



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, March 02, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 27
 - Durable goods orders (Feb)
 - Pending home sales (Jan)
- Feb 28
 - GDP (Q4, 2nd est)
 - Case Shiller house price index (Dec)
 - Chicago PMI (Feb)
 - CB cons. confidence (Feb)
- Mar 1
 - Personal income / spending (Jan)
 - Core PCE (Jan)
 - ISM manufacturing (Feb)
 - Fed Beige Book
- Mar 2: Jobless claims (weekly)
- Mar 3: ISM non-manufacturing (Feb)

EUROZONE

- Feb 27: ESI (Feb)
- Feb 28: FR: GDP (Q4, 2nd est)
- Mar 1: PMI manufacturing (Feb, f)
- Mar 2: HICP (Feb)
- Mar 3: PMI services (Feb, f)

GREECE

- Feb 28: Retail sales (Dec)
- Mar 1: Markit PMI manufacturing (Feb)

CYPRUS

- Mar 2: CPI (Feb)

SEE

BULGARIA

- Feb 28
 - Gross external debt (Dec)
 - Budget balance (Jan)

ROMANIA

- Mar 1: international reserves (Feb)
- Mar 2
 - ILO U/E rate (Jan)
 - T-bonds auction
- Mar 3: Retail sales (Jan)

SERBIA

- Feb 28
 - Industrial production (Jan)
 - Retail sales (Jan)
 - GDP (Q4, f)
 - Current account (Dec)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US core PCE price –the Fed’s preferred inflation measure index– rose by a higher than expected 0.3% mom in January, the biggest increase in four years, supporting market expectations for a near-term Fed rate hike. Fed Funds futures are currently assigning a probability around 86% for a 25bps rate hike at the next FOMC monetary policy meeting on March 14-15 compared to around 50% earlier this week. In reaction to increased market expectations for a Fed rate hike in the imminent future, US Treasuries came under renewed pressure while the USD extended recent gains.

GREECE: Deliberations with the institutions continue in Athens and according to press reports, the mission heads will remain until next Tuesday or Wednesday while the 9 March Euroworking Group (EWG) will decide the course of action from then on. Differences remain but the Greek government claims that a staff level agreement by the 20 March Eurogroup is possible. The issues on the agenda today are the legal framework for the out-of-court workout as well as the Social Work programmes for the unemployed.

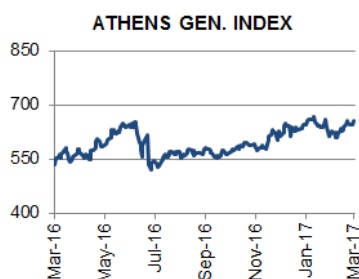
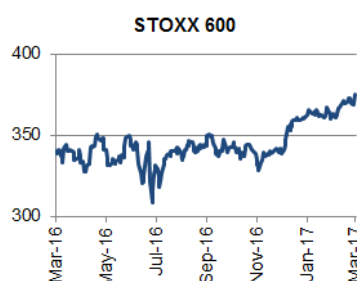
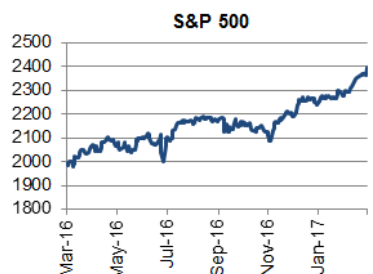
SOUTH EASTERN EUROPE

CESEE MARKETS: CESEE financial markets were mixed in morning trade on Thursday, with increased expectations for a Fed rate hike this month weighing on riskier assets.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

US core PCE price –the Fed’s preferred inflation measure index– rose by a higher than expected 0.3% mom in January, the biggest increase in four years, supporting market expectations for a near-term Fed rate hike. The above data release followed hawkish comments from a number of voting and non-voting FOMC policymakers over the last few sessions, including usually-dovish Fed Governor Lael Brainard, who signaled yesterday support for a Fed rate hike “soon” taking into account an improving global growth outlook and solid US economic recovery. Against this background, Fed Funds futures are currently assigning an 86% probability for a 25bps rate hike at the next FOMC monetary policy meeting on March 14-15 compared to around 50% earlier this week. In reaction to increased market expectations for a Fed rate hike in the imminent future, US Treasuries came under renewed pressure with long-dated paper underperforming. The 2-yr yield recorded a 2 ½ month intraday peak of 1.304% while the 10-yr yield marked a two-week intraday high of 2.474% with the corresponding yield spread hovering around 117.5bps at the time of writing, 0.9bps higher compared to the settlement in the prior session. In FX markets, the USD retained a positive tone with the DXY index rising to 102.00 earlier today, the highest since mid-January. Focus today is on euro area inflation data from February with market participants expecting a further increase in headline CPI to 2.0%YoY from 1.8%YoY in the prior month, a development that should be realized, could fuel ECB QE tapering discussion. Meanwhile, taking its cue from the negative tone in US Treasuries, the 10-yr Bund yield remained in an upward trend for the fourth consecutive session standing close to 1.30% at the time of writing, the highest in more than a week, having increased by 11.5bps cumulatively from a multi-week trough recorded last week.

ppetropoulou@eurobank.gr

GREECE

Deliberations with the institutions continue in Athens and according to press reports, the mission heads will remain until next Tuesday or Wednesday while the 9 March Euroworking Group (EWG) will decide the course of action from then on. So far, differences reportedly remain regarding the size of the measures that Greece will have to pre-legislate, the pension reform but also the offsetting measures that Greece has proposed. As regards the first, official lenders and the IMF in particular insist on measures of 2%-of-GDP, i.e. c. €3.6 billion. With regard to pensions, official lenders are said to request the one-off abolishment of the personal difference in existing pensions as of 2020, whereas the Greek government favours its gradual abolishment starting from 2020. The offsetting measures also constitute a contentious issue as the institutions are said to reject a number of Greece’s proposals while they request more information on others. Nevertheless, the Greek government claims that a staff level agreement by the 20 March Eurogroup is possible. According to press, the issues on the agenda today are the legal framework for the out-of-court workout as well as the Social Work programmes for the unemployed.

andimitriadou@eurobank.gr

March 2, 2017

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
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

CYPRUS: Indicators	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

* ESA 2010

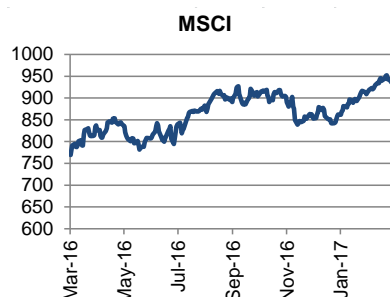
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.9	1.2	2.1
Budget Balance/GDP	-3.7	-1.4	-1.3
Current Account/GDP	-4.7	-4.0	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2016	current	2017
Policy Rate (eop)	4.00	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest economic & market developments in the CESEE region

CESEE MARKETS

CESEE financial markets were mixed in morning trade on Thursday, with increased expectations for a Fed rate hike this month weighing on riskier assets. The majority of regional bourses fell earlier today, while the main BIST 100 index in Turkey and WIG in Poland bucked the negative trend to stand in a modestly positive territory.

In FX markets, the Turkish lira underperformed its regional peers, falling by more than 1% on the day to a 1-month low of 3.6990 against a broadly stronger US dollar in European trade. Deteriorating risk appetite also spread to the Polish zloty and the Hungarian forint, each easing by ca 0.3% compared to Wednesday's settlement to trade around 4.2965 and 308.5, respectively, earlier today. In the local currency debt markets, regional bonds were mixed. Turkish paper led the losers' pack, with the corresponding 2 and 10-year benchmark bond yield rising by ca 5bps each to 10.95% and 10.73%, respectively.

Today's CESEE calendar is particularly light. The ILO unemployment data for January in Romania and a Central Bank meeting in Ukraine, where interest rates are expected to remain stable at 14.00%, are amongst the most notable releases/events. Government bond auctions in Romania and Hungary also lure market attention. On Friday, a sovereign credit rating by Moody's on Hungary and Turkey's inflation data for February take centre stage.

On the latter, price pressures are expected to have accumulated last month, with consensus for headline CPI standing at 9.72%YoY vs. 9.22%YoY in the prior month, in view of the lira's recent steep weakening. Recall that, the currency has come under pressure on deteriorating growth prospects, geopolitical tensions in the country's borders, increased domestic security concerns following recent terror attacks and worries over the Central Bank's independence amid earlier calls for monetary easing by high level politicians, while inflation stands well above target. Adding to the lira's woes have been the government-backed constitutional changes, envisioning the transition to a presidential system that will effectively give the President executive powers stirring concerns over power concentration. These developments have also been reflected on the country's deteriorating sovereign credit ratings, which now stand in junk territory by all three major rating agencies after a series of downgrades over recent months.

gphoka@eurobank.gr

March 2, 2017

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	2395.96	1.4%	7.0%	EUR/USD	1.0531	-0.2%	0.1%	UST - 10yr	2.45	0	1	GOLD	1244	-0.4%	8.0%
Nikkei 225	19564.80	0.9%	2.4%	GBP/USD	1.2265	-0.2%	-0.7%	Bund-10yr	0.29	0	8	BRENT CRUDE	56	-0.7%	-1.5%
STOXX 600	375.16	-0.1%	3.8%	USD/JPY	114.2	-0.4%	2.5%	JGB - 10yr	0.04	-3	-1	LMEX	2918	1.0%	9.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	-1	1
1-week	3.11	-3	-6
1-month	3.36	1	1
3-month	3.56	3	9
6-month	3.71	3	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	0	-2
5Y RSD	5.44	0	8
7Y RSD	5.71	#N/A N/A	8

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.04	-4	-29
USD Nov-24	6.52	4	11

CDS

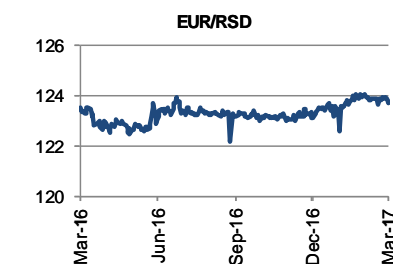
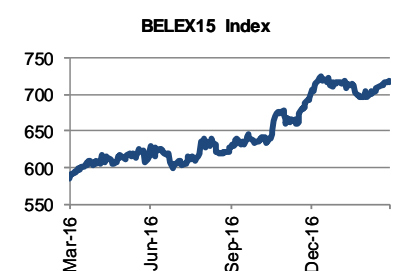
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	248	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	717.6	0.29%	0.04%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.73	-0.07%	-0.22%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	0	-7
1-month	0.61	0	-15
3-month	0.81	1	-9
6-month	1.05	-1	-6
12-month	1.24	0	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.64	1	2
5Y RON	2.65	1	13
10Y RON	3.70	1	5

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.02	0	-12
USD Jan-24	3.57	-1	-28

CDS

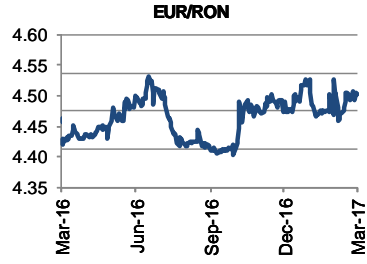
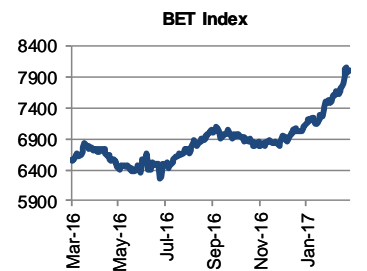
	Last	ΔDbps	ΔYTD bps
5-year	95	-1	-14
10-year	139	-1	-14

STOCKS

	Last	ΔD	ΔYTD
BET	8022.7	-0.18%	13.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5222	0.05%	0.37%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.20	-2	-20
1-month	-0.17	0	0
3-month	-0.07	0	-1
6-month	0.05	0	-3
12-month	0.41	0	1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.08	-1	-8
5Y BGN	0.40	1	-11
10Y BGN	1.72	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.68	0	-36
EUR Sep-24	1.52	-1	-16

CDS

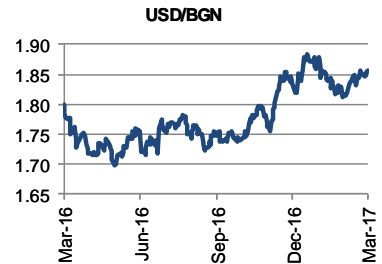
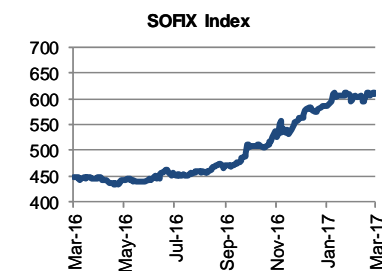
	Last	ΔDbps	ΔYTD bps
5-year	114	-2	-38
10-year	158	-1	-36

STOCKS

	Last	ΔD	ΔYTD
SOFIX	609.7	-0.41%	3.97%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8574	-0.16%	0.05%



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

Data updated as of 12:10 EET

March 2, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

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

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokrousos: Group Chief Economist
pmonokrousos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

