

### 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:** Appetite for risk taking was supported in early trade on Thursday, favored by a combination of increased optimism for a positive outcome in US/China trade talks and the dovish tone of the minutes from the 30 January FOMC meeting released late yesterday. In FX markets, EUR/USD was little changed on the day while the GBP gained some ground on market perception that the joint statement released yesterday after the meeting between the UK PM and the President of the European Commission may help to build a majority for the current Brexit deal at next week's vote in the House of Commons. On the data front, today's key releases include the preliminary Eurozone PMIs for February.

**GREECE:** Government and banks officials are meeting again today in order to bridge their remaining differences on the new household insolvency framework and finalise the relevant bill so that it can be voted in Parliament next week. The institutions will reportedly also participate in the meeting through teleconference. According to the Bank of Greece balance of payment data, in 2018, the current account showed a deficit of €5.3 billion, up by €2.1 billion year-on-year. The widening of the current account deficit is attributable to a deterioration in the balance of goods and the primary income account, which was partly offset by an improvement chiefly in the services balance, as well as in the secondary income account.

### SOUTH EASTERN EUROPE

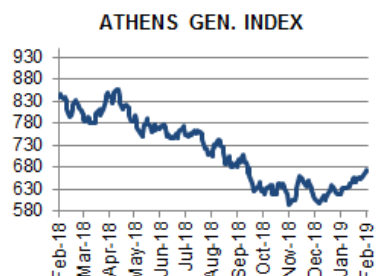
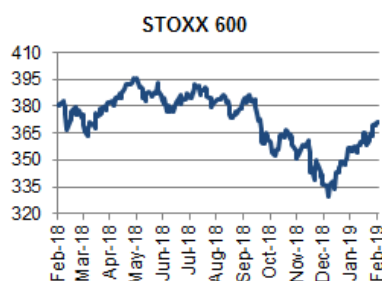
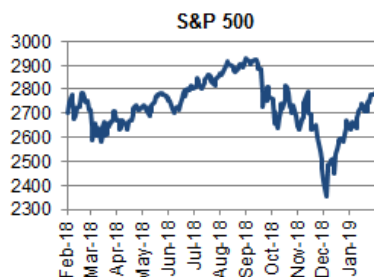
**CYPRUS:** Cyprus tapped international financial markets with a new 15Y-Eurobond yesterday for the first time in its history.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Appetite for risk taking was supported in early trade on Thursday, favored by a combination of increased optimism for a positive outcome in US/China trade talks and the dovish tone of the minutes from the 30 January FOMC meeting released late yesterday. According to press reports, US/China trade negotiations are making progress and the two sides are in the process of drawing up six memorandums of understanding on key structural issues in their trade dispute, including forced technology transfer and cyber theft and intellectual property rights, with an aim to reaching a final agreement by 1 March. Meanwhile, the Fed minutes revealed that the Committee's decision to be patient on the prospect of further policy tightening came on the back of weaker global growth momentum, tighter financial conditions and an easing in inflationary pressures. In addition, several participants argued that rate hikes would be necessary only in case inflation rises more than in their baseline outlook while, as regards the balance sheet normalization, the minutes supported the view that the Fed will halt its programme sometime later this year. In reaction to the above, Asian bourses ended at fresh multi-month highs in today's session and major European equity markets opened in the black ahead of the preliminary Eurozone PMIs for February due for release later today. Global equity markets' improved performance dented the safe-haven appeal of core government bonds with the 10-yr UST yield rising by c. 1bp on the day at 2.66% in early European trade at the time of writing, but still not far from the 2.62% recent low (31 Jan.). In FX markets, EUR/USD was little changed on the day hovering around 1.1340/50 at the time of writing after marking a two-week intraday high of 1.1372 on Wednesday. Elsewhere, the GBP gained some ground against both the EUR and the USD on market perception that the joint statement released yesterday after the meeting between the UK PM and the President of the European Commission may help to build a majority for the current Brexit deal at next week's vote in the House of Commons.

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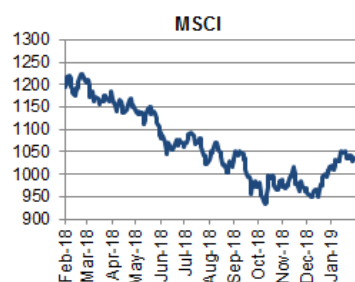
### GREECE

Government and banks officials are meeting again today in order to bridge their remaining differences on the new household insolvency framework and finalise the relevant bill so that it can be voted in Parliament next week. The institutions will reportedly also participate in the meeting through teleconference. Apparently the stickiest issue concerns the compulsory eligibility check through the electronic platform also of those who have already applied to the current framework but whose cases have not been tried yet. Banks argue in favour of this on the grounds that it will eradicate strategic defaulters early on in the procedure. It is noted that according to latest data, the pending applications for protection under the existing legal framework amount to 155,000. Meanwhile, according to the Bank of Greece balance of payment data, in 2018, the current account showed a deficit of €5.3 billion, up by €2.1 billion year-on-year. The widening of the current account deficit is attributable to a deterioration in the balance of goods and the primary income account, which was partly offset by an improvement chiefly in the services balance, as well as in the secondary income account. The deficit of the balance of goods widened by €2.7 billion, despite the continuing upward trend of exports, as imports also accelerated compared with 2017 (at current prices). The surplus of the services balance rose by €1.3 billion, on account of improvements chiefly in the travel balance and, secondarily, in the transport balance, while the other services balance deteriorated. The deficit of the primary income account more than doubled compared with 2017, mainly due to higher net interest, dividend and profit payments, while the deficit of the secondary income account declined, owing to an improvement in the general government component.

Thursday 21 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

### CYPRUS

Cyprus tapped international markets with a new 15Y-Eurobond yesterday for the first time in its history. In the latest tender, the Public Debt Management Office (PDMO) sold an offered amount of €1bn of 15-year government bonds. Citi, Goldman Sachs and HSBC were appointed by the Cypriot government as joint lead managers. The issue was heavily over-subscribed with total bids amounting to €8.1bn. Following the competitive bids, the average accepted price was at 99.903 and the corresponding yield at 2.758%. The latter yield compares with an initial guidance of 3.008%. The issue matures on February 26, 2034 and bears a 2.75% fixed annual coupon. Part of the proceeds of the issue will be utilized to repay two installments of €312.5mn of the bi-lateral loan with Russia. The gross borrowing needs of the Cypriot Republic amount to €1.6bn or 7.3% of projected GDP in 2019. The results of the new tender were received with enthusiasm by the market. The yields of the government bonds tumbled across the board. The yield on 5Y government bonds fell by 20 bps to 0.68%. The 10Y government yields fell 6 bps to 1.91%, while yields on 7Y bonds were down 4 bps on the same day. Overall, Cyprus enjoys uninterrupted access to international capital markets. In mid-September 2018, Cyprus tapped international markets, taking advantage of the favorable market conditions following the S&P upgrade of the long-term sovereign rating to investment grade with a new 10Y-Eurobond priced at 2.4%, the lowest cost ever achieved in a benchmark bond issuance.

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Thursday 21 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	2784.70	0.2%	11.1%	EUR/USD	1.1329	-0.1%	-1.2%	UST - 10yr	2.66	1	-3	GOLD	1334	-0.4%	4.0%
Nikkei 225	21464.23	0.2%	7.2%	GBP/USD	1.307	0.2%	2.4%	Bund-10yr	0.11	1	-14	BRENT CRUDE	67	-0.3%	24.3%
STOXX 600	370.74	-0.2%	9.8%	USD/JPY	110.72	0.1%	-0.9%	JGB - 10yr	-0.04	-1	-4	LMEX	2996	1.3%	7.0%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.35	1	-9
1-week	2.48	1	-8
1-month	2.68	0	-5
3-month	3.01	0	-2
6-month	3.14	0	-4

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.17	-1	11
5Y RSD	3.78	0	27
7Y RSD	4.16	0	1

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.79	0	-21

**CDS**

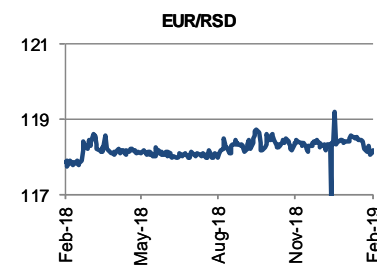
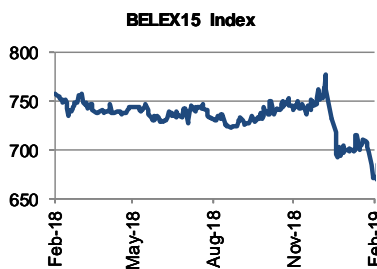
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-8
10-year	159	1	-4

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	671.4	0.10%	-11.85%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.17	-0.05%	0.06%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.72	-1	263
1-month	3.38	2	151
3-month	3.28	3	123
6-month	3.41	2	114
12-month	3.55	0	123

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.86	0	-17
5Y RON	4.35	0	1
10Y RON	4.78	0	-3

**RO Eurobonds**

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

**CDS**

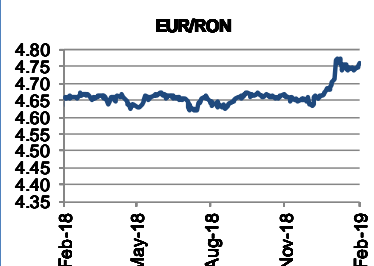
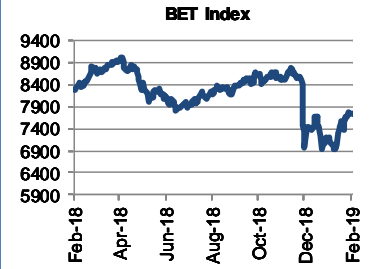
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	150	0	17

**STOCKS**

	Last	ΔD	ΔYTD
BET	7732.7	-0.21%	4.73%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.7581	-0.10%	-2.19%



**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	-2	-11
5Y BGN	0.04	-1	-7
10Y BGN	0.67	0	-8

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.06	0	-2
EUR Sep-24	0.24	0	-24

**CDS**

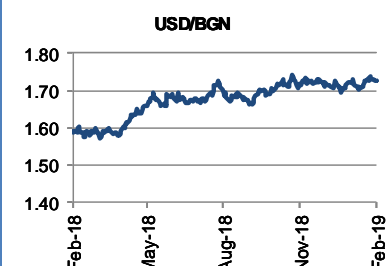
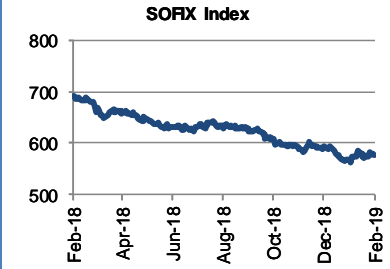
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-18
10-year	120	0	-21

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	577.5	0.17%	-2.86%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7264	-0.14%	-1.21%



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

Data updated as of 11:05 EEST

Thursday 21 February 2019

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