in order to avoid the creation of new arrears, and e) the duration of the new framework to be one year maximum, extended to three years for unemployed and disabled persons. Meanwhile, the institutions have also expressed concerns regarding the proposed new framework concerning primarily the minimum value of the first residence to be protected, which stands at €250,000 and is considered too high and the extension of the framework to corporate loans as well as long as the primary residence has been used as collateral. Given that the matter concerns the financial sector, the ECB is reportedly planning to release its opinion thereon in the next couple of weeks. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) the Overall Turnover Index in Industry in December 2018 recorded a decrease of 0.9%YoY while in December 2017 it had recorded a decrease of 2.6%YoY. The average Overall Turnover Index in Industry for the 12-month period from January 2018 to December 2018 increased by 11.1%YoY while in December 2017, the corresponding annual rate of change of the Overall Turnover Index in Industry was 11.8%.

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Wednesday 20 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

### CESEE MARKETS

According to official data released yesterday by the National Bank of Bulgaria (BNB), the current account (CA) deficit narrowed by 81.9% YoY, coming in at EUR51.00mn in December. The cumulative CA surplus for FY2018 was EUR2.5bn, reduced by 24.6% YoY and representing 4.1% of the GDP for 2018. During December, the key drivers of the CA balance were a brave increase in the net services income (+238.00% YoY) along with a trade deficit shrinkage by 39.1% YoY. Referring to the trade deficit improvement, it reflects the falling oil prices during December. Coming to exports, those were shrunk by 1.2% YoY, mainly on the back of reduced demand both from the Eurozone and Turkey, which constitute Bulgaria's pivotal trade partners. In terms of financing, the flow of Foreign Direct Investments (FDIs) in December 2018 stood at EUR189.40mn, compared to EUR44.5mn in December 2017.

In Serbia, the EBRD announced yesterday that has invested RSD542mn (EUR4.6mn) in a RSD 3.87bn bond issued by Erste Bank Serbia which constitutes EBRD's first investment in a local currency bond in Serbia. The bonds have a 2-year maturity and will be listed on the Belgrade Stock Exchange. The strong interest was recorded in Erste Bank's second issue of dinar bonds resulted in an oversubscription of the targeted volume of RSD3.5bn was exceeded by ca 10%. The EBRD stated that the investment will contribute to the development of the country's corporate bond market and facilitate the access of local SMEs to longer term local currency financing.

On the data front, today's calendar is rather empty while, on Friday, we anticipate industrial output and retail sales in Poland for January. The Polish data will provide a flavor of how the largest CEE economy is performing in the first part of Q12019. Finally, on Friday, we also expect the CPI reading for January in Serbia, for which we anticipate a figure ca 2.0% YoY.

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Wednesday 20 February 2019

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	2779.76	0.1%	10.9%	EUR/USD	1.1353	0.1%	-1.0%	UST - 10yr	2.64	1	-4	GOLD	1344	0.2%	4.8%
Nikkei 225	21431.49	0.6%	7.1%	GBP/USD	1.3042	-0.2%	2.2%	Bund-10yr	0.10	0	-14	BRENT CRUDE	66	-0.1%	23.4%
STOXX 600	369.76	0.2%	9.5%	USD/JPY	110.88	-0.2%	-1.1%	JGB - 10yr	-0.03	-1	-4	LMEX	2959	0.5%	5.6%

SERBIA

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.34	2	-10
1-week	2.47	-2	-9
1-month	2.68	-1	-5
3-month	3.01	-1	-2
6-month	3.14	-1	-4

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.18	-1	11
5Y RSD	3.78	0	27
7Y RSD	4.01	0	-15

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.78	1	-21

**CDS**

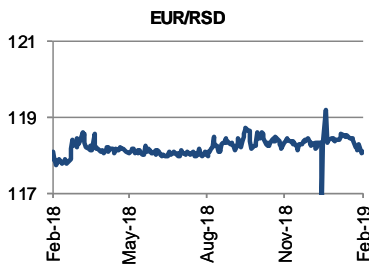
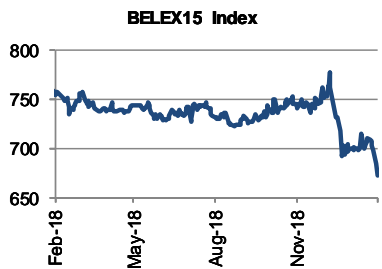
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-8
10-year	158	0	-5

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	673.2	-1.72%	-11.62%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.09	0.06%	0.12%



ROMANIA

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.68	0	259
1-month	3.32	0	145
3-month	3.19	0	114
6-month	3.36	0	109
12-month	3.53	0	121

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.78	0	-25
5Y RON	4.26	0	-8
10Y RON	4.74	0	-7

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	-	1
USD Jan-24	3.69	0	-55

**CDS**

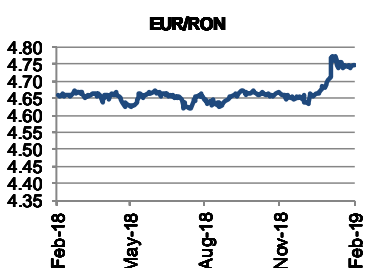
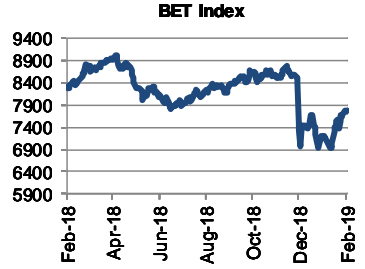
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	150	0	17

**STOCKS**

	Last	ΔD	ΔYTD
BET	7780.0	0.67%	5.37%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.7475	0.00%	-1.97%



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	-0.16	1	-10
5Y BGN	0.05	-2	-7
10Y BGN	0.67	0	-8

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	-2
EUR Sep-24	0.24	0	-24

**CDS**

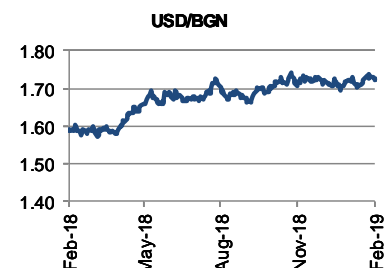
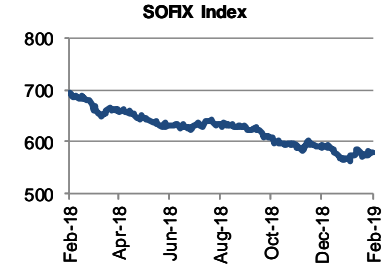
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-18
10-year	120	0	-21

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	578.1	0.00%	-2.75%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7228	0.10%	-1.00%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:05 EEST

Wednesday 20 February 2019

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