

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Feb 25: Wholesale inventories (Jan)
- Feb 26
  - Housing starts & permits (Jan)
  - CB consumer confidence (Feb)
  - Fed Chair testifies before Senate Banking Committee
- Feb 27:
  - Factory orders (Dec)
  - Pending home sales (Dec)
- Feb 28:
  - GDP (Q4 2018)
  - Chicago PMI (Feb.)
- Mar 01:
  - Personal income \* spending (Dec)
  - ISM manufacturing (Feb)
  - UM consumer confidence (Feb., final)

#### EUROZONE

- Feb 27:
  - M3 money supply (Jan)
  - Economic confidence (Feb)
- Mar 01:
  - Markit manufacturing PMI (Feb., final)
  - CPI (Feb., prel.)
  - Unemployment rate (Jan)

#### GREECE

- Feb 28: Retail sales (Dec)
- Mar 01: Markit manufacturing PMI (Feb)

#### SEE

#### BULGARIA

- Feb 28
  - Gross external debt (Dec)
  - Budget balance (Jan)
  - Key Policy Interest Rate announcement

#### ROMANIA

- Mar 01:
  - Unemployment rate (Jan.)
  - International reserves (Feb)

#### SERBIA

- Feb 25: Real gross wages (Dec)
- Feb 28: GDP (Q4)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Addressing the UK House of Commons on 26 February, Prime Minister Theresa May committed that: (i) another vote on her Brexit plan will be held on 12 March, at the latest; (ii) if the plan is rejected, a vote on whether to proceed with a 'no-deal' Brexit will be held on 13 March; and (iii) if 'no-deal' Brexit is rejected, the House will vote on 14 March on a motion calling on the government to request a "short and limited" extension to Article 50. The UK PM's commitment, though not legally binding, has probably reduced the Cooper amendment's chances of passing at today's vote in the House of Commons. Increasing chances of a Brexit delay and the possibility of avoiding the risk of a no-deal exit from the EU, the GBP gained ground across the board. Meanwhile, the DXY dollar index remained under pressure and US Treasuries firmed, following Fed Chairman Jerome Powell's relatively dovish comments before the House Financial Services Committee on Tuesday.

**GREECE:** According to the state budget execution data for January 2019, the state budget balance stood at a deficit of -€442.0 mn (on a modified cash basis) higher by €741.0 mn relative to the budget target for a deficit of -€1,183 mn. For the same month, the state budget primary balance stood at a surplus of €729.0 mn higher by €832.0 mn relative to the respective budget target for a deficit of -€103.0 mn.

### SOUTH EASTERN EUROPE

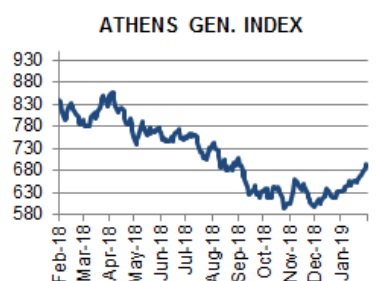
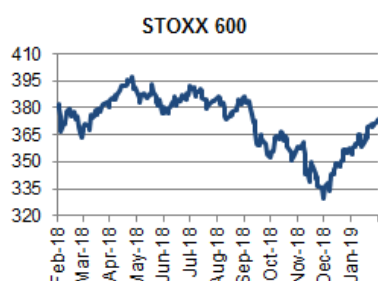
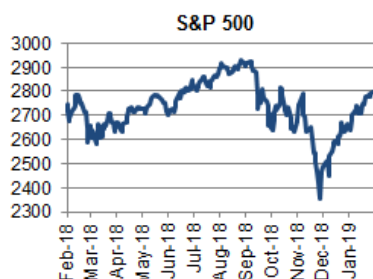
**CESEE MARKETS:** Emerging market equities moved lower earlier on Wednesday, after a streak of six positive sessions, following yesterday's Federal Reserve Chairman Jerome Powell warning that US economic growth looks uneven. Both MSCI and FTSE Emerging Markets Indices traded lower by 0.25%. Elsewhere, in the CESEE region, the dialogue between Romanian lawmakers, government, banks and companies is continuing in order to reach common ground regarding the controversial energy and bank taxes and for the Government to finalize the 2019 Budget. Referring to local bond markets, Serbia's Finance Ministry stated yesterday it will offer RSD113.4bn in seven-year Treasury notes at an auction which is planned to be held on 5 March, in a reopening of the January 9 issue. The T-notes will carry a coupon of 4.5% paid annually and will mature on January 11, 2026.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Addressing the UK House of Commons on 26 February, Prime Minister Theresa May committed that: (i) another vote on her Brexit plan will be held on 12 March, at the latest; (ii) if the plan is rejected, a vote on whether to proceed with a 'no-deal' Brexit will be held on 13 March; and (iii) if 'no-deal' Brexit is rejected, the House will vote on 14 March on a motion calling on the government to request a "short and limited" extension to Article 50. The UK PM's commitment, though not legally binding, has probably reduced the Cooper amendment's chances of passing at today's vote in the House of Commons. Increasing chances of a Brexit delay and the possibility of avoiding the risk of a no-deal exit from the EU, the GBP gained ground across the board. The GBP/USD hit a five-month high of 1.3286 earlier today, while the EUR/GBP slipped below 0.8600 for the first time since mid-May 2017. Meanwhile, the DXY dollar index traded around 95.970 in early European trade on Wednesday, not far from a three-week low of 95.948 hit yesterday soon after Fed Chairman's relatively dovish comments. In his testimony before the House Financial Services Committee on Tuesday, Federal Reserve Chairman Jerome Powell reaffirmed the Central Bank's willingness to remain more "patient" regarding future rate hikes. Mr. Powell reiterated that Fed's policy decisions will continue to be data dependent and that the Central Bank is "in no rush to make a judgment about changes in policy" amid muted inflation pressures and slower economic growth in other major countries, notably China and Europe. He also highlighted increased government policy uncertainty surrounding Brexit negotiations as well as trade talks. Capitalizing on the dollar's broad-based weakness, the EUR/USD extended recent gains marking a session high of 1.1395 earlier today, within distance from yesterday's three week intraday high of 1.1402. Turning to equity markets, Asian bourses hit five-month intraday highs in early trade today in reaction to Federal Reserve Chairman Jerome Powell's comments, but ended mixed on news that Pakistan shot down two Indian jets in its territory. Elsewhere, US Treasuries firmed with the 10yr yield dropping to a one-week low 2.63% in early European trade, while Bunds yields were little changed on the day.

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### GREECE

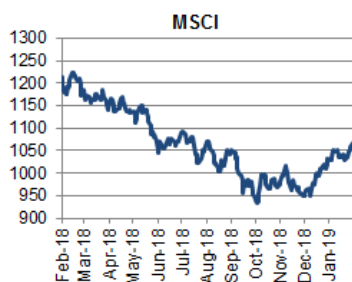
According to the state budget execution data for January 2019, the state budget net revenue were lower by €26.0 mn relative to the budget target (€4.107 mn vs €4.132 mn). On the state budget expenditure front, an underperformance of €767.0 mn was recorded. As a result, the state budget balance stood at a deficit of -€442.0 mn (on a modified cash basis) higher by €74.1.0 mn relative to the budget target for a deficit of -€1,183 mn. For the same month, the state budget primary balance stood at a surplus of €729.0 mn higher by €832.0 mn relative to the respective budget target for a deficit of -€103.0 mn.

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Wednesday 27 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

Emerging market equities moved lower earlier on Wednesday, after a streak of six positive sessions, following yesterday's Federal Reserve Chairman Jerome Powell warning that US economic growth looks uneven

Elsewhere, in the CESEE region, the dialogue between Romanian lawmakers, government and banks and companies is continuing in order to reach common ground regarding the controversial energy and bank taxes. In case of reaching an agreement, amendments to the bill may take place either in the Parliament or at a government level so as for agreeing on the 2019 Budget at a later stage as it was rejected in the previous week by Romania's President Klaus Iohannis.

In the local bond markets, Serbia's Finance Ministry stated yesterday it will offer RSD113.4bn in seven-year Treasury notes at an auction which is planned to be held on 5 March, in a reopening of the January 9th issue. The T-notes will carry a coupon of 4.5% paid annually and will mature on January 11, 2026. The Finance Ministry aims at selling at the auction RSD10bn treasury notes at par value.

The Treasury notes were first auctioned on January 9 when the government sold securities at par value of RSD18.4bn out of the RSD150bn issue. On February 11, Serbia sold RSD12.1bn in a second auction, at an average yield of 4.57%.

On the data front, according to official statistical data released yesterday in Serbia, the real gross wage growth increased by 4.4% YoY in December compared to 4.5% YoY in November. The growth of gross salaries for FY2018 stood at 6.0% YoY in nominal terms and 3.9% YoY in real terms.

We anticipate that public wages and pensions growth will carry on in 2019 as well, as this year's budget envisaged back in November 2018 increases in pensions across the board and 7% to 12% increases in salaries in the public sector. The aforementioned increases are supported by the improved fiscal performance of Serbia, given FY2018 budget recorded a surplus of ca 0.5%, along with the sufficient created fiscal space for 2019 (0.5% fiscal deficit). Pension and wage increases will support private consumption, which is expected to remain a key growth driver in 2019.

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Wednesday 27 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	2793.90	-0.1%	11.5%	EUR/USD	1.1375	-0.1%	-0.8%	UST - 10yr	2.63	-1	-6	GOLD	1327	-0.2%	3.5%
Nikkei 225	21556.51	0.5%	7.7%	GBP/USD	1.3251	0.0%	3.8%	Bund-10yr	0.11	-1	-13	BRENT CRUDE	66	0.5%	21.8%
STOXX 600	373.64	0.4%	10.7%	USD/JPY	110.41	0.2%	-0.6%	JGB - 10yr	-0.03	0	-3	LMEX	3043	0.2%	8.6%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.35	-1	-9
1-week	2.48	0	-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	3.14	-2	8
5Y RSD	3.77	0	27
7Y RSD	4.05	-1	-11

**RS Eurobonds**

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

**CDS**

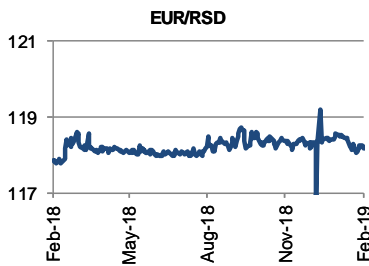
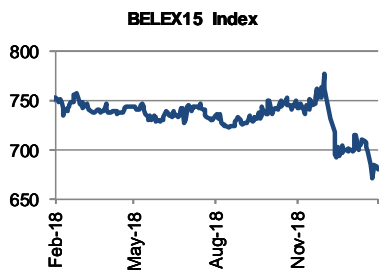
	Last	ΔDbps	ΔYTD bps
5-year	108	-1	-10
10-year	157	-1	-5

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	680.1	-0.51%	-10.71%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.24	0.25%	0.00%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.56	0	247
1-month	3.35	0	148
3-month	3.29	0	124
6-month	3.41	0	114
12-month	3.55	0	123

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.83	0	-20
5Y RON	4.32	0	-2
10Y RON	4.79	0	-2

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.51	-	-3
USD Jan-24	3.69	0	-54

**CDS**

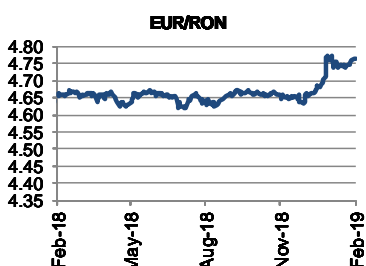
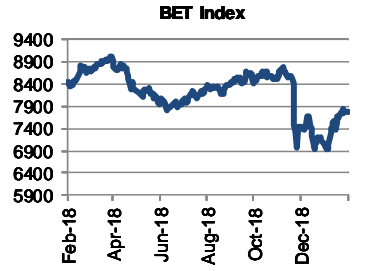
	Last	ΔDbps	ΔYTD bps
5-year	107	0	17
10-year	151	1	17

**STOCKS**

	Last	ΔD	ΔYTD
BET	7775.2	0.04%	5.30%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.7628	0.01%	-2.28%



**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	-0.15	-1	-9
5Y BGN	0.06	0	-5
10Y BGN	0.67	0	-8

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	-2
EUR Sep-24	0.23	0	-26

**CDS**

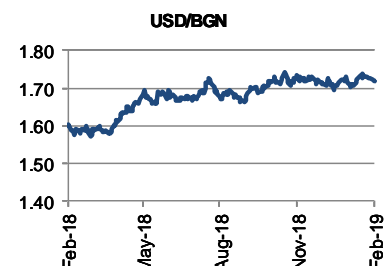
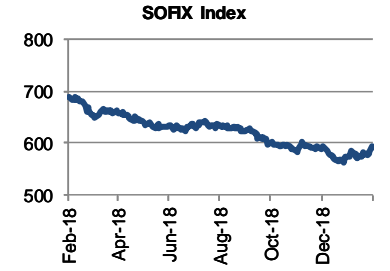
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-19
10-year	120	0	-22

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	591.1	-0.33%	-0.57%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7191	-0.10%	-0.79%



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

Data updated as of 08:55 EEST

Wednesday 27 February 2019

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