

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Mar 15
  - Empire State Index (Mar)
  - CPI (Feb)
  - Retail sales (Feb)
  - NAHB index (Mar)
  - FOMC interest rate announcement
- Mar 16
  - Jobless claims (weekly)
  - Housing starts/permits (Feb)
  - Philly Fed (Mar)
- Mar 17
  - Ind. production (Feb)
  - UoM consumer confidence (Mar)

##### EUROZONE

- Mar 14: Ind. production (Jan)
- Mar 15: Dutch parliamentary elections
- Mar 16: HICP (Feb)

##### GREECE

- Mar 13: Building activity (Dec)
- Mar 16: Labour Force Survey (Q4 2016)

##### CYPRUS

- Mar 17: Sovereign credit rating review by S&P

##### SEE

##### BULGARIA

- Mar 13: Trade balance (Jan)
- Mar 15
  - CPI (Feb)
  - U/E rate (Feb)

##### ROMANIA

- Mar 13
  - Trade balance (Jan)
  - Ind. output/sales (Jan)
  - Net wages (Jan)
  - T-Bonds sale
- Mar 16: Current account (Jan)

##### SERBIA

- Mar 13: CPI (Feb)
- Mar 14: MPC meeting
- Mar 15: 3.50% T-Bonds auction
- Mar 17
  - Trade balance (Jan)
  - Sovereign credit rating review by Moody's

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The US' non-farm payrolls report for February surprised positively providing further support to the prevailing market view for a 25bps rate hike at this week's FOMC monetary policy meeting. Dutch presidential elections on March 15 also lure market attention this week. Market focus will especially be on the performance of Geert Wilders' anti-EU PVV party amid worries over potential repercussions on upcoming French Presidential election.

**GREECE:** According to international newswires, the IMF is considering to participate financially in Greece's 3rd economic adjustment programme with the provision of an amount ranging between \$3bn and \$6bn. As per the same sources, related talks are most likely to take place at the Annual Spring Meeting of the IMF on April 21-23.

### SOUTH EASTERN EUROPE

**BULGARIA:** The domestic equities market closed in a positive territory on a weekly basis on Friday, with the benchmark SOFIX index adding 1.9% to reach a new 2.5-year high of 624.91 points. On the sovereign debt market, yields on BGN-denominated bonds rose, for a total of 12 bps, while the Eurobond market closed the week little changed.

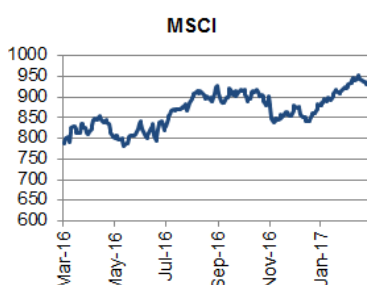
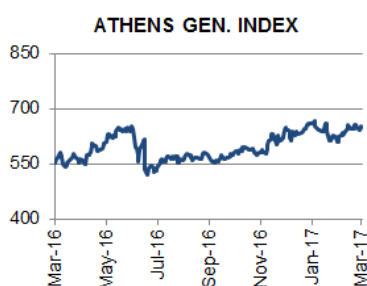
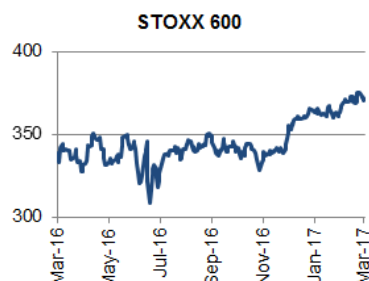
**SERBIA:** The EUR/RSD moved broadly higher last week ending on Friday at the upper bound of a 123.50 – 124.05 weekly trading range.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The US' non-farm payrolls report for February surprised positively with the economy generating 235k new jobs, a bit higher than 225k expected mainly due to the construction sector which recorded its largest gain in nearly 10 years due to unseasonably warm weather. In addition, average hourly earnings rose by 0.2%MoM taking the annual rate to 2.8% from 2.5% in the prior month while the unemployment rate dropped from 4.8% to 4.7% providing further support to the prevailing market view for a 25bps rate hike at this week's FOMC monetary policy meeting. The two-day meeting concludes on Wednesday, March 15 where the Fed is also expected to publish the updated participants' assessments of appropriate monetary policy as well as the Summary of Economic Projections which, in the absence of new details on the US administration's potential stimulus, are unlikely to show major changes compared to December. Awaiting the conclusion of the FOMC meeting, US Treasuries remained under pressure with the 2-yr US Treasury yield hovering around 1.35% in European trade, not far from an intraday multi-year peak close to 1.39% recorded in the prior session soon after the release of the non-farm payrolls report. In FX markets, the USD was modestly weaker with the DXY index standing close to 101.27, around 0.7% lower compared to the prior session's intraday peak. Besides the FOMC monetary policy meeting, Dutch presidential elections on March 15 also lure market attention this week. Market focus will especially be on the performance of Geert Wilders' anti-EU PVV party amid worries over potential repercussions on upcoming French Presidential election.

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### GREECE

According to international newswires, the IMF is considering to participate financially in Greece's 3rd economic adjustment programme with the provision of an amount ranging between \$3bn and \$6bn. As per the same sources, related talks are most likely to take place at the Annual Spring Meeting of the IMF on April 21-23. In response to the article, an IMF spokesman sought to clarify that the Executive Board had not discussed the Fund's participation in the Greek bailout program as a lender. Meanwhile, speaking to reporters after the conclusion of an informal meeting of the 27 EU leaders in Brussels late last week, Greece's Prime Minister Alexis Tsipras reportedly expressed his optimism that a staff-level agreement on the 2nd programme review could be reached in time for the next Eurogroup on March 20th with a comprehensive agreement including a further specification of the medium-term debt relief framework coming in April. Following the completion of the latest round of discussions between the Greek government and official creditors in the context of the 2nd review last week (Thursday, March 9) the two sides have reportedly managed to bridge their differences on certain prior actions including, inter alia, the out-of-court workout. Though, a divergence of views continues to exist on a number of key issues with labor market reform, the implementation timeline of the abolishment of the personal difference in pensions and the countermeasures, remaining the main contentious issue between the two sides. Deliberations on the 2nd programme review via teleconference are reportedly likely to continue ahead of the March 20th Eurogroup. On the data front, Greece's inflation rate based on the CPI recorded a marginal increase in February 2017 coming in at 1.3% from 1.2% in the prior month. The respective figures for HICP were 1.4% and 1.5%. The industrial production index increased by 6.4 YoY% (2.5 MoM%) in January 2017 from 2.2 YoY% (2.6 MoM%) in December 2016 mainly due to the increase in the production of the electricity sector (28.6 YoY%). Separately, Greek exports and imports of goods excluding oil and ships rose by 4.4% and 11.4% respectively in January 2017. As a result, the respective balance deteriorated by -€204.2 mn.

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March 13, 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

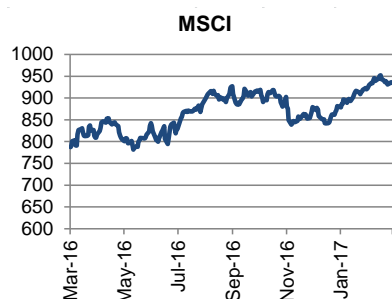
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### BULGARIA

The domestic equities market closed in a positive territory on a weekly basis on Friday, with the benchmark SOFIX index adding 1.9% to reach a new 2.5-year high of 624.91 points. However, the overall trading activity was somewhat subdued and weekly turnover barely exceeded €2mn. On the sovereign debt market, yields on BGN-denominated bonds rose, for a total of 12 bps, while the Eurobond market closed the week little changed.

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### SERBIA

The EUR/RSD moved broadly higher last week ending on Friday at the upper bound of a 123.50 – 124.05 weekly trading range. The pair vindicated our expectations that the down-move witnessed a week earlier would prove temporary. From a technical perspective, immediate support lies at 123.45, the level at which the EUR/RSD started the year. At that area, the National Bank of Serbia (NBS) is likely to intervene in order to halt any further dinar appreciation as was proven to be the case throughout 2016. On the other hand, a bounce of the pair towards 124.05-124.10 is likely to trigger NBS intervention in order to mitigate excessive depreciation pressures on the domestic currency, especially now just a few days ahead of the much awaited presidential elections. In other news, public debt fell to 69.1% of GDP in January, from 72.9% in December, which adds to recent reassuring signals towards dinar stability and bond market. According to government estimates, from this point onwards, Serbia will start reducing its public debt.

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March 13, 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	2372.60	0.3%	6.0%	EUR/USD	1.0673	0.0%	1.5%	UST - 10yr	2.56	-1	12	GOLD	1209	0.4%	4.9%
Nikkei 225	19633.75	0.1%	2.7%	GBP/USD	1.2215	0.4%	-1.1%	Bund-10yr	0.45	-4	24	BRENT CRUDE	51	0.1%	-9.5%
STOXX 600	373.62	0.1%	3.4%	USD/JPY	114.58	0.2%	2.1%	JGB - 10yr	0.09	0	4	LMEX	2786	0.5%	4.7%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	0	3
1-week	3.17	0	0
1-month	3.36	0	1
3-month	3.52	0	5
6-month	3.71	-1	5

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.06	-1	-2
5Y RSD	5.43	0	8
7Y RSD	5.71	0	8

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.09	5	-24
USD Nov-24	6.54	6	13

**CDS**

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

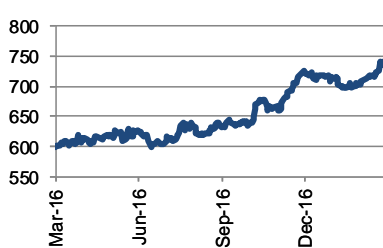
**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	737.6	-0.29%	2.82%

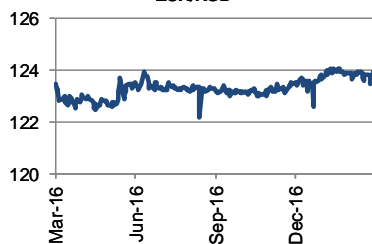
**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.89	-0.35%	-0.35%

**BELEX15 Index**



**EUR/RSD**



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	-3	-13
1-month	0.6	0	-16
3-month	0.84	1	-6
6-month	1.09	1	-2
12-month	1.26	0	1

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.73	1	11
5Y RON	2.78	1	26
10Y RON	3.82	0	17

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.14	8	0
USD Jan-24	3.75	-1	-10

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	96	1	-14
10-year	142	1	-10

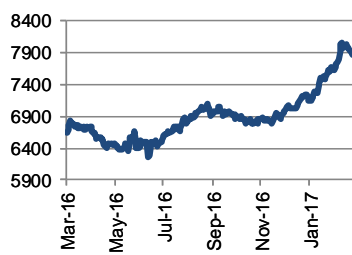
**STOCKS**

	Last	ΔD	ΔYTD
BET	7880.6	-0.17%	11.23%

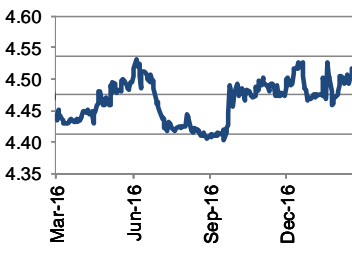
**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5511	-0.22%	-0.27%

**BET Index**



**EUR/RON**



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.33	0	-33
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-4
12-month	0.38	-1	-3

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.08	0	-7
5Y BGN	0.43	-4	-7
10Y BGN	1.71	0	-19

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.83	2	-50
EUR Sep-24	1.54	0	-14

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	115	-3	-37
10-year	152	-12	-42

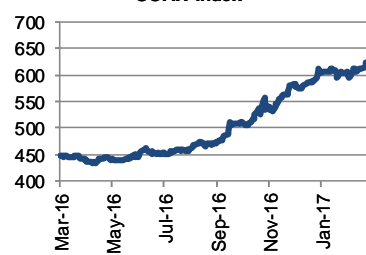
**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	623.4	-0.25%	6.30%

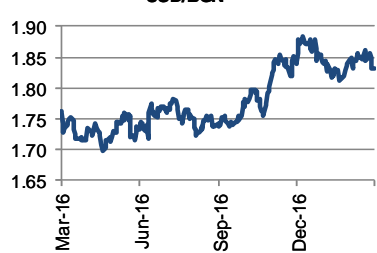
**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8327	-0.12%	1.40%

**SOFIX Index**



**USD/BGN**



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:50 EET

March 13, 2017

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