

### 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:** The UK House of Commons approved yesterday Labour MP Yvette Cooper's amendment which was changed from its original form so as to put in writing Prime Minister Theresa May's commitment for: (i) a meaningful vote on her Brexit deal by 12 March; (ii) if her Brexit plan is rejected, a vote by 13 March on whether the Parliament wants the UK to leave the EU with no deal; and (iii) if a no-deal Brexit is rejected, a vote on a "short and limited" extension by 14 March. On the perceived reduced chance of a no-deal Brexit in the near future, UK Gilts remained under pressure while the GBP was well supported in early European trade, but slightly lower from yesterday's fresh highs against both the USD and the EUR. Focus today is on the release of the US Q4 data, almost a month later than initially planned due to the partial government shutdown.

**GREECE:** According to the 2<sup>nd</sup> EPPS review that was released yesterday the primary surplus in 2018 may exceed 3.7% of GDP projected in the EC's Autumn 2018 forecast while on reforms the report finds that progress has been mixed. It is noted that the report could serve as a basis for the Eurogroup to decide on the release of the first set of policy-contingent debt measures that amount to €970 million.

### SOUTH EASTERN EUROPE

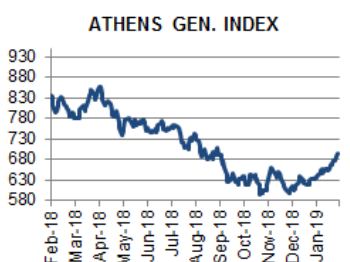
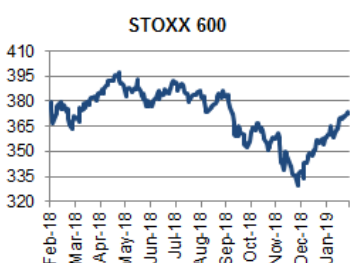
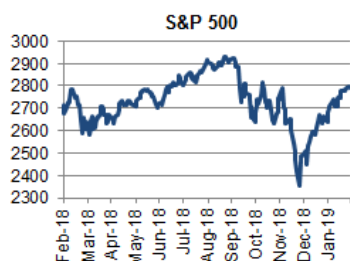
**CESEE MARKETS:** The majority of emerging market assets remained under pressure earlier on Thursday driven by disappointing Chinese PMI data. The risk sentiment was also hit by escalating geopolitical tension between India and Pakistan that resulted in the latter shooting down two Indian jets on Wednesday. That said, both the MSCI and the FTSE Emerging Markets Equity indices continue to underperform for a second session in a row. Elsewhere, in the CESEE region, the picture in the local bourses was similar to that of the emerging equity markets but with intraday losses to a lesser extent. Regional currencies concluded yesterday's session on a positive footing with the Romanian leu taking the lead following Romanian Finance Minister Eugen Teodorovici's statements that a plethora of financial assets will be exempted from the new bank tax in 2019. In the local bond markets, yesterday, Serbia's Finance Ministry raised EUR18.9mn in 5-year bonds at the reopening of the 29 January issue. Today's calendar is rather hefty with our attention focusing on Serbia's final Q4 economic growth data, following the flash estimate on 31 January according to which the Q42018 GDP growth rate came in at 3.5% YoY.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The UK House of Commons approved yesterday Labour MP Yvette Cooper's amendment which was changed from its original form so as to put in writing Prime Minister Theresa May's commitment for: (i) a meaningful vote on her Brexit deal by 12 March; (ii) if her Brexit plan is rejected, a vote by 13 March on whether the Parliament wants the UK to leave the EU with no deal; and (iii) if a no-deal Brexit is rejected, a vote on a "short and limited" extension by 14 March. On the perceived reduced chance of a no-deal Brexit in the near future, UK Gilts remained under pressure with the 10-yr sovereign paper yielding levels around 1.27% in early European trade at the time of writing, close to Wednesday's one-month intraday high of 1.29% and some 14bps higher from seven-month lows marked earlier this month. German Bunds followed suit. The 10-yr yield hit a three-week high close to 0.17% yesterday before retreating modestly to levels around 0.15% at the time of writing on weaker than expected February inflation data from France. USTs were also under selling pressure ahead of the release of the US Q4 data later today, almost a month later than initially planned due to the partial government shutdown. Turning to equity markets, major European bourses opened lower, tracking Asian bourses' negative tone in today's session. Weak data from both China and Japan earlier today fueled market worries over the global growth outlook while an early end to the US-North Korean summit in Hanoi and the ongoing uncertainty about a final US/China trade deal, also weighed on risk sentiment. Trade talks are progressing positively, but there is no breakthrough yet while US Trade Representative Robert Lighthizer cautioned that it is too early to predict an outcome in trade deliberations. Turning to FX markets, the CHF was among the main outperformers as the lack of further progress in US/China trade talks and renewed concerns about the growth prospects of the world economy, favored its safe-haven appeal. Meanwhile, the GBP remained well supported, but slightly lower from yesterday's fresh highs against both the USD and the EUR. Elsewhere, the EUR/USD continued to consolidate above 1.1350 and not far from Wednesday's 1.1404 three-week high.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

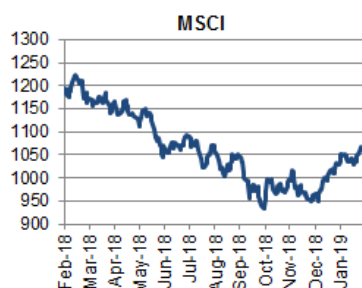
According to the 2<sup>nd</sup> EPPS review that was released yesterday the primary surplus in 2018 may exceed 3.7% of GDP projected in the EC's Autumn 2018 forecast. This projection takes into account the wage refunds to uniformed personnel and other public servants as well as the 'social-dividend', both paid at the end of 2018. The extent of the overshooting against the 3.5% of GDP target depends on the underspending in the public investment budget, which is however considered inhibitory to growth. The increase in the statutory minimum wage in February 2019 raises concerns with regard to its broader impact on the economy may have a short-term positive net fiscal impact in 2019 while the maintenance of the VAT discount on refugee crisis stricken islands – albeit unilateral – will have a limited fiscal cost of c. €50 million. Concerns however are raised with regard to upward pressures to the public sector wage bills through excessive hirings. On reforms, progress has been mixed. Delays are observed among others in the staffing of the Independent Authority of Public Revenue, the clearance of state arrears, the reduction of NPLs, the establishment of the new Hellenic Cadastre agency, the divestment of the PPC, the privatisation of Egnatia motorway, the corporate restructuring of DEPA and the appointment of Administrative Secretaries in the public administration. It is noted that the report could serve as a basis for the Eurogroup to decide on the release of the first set of policy-contingent debt measures that amount to €970 million.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

Thursday 28 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

The majority of emerging market assets remained under pressure earlier on Thursday driven by disappointing Chinese PMI data. The Caixin Manufacturing PMI for February came in at 49.2, instead of the expected 49.5, remaining into contractionary territory for the third month in a row. The risk sentiment was also hit by escalating geopolitical tension between India and Pakistan that resulted in the latter shooting down two Indian jets on Wednesday. That said, both the MSCI and the FTSE Emerging Markets Equity indices continued to underperform for a second session in a row. On the flipside, emerging markets currencies are performing mixed with the MSCI Emerging Markets Currency Index hovering around 1.1650 points at the time of writing, not much changed on a daily basis but marginally higher compared to Tuesday's closing.

Elsewhere, in the CESEE region, the picture in the local bourses was similar to that of the emerging equity markets but with lower intraday losses. On the contrary, most regional currencies concluded yesterday's session on a positive footing with the Romanian leu taking the lead and appreciating against the Euro by 0.4%, before giving back some gains in early trade today with the EURRON standing close to 4.74 at the time of writing. The Romanian leu touched yesterday a two week high at 4.73 following Romanian Finance Minister Eugen Teodorovici's statements that a plethora of financial assets will be exempted from the new bank tax in 2019.

In the local bond markets, yesterday, Serbia's Finance Ministry raised EUR18.9mn in 5-year bonds at the reopening of the 29 January issue. The scope of the auction was EUR208.8mn but the ministry said it will place bonds for up to EUR 50mn. Still, investors' interest appeared low since they placed bids for EUR18.9mn. The bonds that bear a 1.75% annual coupon and mature on 31 January of 2024 were sold at an average yield of 1.74%, marginally lower than the 1.75% yield achieved at the 29 January auction.

Today's calendar is filled with gross external debt in December and budget balance data in January for Bulgaria. We also anticipate Bulgaria's National Bank (BNB) Base interest Rate announcement. We consider today's most important regional data Serbia's final Q4 economic growth data, following the flash estimate on 31 January according to which the Q42018 GDP growth rate came in at 3.5% YoY.

[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

Thursday 28 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>2792.38</td> <td>-0.1%</td> <td>11.4%</td> </tr> <tr> <td>Nikkei 225</td> <td>21385.16</td> <td>-0.8%</td> <td>6.8%</td> </tr> <tr> <td>STOXX 600</td> <td>372.58</td> <td>-0.3%</td> <td>10.3%</td> </tr> </table>		Last	ΔD	ΔYTD	S&P 500	2792.38	-0.1%	11.4%	Nikkei 225	21385.16	-0.8%	6.8%	STOXX 600	372.58	-0.3%	10.3%
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 |         | Last   | ΔD    | ΔYTD  | |---------|--------|-------|-------| | EUR/USD | 1.1383 | 0.1%  | -0.7% | | GBP/USD | 1.3288 | -0.2% | 4.1%  | | USD/JPY | 110.76 | 0.2%  | -1.0% | | | (yields)   | Last  | ΔDbps | ΔYTD bps | |------------|-------|-------|----------| | UST - 10yr | 2.66  | -2    | -3       | | Bund-10yr  | 0.14  | -1    | -10      | | JGB - 10yr | -0.02 | 0     | -2       | | |             | Last | ΔD    | ΔYTD  | |-------------|------|-------|-------| | GOLD        | 1322 | 0.2%  | 3.1%  | | BRENT CRUDE | 66   | -0.5% | 22.8% | | LMEX        | 3055 | 0.4%  | 9.1%  | |

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.33	-2	-11
1-week	2.47	-1	-9
1-month	2.67	-1	-6
3-month	3.00	-1	-3
6-month	3.13	-1	-5

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.15	-2	9
5Y RSD	3.77	0	27
7Y RSD	4.01	-1	-15

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.77	-1	-22

**CDS**

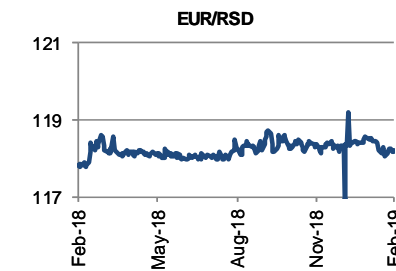
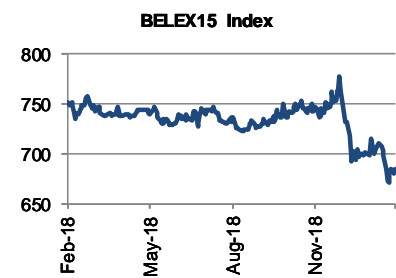
	Last	ΔDbps	ΔYTD bps
5-year	107	-1	-11
10-year	156	-1	-6

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	684.5	0.65%	-10.13%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.26	-0.20%	-0.02%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.5	0	241
1-month	3.31	0	144
3-month	3.28	0	123
6-month	3.4	0	113
12-month	3.53	0	121

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.75	0	-28
5Y RON	4.25	0	-9
10Y RON	4.72	0	-10

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.49	-	-4
USD Jan-24	3.68	0	-56

**CDS**

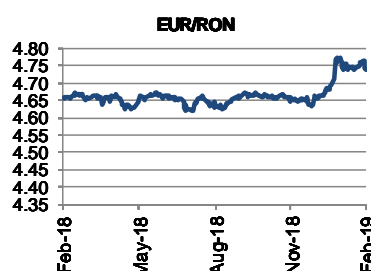
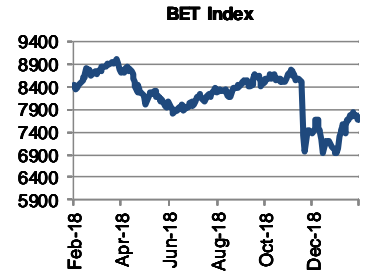
	Last	ΔDbps	ΔYTD bps
5-year	107	1	17
10-year	151	1	18

**STOCKS**

	Last	ΔD	ΔYTD
BET	7668.8	-1.37%	3.86%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.7383	0.02%	-1.78%



**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	-0.14	-2	-7
5Y BGN	0.06	-1	-5
10Y BGN	0.69	0	-6

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	-2
EUR Sep-24	0.23	0	-25

**CDS**

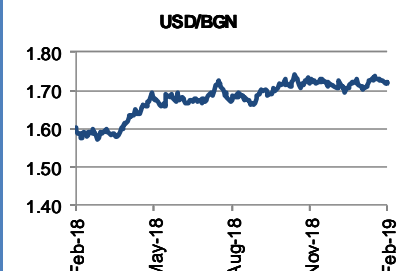
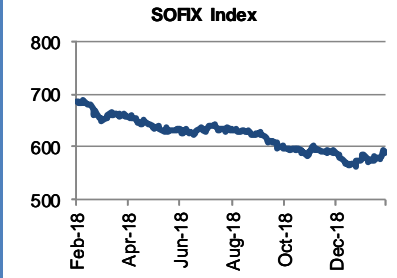
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-19
10-year	120	0	-22

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	588.4	-0.45%	-1.02%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7183	0.09%	-0.74%



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

Data updated as of 08:55 EEST

Thursday 28 February 2019

## Contributors

**Paraskevi Petropoulou**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Ioannis Gkionis**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma**  
(Special Contributor)  
Research Economist, Eurobank  
Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Stelios Gogos**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371226  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

**Theodoros Stamatou**  
(Special Contributor)  
Senior Economist, Eurobank  
Ergasias  
+30 210 3371228  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

**Maria Kasola**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371224  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Tasos Anastasatos: Group Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Marisa Yiannissis: Administrator**  
[magiannisi@eurobank.gr](mailto:magiannisi@eurobank.gr), +210 3371242

**Ioannis Gkionis: Senior Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Dr. Stylianos Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Maria Kasola: Economic Analyst**  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr), +30 210 3371224

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Paraskevi Petropoulou: Senior Economist**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Dr. Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto:etsiampaou@eurobank.gr), +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [Research@eurobank.gr](mailto:Research@eurobank.gr)

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