



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, March 09, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- Mar 6: Factory orders (Jan)
- Mar 7: Trade balance (Jan)
- Mar 8: ADP employment change (Feb)
- Mar 9: Jobless claims (weekly)
- Mar 10
  - Non-farm payrolls (Feb)
  - U/E rate (Feb)
  - Average hourly earnings (Feb)

#### EUROZONE

- Mar 7: GDP (Q4, f)
- Mar 9: ECB decision & press conference
- Mar 9-10: EU Council summit

#### GREECE

- Mar 6: GDP (Q4, f)
- Mar 9
  - U/E rate (Dec)
  - Euroworking group
- Mar 10
  - Industrial production (Jan)
  - CPI/HICP (Feb)

#### CYPRUS

- Mar 7: HICP (Feb)
- Mar 10: GDP (Q4, f)

#### SEE

##### BULGARIA

- Mar 7: GDP (Q4, f)
- Mar 9
  - Industrial production (Jan)
  - Retail sales (Jan)

##### ROMANIA

- Mar 6: 2022 T-bonds auction
- Mar 7: GDP (Q4, p)
- Mar 9: T-bonds auction
- Mar 10: CPI (Feb)

##### SERBIA

- Mar 7: PPI (Feb)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** ADP employment data surprised to the upside, triggering a renewed hawkish shift in Fed rate hike expectations. Against this background, US Treasuries remained under pressure and the USD retained a firm tone across the board. All eyes are on the ECB which convenes later in the day ahead of the US' February non-farm payrolls report on Friday.

**GREECE:** Further progress has reportedly been achieved in the negotiations between the Greek government and the institutions (EC/ECB/ESM/IMF) in the context of the 2<sup>nd</sup> programme review. According to press reports, the legal framework for the out-of-court workout has been agreed while the measures and the counter-measures that will be pre-legislated now and implemented as of 2019 or later, have also reportedly to a large extent been agreed. The thorny issue of the labour market reform remains open. The Euroworking Group that convenes today will assess the progress made and could shed some light as to whether a Staff level Agreement at the March 20 Eurogroup as the Greek government favours is possible.

### SOUTH EASTERN EUROPE

**BULGARIA:** GDP growth expanded by +3.4% in FY2016, an inch down from +3.6% in FY2015.

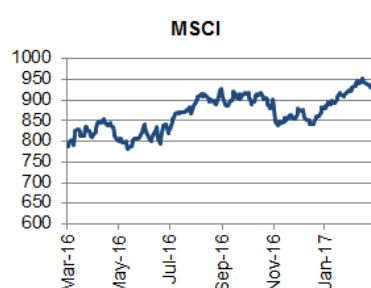
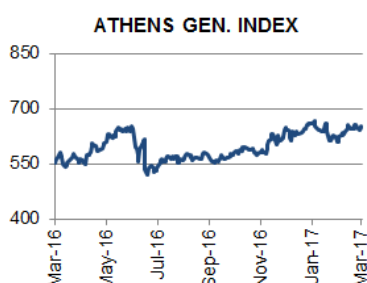
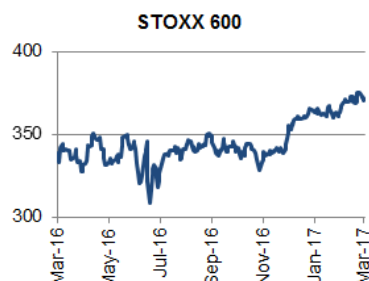
**CYPRUS:** Consumer prices, measured by HICP, rose by +0.1% MoM/+1.4% YoY in February up from -0.8% MoM/+0.7% YoY in January and +0.3% MoM/+0.1% YoY in December.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

According to the ADP employment report, the US private sector generated 298k jobs in February, higher than 190k expected following an upwardly revised rise of 261k in the prior month. The above development that follows comments by a number of FOMC policymakers recently suggesting that the Central Bank has shifted to a more hawkish stance, reinforced near-term rate hike expectations with Fed Funds futures currently pricing fully a 25bps rate hike at next week's monetary policy meeting. Against this background, US Treasuries remained under pressure with the 10-yr yield trading close to 2.57% in European trade at the time of writing, the highest so far this year, in spite of a well received 10-yr Treasury auction in the prior session. Bunds followed suit with the 10-yr yield recording a session peak close to 0.39% earlier today, the highest in more than a month with the spread against its US counterpart hovering around 219bps, within distance from yesterday's settlement of 223bps that presents the largest gap since early 2000. All eyes are on the ECB which convenes later in the day ahead of the US' February non-farm payrolls report on Friday. The Central Bank is expected to stay put on its monetary policy but the prospect of President Mario Draghi sounding less dovish at the post-meeting press conference cannot be ruled out following a recent string of positive euro area macro data and a spike in headline CPI to 2.0%YoY in February. In FX markets, the USD retained a firm tone across the board with the DXY index marking a two-month intraday peak of 102.250 earlier today. Elsewhere, oil prices remained under pressure for the second session in a row after record US crude stockpiles started raising market doubts over whether OPEC members will actually implement the agreement reached late last year for an output reduction to ease a global glut. Brent crude was hovering around \$52/barrel at the time of writing, recording cumulative losses of nearly 7% over the last few sessions.

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### GREECE

Further progress has reportedly been achieved in the negotiations between the Greek government and the institutions (EC/ECB/ESM/IMF) in the context of the 2<sup>nd</sup> programme review. According to press reports, the legal framework for the out-of-court workout has been agreed. In particular the minimum threshold of debt for a company to be eligible for such a settlement has been set at €20,000 as was requested by the Greek government, whereas debts towards the state, including taxes, will also be subject to the settlement with the exception of social security contributions. Meanwhile, the measures and the counter-measures that will be pre-legislated now and implemented as of 2019 or later, have also reportedly to a large extent been agreed with the Greek side having accepted to include in the counter-measures the decrease in the corporate tax from 29% to 26% or 27%. However, the timing of the reduction of pensions, 2019 or 2020, through the abolishment of the personal difference remains contentious. Additionally, the thorny issue of the labour market reform is also still open as the IMF insists in its positions on collective bargaining (i.e. maintaining the current status), the minimum limit of collective layoffs (i.e. reducing it from 10% to 5% for large companies with more than 150 employees) and the sign-off of the Ministry of Labour for collective layoffs (the IMF wants it abolished). In any case, according to European officials a Staff Level Agreement will only be possible if the IMF gives the "green-light" and for that to happen all issues must have been agreed and the pre-legislation of measures by the Hellenic Parliament must have been carried out where applicable. The Euroworking Group that convenes today will assess the progress made and could shed some light as to whether a Staff level Agreement at the March 20 Eurogroup as the Greek government favours is possible.

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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

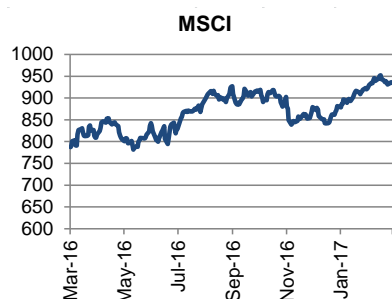
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### BULGARIA

According to the second estimate, real GDP expanded by +0.9% QoQ/+3.4% YoY in Q4 compared to +0.7% QoQ/+3.4% YoY in Q3 vs. +0.9% QoQ/+3.8% YoY in Q4-2015. Despite negative base effects, final consumption expanded by +1.3% QoQ/+0.8% YoY in Q4 up from +0.5% QoQ/+0.2% YoY in Q3 vs. +0.7% QoQ/+5.9% YoY in Q4-2015. Sustained labor market improvement coupled with real positive wage growth (9.4% YoY in 2016 vs. 9.9% YoY in 2015) supported final consumption recovery throughout 2016. The unemployment rate declined further to 7.1% in 2016 vs. 9.2% in 2015 (7.1% in Q4 down from 8% in Q4-2015) as the economy adds new jobs in the areas of specialized services. On top, public consumption had a positive contribution in Q4, expanding by +1.7% QoQ/+0.5% YoY after three consecutive negative readings.

On top, gross fixed capital formation was in deep red for a third consecutive quarter in Q4 (GFCF: -1.8% QoQ/-4.5% YoY in Q4 vs. -0.9% QoQ/-1.8% YoY in Q3 and -1.4% QoQ/-0.1% YoY in Q2). The decline mirrors the negative base effects as a result of the increased EU funds absorption in the past year ahead of the closing of the programming period 2007-2013 and the underperformance of the public investments program due to the political uncertainty erupted in the aftermath of Presidential elections last year. The negative contribution of gross fixed capital formation was more than offset by the hefty contribution of inventories (+3.1ppts). Finally, net exports recovered further after a poor reading in the 1H (Exports: +6.8% YoY in Q4 vs. +9.5% YoY in Q3 & Imports: +5.5% in Q4 vs. +7.5% YoY in Q3) - and had an additional positive boost on growth in Q4 as well (+0.6ppts).

All in, GDP growth expanded by +3.4% in FY2016 an inch down from +3.6% in FY2015. Looking ahead, Bulgaria is expected to register a second consecutive year of strong-above potential- growth in 2017. Private consumption dynamics are broadly set to remain strong as the economy benefits from an improving labor market, catching up wages; a vibrant export oriented manufacturing sector and an emerging tourism destination. Although it has proved relatively resilient to multiple past internal and external shocks, there is a high degree of uncertainty how the economy could react to a prolonged period of domestic political uncertainty. Our forecast stands currently at 3.1% little above the recently released BNB quarterly economic review forecast of 2.8%.

### CYPRUS

Consumer prices, measured by HICP, rose by +0.1% MoM/+1.4% YoY in February up from -0.8% MoM/+0.7% YoY in January and only +0.3% MoM/+0.1% YoY in December. The biggest increase on an annual basis was observed in the categories of transportation (-0.2% MoM/+4.1% YoY) and utilities (+1.7% MoM/+7.7% YoY), which reflect the pass through of rising world energy prices and the subsequent increase in the local electricity tariffs. As of February, the rise of energy prices accounted for 1.1 ppts while volatile food (fruit and vegetables) and services contributed another 0.2 ppts and 0.1 ppts, respectively. The February reading is the second consecutive positive in 2017, but also the highest reading since March 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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March 9, 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	2362.98	-0.2%	5.5%	EUR/USD	1.056	0.2%	0.4%	UST - 10yr	2.56	0	11	GOLD	1205	-0.3%	4.6%
Nikkei 225	19318.58	0.3%	1.1%	GBP/USD	1.2156	-0.1%	-1.6%	Bund-10yr	0.38	1	17	BRENT CRUDE	52	-2.3%	-8.7%
STOXX 600	371.11	-0.4%	2.7%	USD/JPY	114.6	-0.2%	2.1%	JGB - 10yr	0.10	2	5	LMEX	2795	-0.2%	5.1%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	-1	3
1-week	3.17	-1	0
1-month	3.36	0	1
3-month	3.52	1	5
6-month	3.72	3	6

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	-2	-1
5Y RSD	5.43	-1	8
7Y RSD	5.71	0	8

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.11	8	-22
USD Nov-24	6.54	6	13

**CDS**

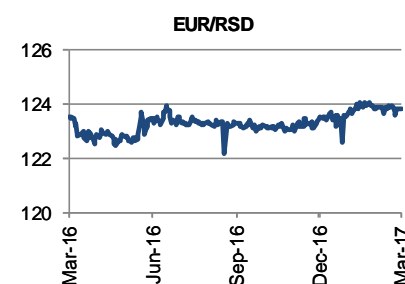
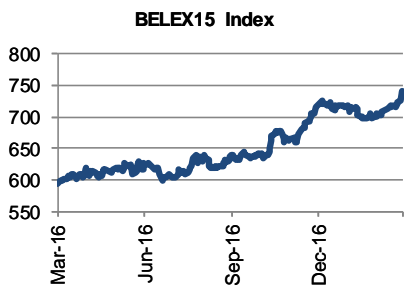
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	247	0	-9

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	735.2	-0.53%	2.49%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.77	0.02%	-0.25%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	0	-10
1-month	0.59	-1	-17
3-month	0.82	0	-8
6-month	1.06	0	-5
12-month	1.24	0	-1

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.71	0	9
5Y RON	2.77	0	25
10Y RON	3.81	0	16

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.00	0	-14
USD Jan-24	3.76	14	-10

**CDS**

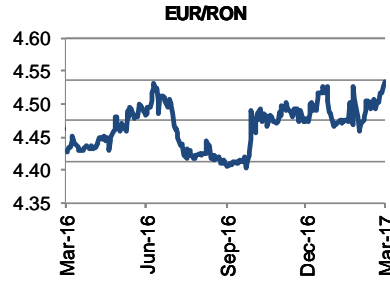
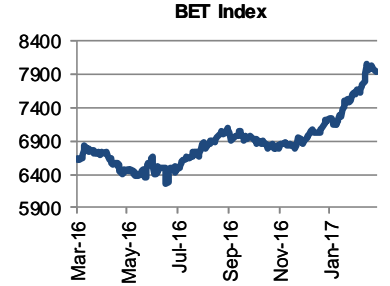
	Last	ΔDbps	ΔYTD bps
5-year	94	1	-16
10-year	138	2	-14

**STOCKS**

	Last	ΔD	ΔYTD
BET	7860.2	-0.50%	10.94%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5474	-0.14%	-0.18%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.33	-8	-33
1-month	-0.17	0	0
3-month	-0.09	0	-2
6-month	0.04	0	-4
12-month	0.39	0	-1

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.06	-2	-9
5Y BGN	0.40	-1	-11
10Y BGN	1.73	0	-18

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.67	0	-35
EUR Sep-24	1.49	#VALUE!	-19

**CDS**

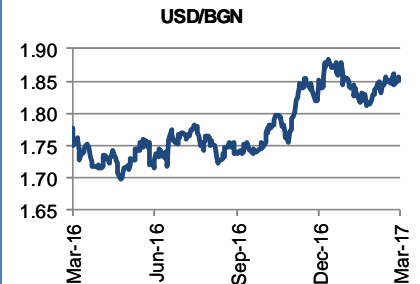
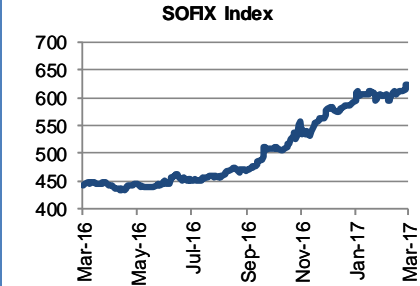
	Last	ΔDbps	ΔYTD bps
5-year	115	1	-37
10-year	161	2	-33

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	620.1	-0.39%	5.74%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8521	0.19%	0.34%



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

Data updated as of 13:25 EET

March 9, 2017

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