

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: Dutch voters go the poll today to elect the 150 members of the lower house of parliament. Polling stations close at 21:00 CET. The first exit poll will be published shortly after while final results will be announced in the early hours of Thursday morning. Immediate market focus will be on the PVV party's performance ahead of the first round of presidential elections in France a few weeks later. Focus today is also on the Fed which is widely expected to raise the federal funds rate by 25bps to 0.75-1.00% at the two-day monetary policy meeting that concludes later in the day. The BoE also convenes today and is expected to stay put on its monetary policy and maintain a neutral stance.

GREECE: According to the official agenda of the March 20 Eurogroup "The Eurogroup will discuss developments regarding the second review of Greece's macroeconomic adjustment programme since the last Eurogroup meeting in February. The institutions (EC/ECB/IMF/ESM) and the Greek Minister for Finance, Euclid Tsakalotos, are expected to report on the progress achieved towards concluding a staff-level agreement on the required policy reforms". Therefore, at this stage the best that we can expect is the acknowledgement by the Eurogroup that significant progress has been achieved and the decision for the return of the institutions' heads to Athens as soon as possible with the aim of reaching a staff-level agreement in time for the 7 April Eurogroup. According to the preliminary data released by the Ministry of Finance for the execution of the State Budget on a modified cash basis, the State Budget balance for the period January-February 2017 presented a surplus of €423 million against a deficit of €806 million envisioned in the 2017 Budget.

SOUTH EASTERN EUROPE

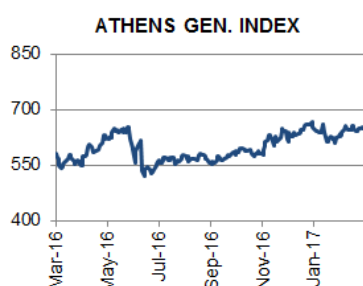
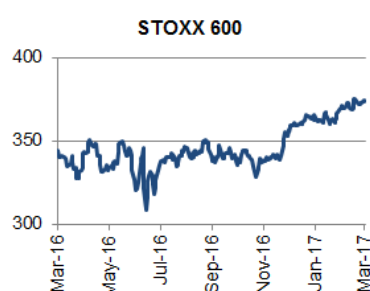
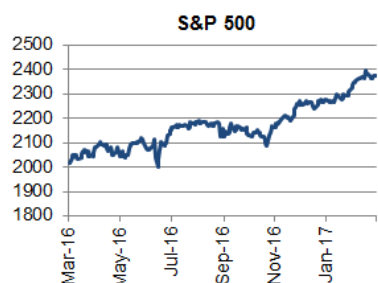
CESEE MARKETS: Emerging stock markets traded water earlier on Wednesday as investor caution prevailed ahead of this week's FOMC meeting and the Dutch general election.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Dutch voters go the poll today to elect the 150 members of the lower house of parliament. Polling stations close at 21:00 CET. The first exit poll will be published shortly after while final results will be announced in the early hours of Thursday morning. The most recent polls suggest that Geert Wilders' anti-EU PVV party is on course for the second place with a small margin behind incumbent Prime Minister Mark Rutte's right-wing VVD party which is poised to secure around 25 seats, well below 76 required for an absolute parliamentary majority. Should this be the case, a broad coalition comprising potentially five to six parties will likely be necessary, pointing to possible lengthy negotiations. Immediate market focus will be on the PVV party's performance ahead of the first round of presidential elections in France a few weeks later. Should the PVV party perform better than expected, market participants will likely start re-evaluating their expectations for a Le Pen victory in France, potentially exerting downward pressure on the EUR and the French sovereign paper. Besides the Dutch presidential election, focus today is also on the Fed which is widely expected to raise the federal funds rate by 25bps to 0.75-1.00% at the two-day monetary policy meeting that concludes later in the day. With a rate hike almost fully priced in, investors will closely scrutinize the content of the accompanying policy statement, the updated economic projections under policy makers' individual assessments of projected appropriate monetary policy and Chair Yellen's press conference. Heading into the meeting, investors are assigning two additional hikes by the end of this year and a further two hikes in 2018. A more hawkish than currently expected Fed tone, could potentially push US short-dated bond yields higher favoring the USD. The BoE also convenes today and is expected to stay put on its monetary policy and maintain a neutral stance.

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GREECE

According to the official agenda of the March 20 Eurogroup "The Eurogroup will discuss developments regarding the second review of Greece's macroeconomic adjustment programme since the last Eurogroup meeting in February. The institutions (EC/ECB/IMF/ESM) and the Greek Minister for Finance, Euclid Tsakalotos, are expected to report on the progress achieved towards concluding a staff-level agreement on the required policy reforms". Therefore, at this stage the best that we can expect is the acknowledgement by the Eurogroup that significant progress has been achieved and the decision for the return of the institutions' heads to Athens as soon as possible with the aim of reaching a staff-level agreement in time for the 7 April Eurogroup. In an effort to accelerate this process, teleconferences between the Greek side and technical staff are continuing while the Greek FinMin might reportedly hold a meeting with high level officials from the institutions prior to next week's Eurogroup, possibly on Monday morning. On the data front, according to the preliminary data released by the Ministry of Finance for the execution of the State Budget on a modified cash basis, the State Budget balance for the period January-February 2017 presented a surplus of €423 million against a deficit of €806 million envisioned in the 2017 Budget. Ordinary budget net revenues amounted to €7.98 billion increased by €409 million against the 2017 Budget's projection due to increased revenue (+€518 million) whereas privatisation proceeds fell by €8 million and tax refunds were €100 million higher against the 2017 Budget's forecast. Public investment net revenues also fell by €212 million against the corresponding projection. State budget expenditure for the period January-February 2017 was €1.0 billion lower against the 2017 Budget's forecast mainly due to decreased ordinary budget expenditure (-€836 million) and public investment budget expenditure (-€196 million).

March 15, 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

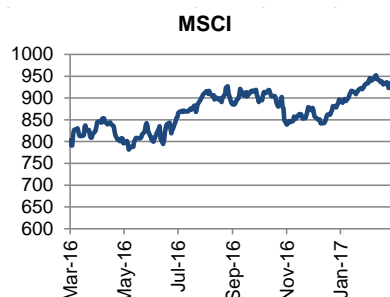
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging stock markets treaded water earlier on Wednesday as investor caution prevailed ahead of this week's FOMC meeting and the Dutch general election. A recovery in commodity prices supported related shares. In the CESEE space, regional bourses traded mixed with Turkey's BIST100 leading the gains with a 0.8% daily advance and Serbia's BELEX15 broadly underperforming its peers with a 0.4% decline. In FX markets, the Turkish lira firmed largely shrugging off a higher than anticipated increase in the rate of unemployment to 12.7% in December from 12.1% and vs. a market median forecast of 12.4%. The aforementioned data provides some ammunition to the Central Bank to hold interest rates stable at its monetary policy meeting on Thursday. In more detail, the USD/TRY reached a 1-week low of 3.7250 in European trade, having eased from a 2-month high of 3.7851 hit last week amid increased expectations for a Fed rate hike this week and heightened tensions with the Netherlands.

In other news, in line with our and market expectations, the National Bank of Serbia (NBS) stayed put on its monetary policy yesterday, keeping the benchmark rate at the current record low level of 4.00% for the 8th month running. Behind its decision, NBS cited the effects of past monetary easing and its inflation projection ahead. The Central Bank noted that inflation has entered the 3.0% \pm 1.5 ppts target tolerance band since early 2017, and that it is expected to remain with the said range in the period ahead. Additionally, it highlighted that the recent rise in inflation in February is mostly attributed to 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. Meanwhile, core CPI (excluding food, energy, alcohol and cigarettes) stood at 1.7%YoY in February, in line with January's print, reflecting low inflation pressures. 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.

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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

March 15, 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	2360.98	-0.5%	5.5%	EUR/USD	1.0638	-0.2%	1.1%	UST - 10yr	2.59	-3	15	GOLD	1205	0.1%	4.6%
Nikkei 225	19609.50	-0.1%	2.6%	GBP/USD	1.215	-0.6%	-1.7%	Bund-10yr	0.45	-2	24	BRENT CRUDE	51	-1.4%	-10.9%
STOXX 600	372.93	-0.5%	3.2%	USD/JPY	114.65	0.2%	2.0%	JGB - 10yr	0.10	1	5	LMEX	2811	0.9%	5.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	-1	2
1-week	3.16	-2	-1
1-month	3.34	-2	-1
3-month	3.53	0	6
6-month	3.71	2	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.06	0	-2
5Y RSD	5.43	0	8
7Y RSD	5.77	0	9

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.14	3	-19
USD Nov-24	6.52	3	11

CDS

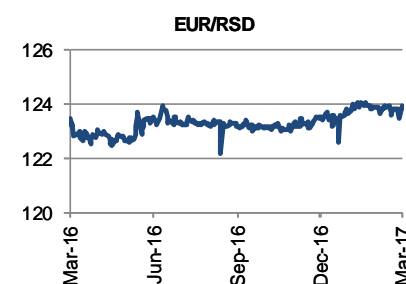
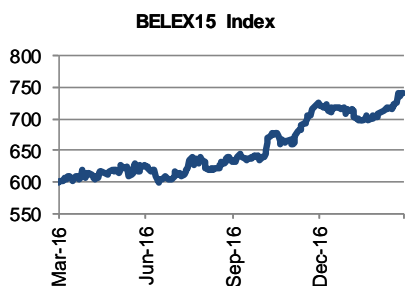
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	247	0	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.3	-0.17%	3.06%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.87	0.05%	-0.33%



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	1.71	-2	9
5Y RON	2.76	-1	24
10Y RON	3.79	-2	14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.14	0	0
USD Jan-24	3.82	2	-3

CDS

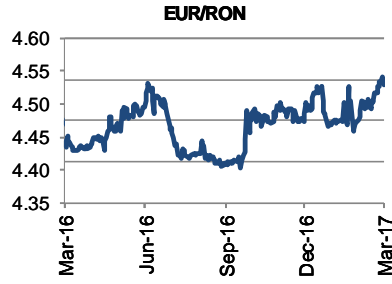
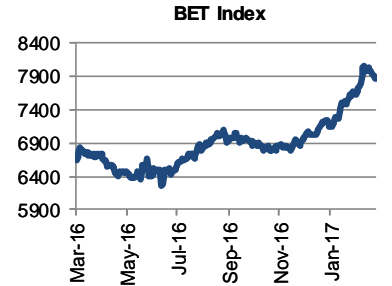
	Last	ΔDbps	ΔYTD bps
5-year	93	-2	-16
10-year	140	-3	-13

STOCKS

	Last	ΔD	ΔYTD
BET	7898.5	0.11%	11.48%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5435	0.22%	-0.10%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.33	0	-33
1-month	-0.17	0	0
3-month	-0.09	0	-2
6-month	0.03	0	-4
12-month	0.38	0	-3

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.05	-4	-11
5Y BGN	0.42	-1	-9
10Y BGN	1.75	0	-15

BG Eurobonds

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

CDS

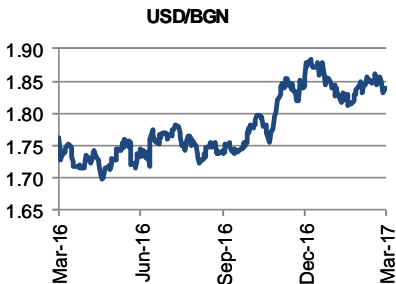
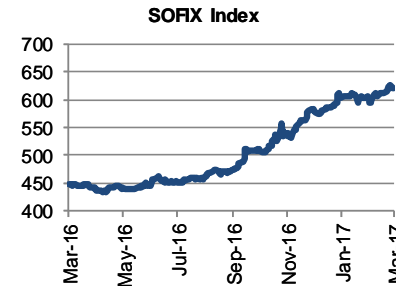
	Last	ΔDbps	ΔYTD bps
5-year	114	0	-38
10-year	151	0	-43

STOCKS

	Last	ΔD	ΔYTD
SOFIX	619.4	-0.01%	5.62%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8385	-0.12%	1.08%



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

Data updated as of 16:55 EET of previous session

March 15, 2017

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