



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, March 14, 2017

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 USD gained some ground in European trade on Tuesday supported by market expectations for a 25bps rate hike at this week's two-day FOMC monetary policy meeting which commences later in the day. Elsewhere, the GBP came under renewed pressure on renewed political jitters. First Minister of Scotland Nicola Sturgeon announced on Monday that she will start taking the required legal steps for a second Scottish independence referendum next week with an intention the vote to be held between autumn 2018 and spring 2019. International press reports suggesting a likely activation of Article 50 by the end of this month, in line with the UK government's self-imposed timeline, failed to exert a lasting positive impact on the GBP.

GREECE: Deliberations between Greek officials and the institutions continue in Athens and via teleconferences both at the technical level and at the institutions heads level with a view to closing as many open issues as possible by the March 20 Eurogroup. According to the Hellenic Statistical Authority (ELSTAT) the index of wages for the whole economy excluding primary sector and activities of households for Q4 2016, seasonally adjusted but not adjusted for the number of working days, recorded an increase of 0.2%, compared with the corresponding index of the Q4 2015. Additionally, in the period January – December 2016, Total Building Activity (private and public) in Greece, calculated on the basis of the number of issued building permits, amounted to 12,526, recording a decrease of 5.5% compared to the corresponding period of 2015.

SOUTH EASTERN EUROPE

ROMANIA: The Romanian finance ministry rejected on Monday all bids at an April 2024 T-bonds auction due to low investor demand.

SERBIA: Headline consumer inflation advanced by 0.7%MoM in February, bringing the annual rate of increase to 3.2%YoY from 2.4% in January. February's annual print marks the highest reading since September 2013. Additionally, it stands just above the midpoint of the 3+/-1.5% Central Bank (NBS) tolerance band.

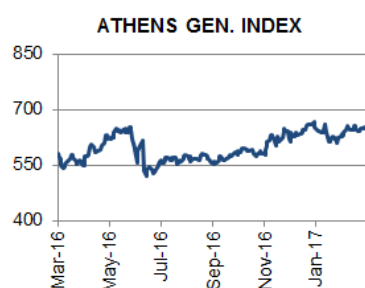
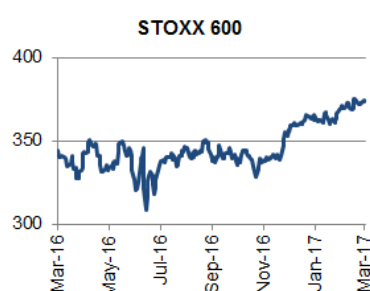
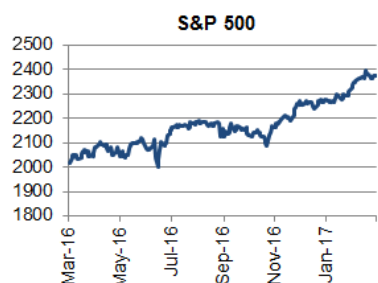
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March 14, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD gained some ground in European trade on Tuesday supported by market expectations for a 25bps rate hike at this week's two-day FOMC monetary policy meeting which commences later in the day. The DXY index was hovering around 101.6 at the time of writing, 0.3% higher on a daily basis albeit still below a multi-session peak of 102.250 marked late last week. Beyond the monetary policy decision, market focus will be on Fed Chair Janet Yellen's press conference that will follow the conclusion of the meeting for clues over the pace of rate tightening ahead. Elsewhere, following a short-lived spike to 1.2225 earlier in the day, the GBP/USD retreated to levels close to 1.2100 in European trade on renewed political jitters. First Minister of Scotland Nicola Sturgeon announced on Monday that she will start taking the required legal steps for a second Scottish independence referendum next week with an intention the vote to be held between autumn 2018 and spring 2019. International press reports suggesting a likely activation of Article 50 by the end of this month, in line with the UK government's self-imposed timeline, failed to exert a lasting positive impact on the GBP. Both UK Houses of Parliament approved the EU Withdrawal Bill unchanged after the House of Commons rejected the House of Lords' requested amendments to the Bill. Once the said law receives Royal Assent, reportedly expected later in the day, the UK government will be empowered to formally involve Article 50 whenever it wishes to. UK Prime Minister Theresa May is reportedly likely to formally notify the EU in the last week of this month, after the March 15 Dutch general election and the EU's 60th anniversary celebrations on March 25th.

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GREECE

Deliberations between Greek officials and the institutions continue in Athens and via teleconferences both at the technical level and at the institutions heads level with a view to closing as many open issues as possible by the March 20 Eurogroup. The most difficult contentious issues remain the labour market reform and the two sets of measures – fiscal and growth-enhancing ones – that Greece needs to pre-legislate now and implement as of 2019 or later. With regard to the growth enhancing measures in particular, according to Eurogroup President Jeroen Dijsselbloem they will be adopted only if the primary surplus target has been over-performed, while according to some government sources they will take effect as of 2019 conditional on the projection of the 2019 primary surplus rather than that of 2018. What remains to be determined is the mechanism whereby the projection of the primary surplus will be made. On the data front, according to the Hellenic Statistical Authority (ELSTAT) the index of wages for the whole economy excluding primary sector and activities of households for Q4 2016, seasonally adjusted but not adjusted for the number of working days, increased by 0.2%, compared with the corresponding index of the Q4 2015, which had recorded an increase of 0.4% compared to the corresponding index of 2014. Furthermore, in the period January – December 2016, Total Building Activity (private and public) in Greece, calculated on the basis of the number of issued building permits, amounted to 12,526, recording a decrease of 5.5% compared to the corresponding period of 2015. Total Building Activity in 2016 decreased also in terms of surface (-12.8%) and volume (-28.9%) compared to 2015. Meanwhile, according to Bank of Greece data, the total amount of funding taken from domestic financial institutions through the ELA facility rose by €0.33bn in February 2017 coming in at €43.1bn, the first increase in nearly a year. ECB funding fell by €1.5bn to €18.7bn. As a result, total Eurosystem funding stood at €61.9bn, the lowest since December 2014 and €1.1bn lower on a monthly basis.

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March 14, 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

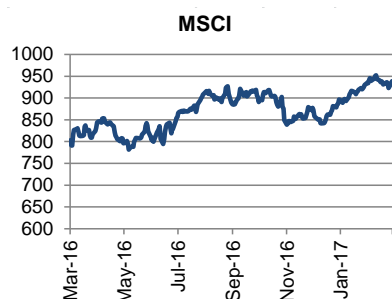
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

The Romanian finance ministry rejected on Monday all bids at an April 2024 T-bonds auction due to low investor demand. Demand totaled RON 288mn yesterday while the government planned to sell an amount of RON 300mn. This marks the second failed tender this month after the finance ministry rejected all bids at a 2020 T-bond auction last week, and the third so far in 2017 amid increased fiscal concerns, heightened domestic political jitters earlier in the year, rising inflation pressures internationally, mounting expectations for higher Fed rates as soon as this month and a less dovish ECB at the latest monetary policy meeting on March 9.

SERBIA

Headline consumer inflation advanced by 0.7%MoM in February, bringing the annual rate of increase to 3.2%YoY from 2.4% in January. February's annual print marks the highest reading since September 2013. Additionally, it stands just above the midpoint of the 3+/-1.5% Central Bank (NBS) tolerance band. That said, it is worth recalling that as of this year the target band has been revised lower from 2.5-5.5% before. Moreover, the move higher appears to have been mainly driven by temporary factors, such as increases in the prices of cigarettes and energy products as well as rising fruit and vegetable prices in view of adverse weather conditions. Reflecting still weak inflationary pressures core CPI (excluding food, energy, alcohol and cigarettes) stood at 1.7%YoY in February, in line with January's print. All in all, a rise in price pressures this year had been anticipated by markets and the Central Bank alike as global oil prices rise further, aggregate demand recovers and inflation rises internationally. That said, headline CPI is expected to remain within the targeted range throughout 2017. To that end, we expect the Central Bank to maintain a cautiously accommodative monetary policy and maintain its key policy rate at the current record low of 4.00% throughout the year. The next monetary policy meeting will be held later today.

Regarding the looming presidential elections, which are due to be held on April 2 with a possible second round on April 16, incumbent Prime Minister Aleksandar Vucic and candidate of the major coalition partner SNS is likely to win the polls in the first round. Local media reports citing a recent opinion survey conducted during March 4-7 indicated that he enjoys public support of 53.1%.

In other news, Prime Minister Aleksandar Vucic said on Monday that 27 companies have expressed their interest in bidding for a 25-year concession to operate Belgrade's Nikola Tesla airport. The deal is in line with the government's agreements under the IMF €1.2bn precautionary Stand-By Arrangement. Under the programme the government aims to privatize or find strategic partners for a number of State-Owned Enterprises (SOEs) and concession projects. Under the tender's terms, investors have to submit their bids by mid-April.

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March 14, 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	2373.47	0.0%	6.0%	EUR/USD	1.064	-0.1%	1.1%	UST - 10yr	2.62	-1	17	GOLD	1204	0.0%	4.5%
Nikkei 225	19609.50	-0.1%	2.6%	GBP/USD	1.2131	-0.7%	-1.8%	Bund-10yr	0.48	1	27	BRENT CRUDE	52	0.5%	-9.2%
STOXX 600	373.75	-0.2%	3.4%	USD/JPY	115.1	-0.2%	1.7%	JGB - 10yr	0.10	1	5	LMEX	2811	0.9%	5.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	0	3
1-week	3.18	1	1
1-month	3.36	0	1
3-month	3.53	1	6
6-month	3.69	-2	3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.06	0	-2
5Y RSD	5.43	0	8
7Y RSD	5.78	0	9

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.09	-1	-24
USD Nov-24	6.52	3	11

CDS

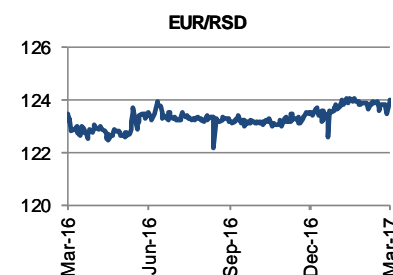
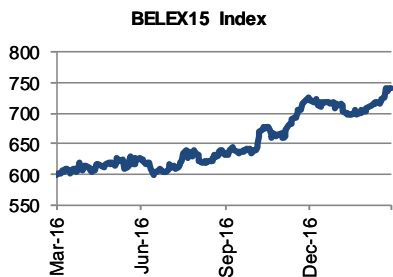
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	247	0	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.8	0.03%	3.26%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.95	-0.02%	-0.40%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	0	-13
1-month	0.6	0	-16
3-month	0.84	0	-6
6-month	1.08	-1	-3
12-month	1.26	0	1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.72	-1	10
5Y RON	2.77	0	25
10Y RON	3.80	-1	15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.16	2	2
USD Jan-24	3.82	2	-3

CDS

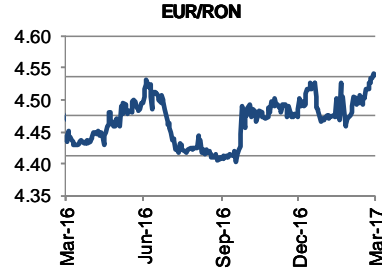
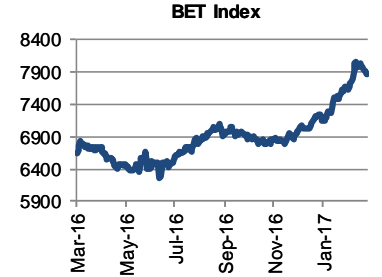
	Last	ΔDbps	ΔYTD bps
5-year	93	-2	-16
10-year	140	-3	-13

STOCKS

	Last	ΔD	ΔYTD
BET	7906.3	0.21%	11.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5518	0.04%	-0.28%



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	0.05	-3	-11
5Y BGN	0.42	-1	-8
10Y BGN	1.76	0	-14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.79	0	-47
EUR Sep-24	1.54	0	-14

CDS

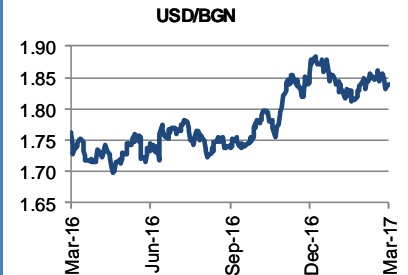
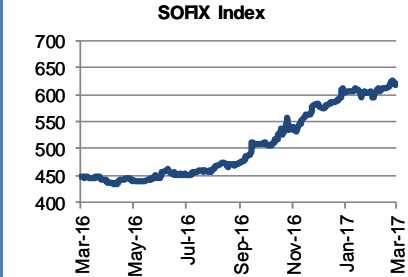
	Last	ΔDbps	ΔYTD bps
5-year	114	0	-38
10-year	151	0	-43

STOCKS

	Last	ΔD	ΔYTD
SOFIX	617.9	-0.25%	5.37%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8384	-0.11%	1.09%



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

Data updated as of 11:50 EET

March 14, 2017

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