

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Feb 27
  - Durable goods orders (Feb)
  - Pending home sales (Jan)
- Feb 28
  - GDP (Q4, 2<sup>nd</sup> 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, 2<sup>nd</sup> 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:** The USD retained a firm tone in European trade on Friday and US Treasuries remained under pressure amid increased market expectations for an imminent Fed rate hike. Following hawkish comments from a number of FOMC policymakers over the last few sessions and a higher than expected monthly increase in the US' February core PCE, Fed Funds futures are currently assigning a 88% probability for a 25bps rate hike at the March 14-15 FOMC monetary policy meeting compared to c. 50% earlier this week and c. 30% in mid-February.

**GREECE:** Negotiations between the Greek authorities and the ECB/IMF/ESM/EC mission heads in the context of the 2nd programme review continue and are reportedly expected to last until next Tuesday or Wednesday. In spite of divergent views on certain issues required to be closed for the successful completion of the review, Greek government officials reportedly insist that technical talks could be completed in time for the next Eurogroup meeting on March 20. Ahead of the next Eurogroup, the Euroworking Group (EWG) convenes on March 9 and is expected to assess, among others, the progress made and the course of action from then on.

### SOUTH EASTERN EUROPE

**CYPRUS:** Inflation rose to +1.7% YoY in February, the highest reading since January 2013.

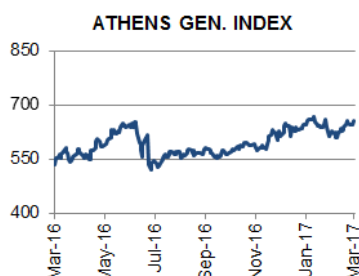
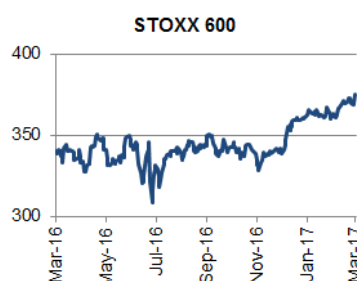
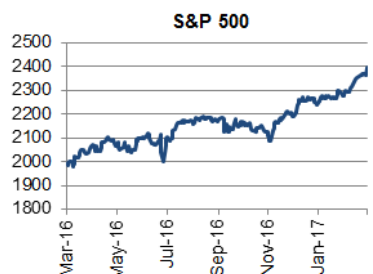
**ROMANIA:** The finance ministry sold on Thursday a planned amount of RON 700mn (~€154.5mn) of 2-year government bonds, at an average accepted yield of 1.59%, 21bps above that achieved at a prior auction of the same paper held in January.

**SERBIA:** Serbia's parliament speaker Maja Gojkovic announced on Thursday that the upcoming Presidential election will be held on April 2<sup>nd</sup>, while a potential second round would take place on April 16<sup>th</sup>.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

The USD retained a firm tone in European trade on Friday and US Treasuries remained under pressure amid increased market expectations for an imminent Fed rate hike. Following hawkish comments from a number of FOMC policymakers over the last few sessions and a higher than expected monthly increase in the US' February core PCE, Fed Funds futures are currently assigning a 88% probability for a 25bps rate hike at the March 14-15 FOMC monetary policy meeting compared to c. 50% earlier this week and c. 30% in mid-February. The 2-yr US bond yield was hovering around 1.31% at the time of writing, not far from a multi-year intraday peak of 1.34% recorded in the prior session while the 10-yr Treasury yield marked a two-week high of 2.49% earlier in the day. Focus today is on Fed Chair Janet Yellen who speaks on the economic outlook at 19:00 CET. Should her comments be perceived by market participants as somewhat more hawkish than those expressed at the semi-annual testimony in mid-February, a continuation of the recent uptrend in US Treasury yields is likely with the 10-yr yield testing levels above 2.50%. German bonds also remained under pressure following the euro area's February inflation data which showed a jump in headline CPI to a four-year high of 2.0%YoY mainly boosted by higher oil prices. However, underlying inflationary pressures remained contained with core CPI standing at 0.9%YoY, unchanged compared to the prior month. That said, the above development is not likely to have an impact on the ECB's monetary policy taking into account President Mario Draghi's recent comments that the QE programme is intended to continue until there is a "sustained adjustment in the path of inflation consistent with its inflation target". In FX markets, the DXY index was standing close to 102.060 at the time of writing, not far from a nearly two-month high of 102.260 recorded in the prior session.

### GREECE

Negotiations between the Greek authorities and the ECB/IMF/ESM/EC mission heads in the context of the 2nd programme review continue and are reportedly expected to last until next Tuesday or Wednesday. The main issues on the agenda yesterday included, among others, the new out-of-court settlement framework for corporate entities. According to the local press, the main issues of disagreement are: (i) whether some liabilities to the state will be excluded from the said procedure. In more detail, official creditors have reportedly rejected the government's proposal certain liabilities to the state to be excluded from the out-of-court debt settlement procedure, including VAT and withdrawn taxes related to salaries. Instead, they have requested all these liabilities to be included; and (ii) the minimum size of debt to be settled under this procedure. The Greek government reportedly argues that the threshold above which corporate entities will be eligible to use this procedure should stand at a €20k threshold while official creditors insist for a higher one at €50k. In spite of divergent views on certain issues required to be closed for the successful completion of the review, government officials reportedly insist that technical talks could be completed in time for the next Eurogroup meeting on March 20. Ahead of the next Eurogroup, the Euroworking Group (EWG) convenes on March 9 and is expected to assess, among others, the progress made and the course of action from then on. In other news, according to local newswires, Greece has requested from the World Bank technical and financial assistance to address lingering structural challenges including long-term unemployment and economic competitiveness.

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March 3, 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

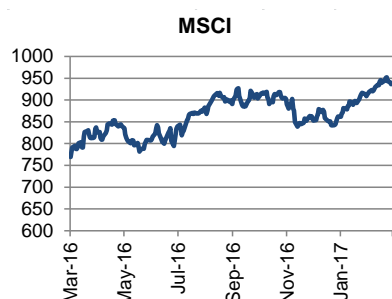
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### CYPRUS

Consumer prices, measured by national standards, rose to +0.4% MoM/+1.7% YoY in February up from -1.1% MoM/+0.5% YoY in January. The biggest increase on an annual basis was observed in the categories of transportation (+0.1% MoM/+3.3% YoY) and utilities (+1.4% MoM/+6.7% YoY), which reflects the pass through of rising world energy prices and the subsequent increase in the local electricity tariffs. As of February, the rise in petroleum and electricity prices accounted for 0.7ppts and 0.6 ppts respectively, volatile food (fruit and vegetables) contributed another 0.5 ppts and other goods and services had a negative contribution of -0.1ppts. The February reading is the second consecutive positive in 2017, but also the highest reading since January 2013, after that of last January which marked the end of the prolonged-four year- period of deflation in the island.

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### ROMANIA

The finance ministry sold on Thursday a planned amount of RON 700mn (~€154.5mn) of 2-year government bonds. The average accepted yield came in at 1.59%, 21bps above that achieved at a prior auction of the same paper held in January. The tender's bid-to-cover ratio stood at 1.09 yesterday. The issue bears a coupon of 1.35% and expires on February 25, 2019. The government last planned to sell the paper in early February, but decided to reject all bids due to higher yields in view of mounting domestic political uncertainty and fiscal slippage jitters.

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### SERBIA

Serbia's parliament speaker Maja Gojkovic announced on Thursday that the upcoming Presidential election will be held on April 2<sup>nd</sup>, while a potential second round would take place on April 16<sup>th</sup>. According to opinion surveys, the candidate and leader of the major coalition partner Serbian Progressive Party (SNS), Prime Minister Aleksandar Vucic, enjoys strong popular support and could win the ballot in the first round. The vote is seen as a key test to his administration and economic reforms that have been adopted over the last couple of years. He recently signaled he would resign a few days ahead of the elections, but it is not yet clear who will take over the post of the Prime Minister. Although the President's position is largely ceremonial, the fact that the election is based on popular vote grants a high level of influence over national politics. Additionally, although it is possible that Vucic will formally resign from the SNS leadership if he wins the April 2 ballot, his victory at the upcoming elections would effectively grant him additional authority as he would still bear high influence over the ruling SNS, which controls parliamentary majority, as well as over the new Prime Minister from his presidential post. Therefore, in order to preserve governing continuity and be able to implement much awaited IMF-backed reforms, such as the restructuring of loss-making public enterprises, it is essential for the ruling SNS party to win the ballot. Meanwhile, the prospect of snap general elections, that had been speculated as a possibility to take place in tandem with the presidential, was officially rejected recently. All in all, albeit this is a key event in Serbia to look forward, it does not appear to bear significant risks for changes in the domestic political landscape as Prime Minister Vucic is likely to easily win the looming elections, while the opposition appears to still be fragmented and weak and is unlikely to pose a threat to the ruling coalition alliance or its presidential candidate.

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March 3, 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	2381.92	-0.6%	6.4%	EUR/USD	1.0524	0.2%	0.0%	UST - 10yr	2.48	0	4	GOLD	1228	-0.5%	6.5%
Nikkei 225	19469.17	-0.5%	1.9%	GBP/USD	1.2233	-0.3%	-1.0%	Bund-10yr	0.31	-1	10	BRENT CRUDE	55	0.4%	-2.7%
STOXX 600	374.33	-0.3%	3.6%	USD/JPY	114.26	0.1%	2.4%	JGB - 10yr	0.08	1	3	LMEX	2865	-1.8%	7.7%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	1	2
1-week	3.13	2	-4
1-month	3.35	-1	0
3-month	3.53	-3	6
6-month	3.67	-4	1

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.06	0	-2
5Y RSD	5.43	0	8
7Y RSD	5.71	0	8

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.02	-1	-30
USD Nov-24	6.52	1	10

#### CDS

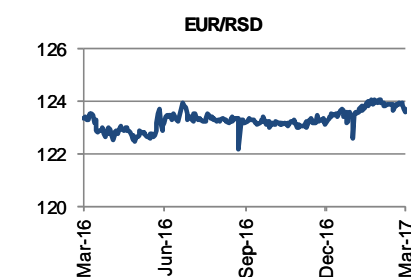
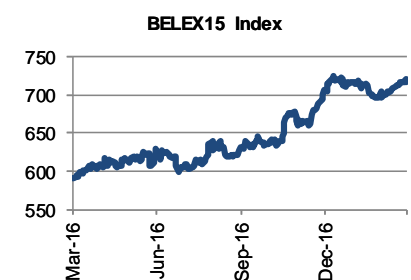
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	247	-1	-9

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	718.4	-0.27%	0.15%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.67	0.09%	-0.17%



### ROMANIA

#### Money Market

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

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.67	2	5
5Y RON	2.66	0	14
10Y RON	3.72	1	7

#### RO Eurobonds

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

#### CDS

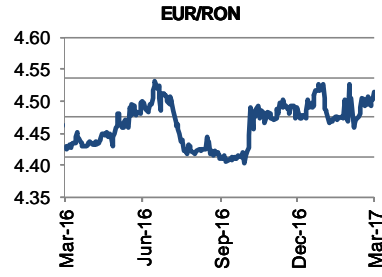
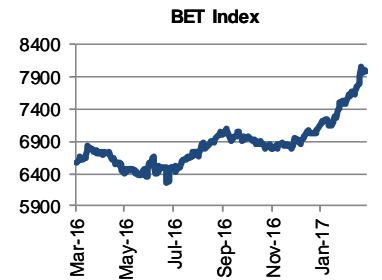
	Last	ΔDbps	ΔYTD bps
5-year	95	0	-14
10-year	140	1	-12

#### STOCKS

	Last	ΔD	ΔYTD
BET	7990.1	0.21%	12.77%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5318	-0.20%	0.16%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.23	-3	-23
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	0.39	0	-12
10Y BGN	1.71	0	-19

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.58	-5	-26
EUR Sep-24	1.50	10	-18

#### CDS

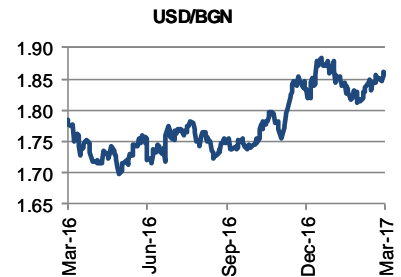
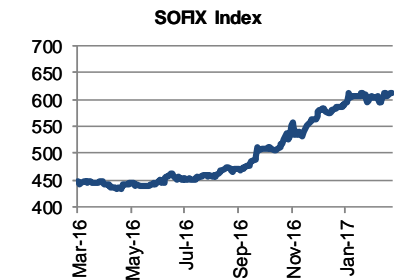
	Last	ΔDbps	ΔYTD bps
5-year	114	0	-38
10-year	157	-1	-37

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	613.1	0.14%	4.54%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8583	0.17%	0.01%



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

Data updated as of 11:35EET

March 3, 2017

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