

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 Fed raised the federal funds rate by 25bps to a target range of 0.75%-1.0% at the two-day monetary policy meeting that concluded late on Wednesday, in line with expectations. However, the tone of the accompanying statement was less hawkish than expected while the FOMC members' median interest rate projections (the "dots") continued to signal two more hikes in 2017 and three in 2018, unchanged compared to December. Against this background, US Treasuries gained and the USD weakened across the board. With respect to the Dutch general election, preliminary results suggest that PM Mark Rutte's VVD party scored first securing 31 seats in the 150-seat Parliament while anti-EU far-right PVV party gained just 19 seats, neck and neck with conservative CDA and the liberals D66.

GREECE: According to press reports, the Greek government is opting for a "global agreement" comprising the staff-level agreement, the medium-term debt relief measures and the measures and primary surplus targets in the post-programme period. Such a deal could according to Greek officials be reached at the April 7 Eurogroup so that the IMF can then discuss its participation in the programme during the Fund's Spring Meetings (21-23 April). During her visit to Athens, Chair of the Single Supervisory Mechanism (SSM) Daniele Nouy urged Greek banks to act more decidedly in addressing the NPLs problem and reportedly stressed the importance of the measures that will accelerate this process, namely the out-of-court workout legal framework, the legal protection of banks and public sector executives, the electronic auctions and the deferred tax treatment.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets staged a relief rally earlier on Thursday after the Fed hiked interest rates, as was widely expected, but signaled an only "gradual" pace of increases ahead and left its outlook for rate hikes for this year and the next mostly unchanged. Also favouring risk appetite, especially towards CESEE assets, was the Dutch general election outcome.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The Fed raised the federal funds rate by 25bps to a target range of 0.75%-1.0% at the two-day monetary policy meeting that concluded late on Wednesday, in line with expectations. However, the tone of the accompanying statement was less hawkish than expected while the FOMC members' median interest rate projections (the "dots") continued to signal two more hikes in 2017 and three in 2018, unchanged compared to December. Against this background, US Treasuries gained with the 10-yr yield falling to levels near 2.49% earlier today before rising close to 2.53% in European trade at the time of writing, still below a multi-week peak of 2.63% recorded on Tuesday, a session ahead of the FOMC monetary policy announcement. Meanwhile, in FX markets, the USD lost ground across the board with the EUR/USD bouncing to levels above 1.0700, the highest in more than a month while reduced political risks in Europe following the market-friendly Dutch general election outcome, also helped the common currency. According to preliminary results, PM Mark Rutte's VVD party scored first securing 31 seats in the 150-seat Parliament. Anti-EU far-right PVV party gained 19 seats, neck and neck with conservative CDA and the liberals D66, less than 25-30 indicated by a number of pre-election opinion polls. Exit polls also suggested that the Labour party PvdA, the old junior coalition partner to the VVD, gained only 9 seats vs. 38 in the current parliament. The GreenLeft (GL) party enjoyed increased popularity securing 16 seats from 4 previously. The strongest three pro-EU centrist parties (VVD, CDA, D66) which control 69 seats cumulatively, 7 seats short of a majority, are highly likely to form a coalition government with, most probably, the Labour party or Green Left. In a knee-jerk reaction, Dutch sovereign paper firmed with the 10-yr yield hovering around a multi-session low of 0.51% in European trade after testing a multi-week high near 0.60% earlier this week with the spread against its German counterpart narrowing close to 7.5bps, the lowest so far this year.

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GREECE

According to press reports, the Greek government is opting for a "global agreement" comprising the staff-level agreement, the medium-term debt relief measures and the measures and primary surplus targets in the post-programme period. Such a deal could according to Greek officials be reached at the April 7 Eurogroup so that the IMF can then discuss its participation in the programme during the Fund's Spring Meetings (21-23 April). Nevertheless, at the briefing of the SYRIZA Parliamentary Group and the Parliamentary Committee for Economic Affairs by the Ministers of Finance and Labour it was clear that differences persist between Greece and the institutions particularly with regard to labour market reform and the growth-enhancing measures. Meanwhile according to press reports, the German FinMin appeared optimistic that the negotiations between the Greek government and the institutions for the 2nd programme review are at the final stage. In other news, during her visit to Athens, Chair of the Single Supervisory Mechanism (SSM) Daniele Nouy met with the Governor of the Bank of Greece Yannis Stournaras and the representatives from the management of the four Greek systemic banks, the Hellenic Financial Stability Fund (HFSF) and the Hellenic Bank Association to discuss the implementation of the action plans to reduce NPEs to €66.7 billion by 2019 from €106.9 billion in September 2016. In spite of the progress that has been made in the past few years with respect to the banks' capital adequacy and governance, according to the Governor of the Bank of Greece the delay in the completion of the 2nd programme review brought about a pick-up in new non-performing exposures (NPEs) in January 2017 which had eased during 2016. Against this backdrop, SSM Head urged Greek banks to act more decidedly in addressing the NPLs problem and reportedly stressed the importance of the measures that will accelerate this process, namely the out-of-court workout legal framework, the legal protection of banks and public sector executives, the electronic auctions and the deferred tax treatment.

March 16, 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

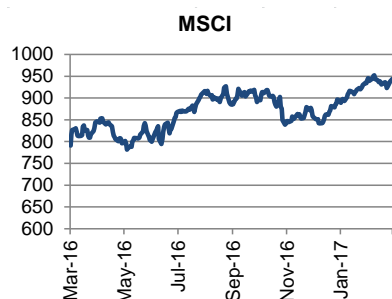
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CESEE MARKETS

Emerging market assets staged a relief rally earlier on Thursday after the Fed hiked interest rates, as was widely expected, but signaled an only "gradual" pace of increases ahead and left its outlook for rate hikes for this year and the next mostly unchanged. Also favouring risk appetite, especially towards CESEE assets, was the Dutch general election outcome, where, according to exit polls, centre-right Prime Minister Mark Rutte's VVD party is tipped to win the national ballot over the anti-EU party of Geert Wilders, somewhat soothing concerns about a further rise in Euroscepticism.

Against this backdrop, bourses in the CESEE region broadly firmed with main indices in Turkey, Poland and Hungary firming by more than 1% on the day in early European trade. A rise in commodity prices also provided support to related shares. In FX markets most currencies firmed against a weaker US dollar. On the flipside, the Turkish lira lost some ground compared to Wednesday's settlement, giving back a small part of its recent gains, but remained within distance from yesterday's 1-week high near 3.6705/\$. In the sovereign debt markets, the Public Debt Administration of the Republic of Serbia sold yesterday €82.1mn of 10-year T-bonds, less than an offered amount of €125mn. The average accepted yield came in at 4.0% yesterday, while the average price was at 95.945. The EUR-denominated paper bears a coupon of 3.5% and expires on March 17, 2027.

Looking into the remainder of the week, Turkey's monetary policy meeting takes centre stage today. The Central Bank is broadly anticipated to keep the benchmark repurchase rate as well as the overnight lending and borrowing rates stable at 8.00%, 9.25% and 7.25%, respectively, while raise the late liquidity lending rate by 75bps to 11.75%. Headline inflation surprised to the upside reaching double-digits on an annual basis in February (10.13%YoY) spiking further above the 5% official target. However, the rise was partly attributed to the FX pass through and base effects and the CBT has managed to provide support to the TRY over recent weeks via liquidity management. At the same time, yesterday's Fed rate hike decision and recent heightened frictions with the Netherlands over the ban of Turkish political rallies in Holland ahead of the April 16th plebiscite appear to have had a rather limited impact on the domestic currency. Moreover, the government remains in favour of low borrowing costs that would boost economic activity, especially ahead of the referendum. Meanwhile, downbeat labour market data, released earlier this week, may provide some ammunition to the Central Bank to hold the three main interest rates stable today.

Tomorrow, Moody's is scheduled to review Serbia's sovereign credit rating. In our view, an upgrade in the long term foreign currency sovereign rating tomorrow appears likely. Domestic macroeconomic fundamentals have notably improved over the last couple of years thanks to enhanced domestic political stability, improvement of investor sentiment on the back of an IMF policy anchor, substantial fiscal consolidation and monetary easing, improving credit dynamics and labor market conditions as well as narrowing external imbalances. Also in support of the aforementioned, the corresponding ratings of both S&P and Fitch currently stand one notch higher than that of Moody's. S&P revised higher in January the country's outlook to Stable from Negative, while affirming its "BB-" rating in July 2016. Furthermore, Moody's changed its outlook on Serbia to Positive from Stable in mid-March, also affirming the country's "B1" rating. Fitch was the first agency to proceed with an upgrade on Serbia's sovereign rating, revising in June one notch higher its Long-Term Foreign and Local Currency Issuer Default Ratings (IDR) to "BB-" from "B+" with Stable outlook.

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March 16, 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	2385.26	0.8%	6.5%	EUR/USD	1.0721	-0.1%	1.9%	UST - 10yr	2.53	4	9	GOLD	1224	0.4%	6.3%
Nikkei 225	19590.14	0.1%	2.5%	GBP/USD	1.2267	-0.2%	-0.7%	Bund-10yr	0.45	3	24	BRENT CRUDE	52	1.0%	-7.9%
STOXX 600	377.47	0.6%	4.4%	USD/JPY	113.46	-0.1%	3.1%	JGB - 10yr	0.08	-2	3	LMEX	2840	1.0%	6.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	-2	-1
1-week	3.16	1	-1
1-month	3.34	-1	-1
3-month	3.52	-1	5
6-month	3.71	-1	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.04	-1	-4
5Y RSD	5.42	-1	7
7Y RSD	5.71	#N/A N/A	7

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.98	-9	-34
USD Nov-24	6.50	-2	9

CDS

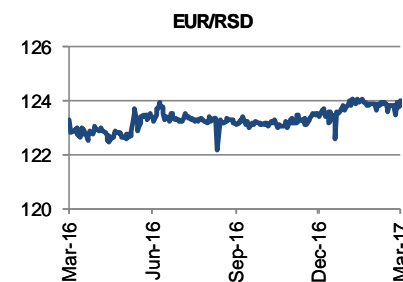
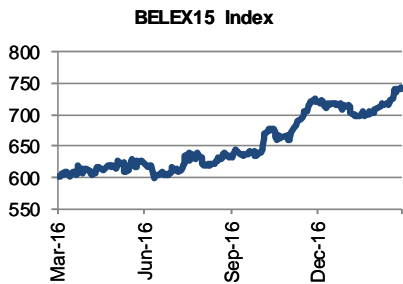
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	248	1	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	741.9	0.35%	3.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.96	-0.20%	-0.41%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.41	0	-15
1-month	0.59	0	-17
3-month	0.84	0	-6
6-month	1.08	0	-3
12-month	1.26	0	1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.68	-3	6
5Y RON	2.72	-4	20
10Y RON	3.74	-5	9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.14	0	0
USD Jan-24	3.69	-10	-16

CDS

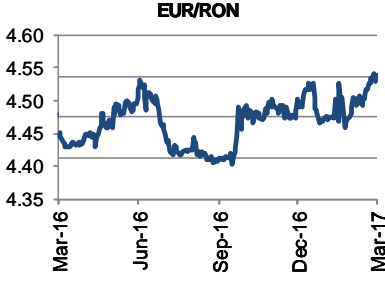
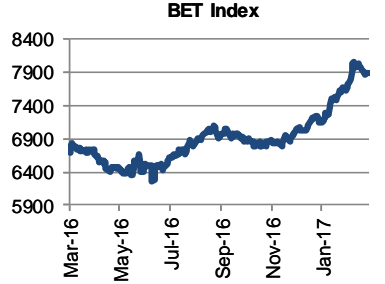
	Last	ΔDbps	ΔYTD bps
5-year	94	-1	-15
10-year	141	-2	-12

STOCKS

	Last	ΔD	ΔYTD
BET	7968.3	0.19%	12.47%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5513	-0.16%	-0.27%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	-7	-30
1-month	-0.17	0	0
3-month	-0.09	0	-2
6-month	0.03	0	-5
12-month	0.38	0	-3

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.05	0	-11
5Y BGN	0.41	0	-9
10Y BGN	1.72	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.34	-5	-2
EUR Sep-24	1.54	0	-14

CDS

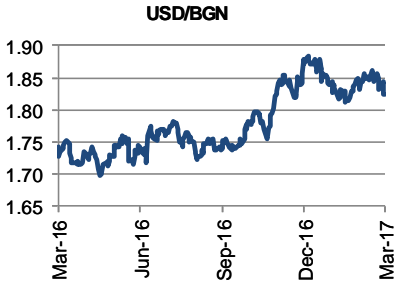
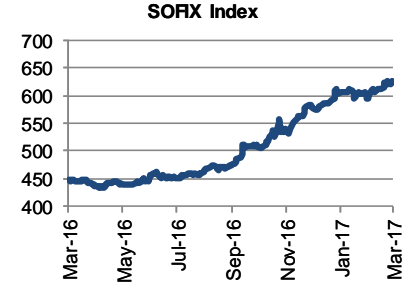
	Last	ΔDbps	ΔYTD bps
5-year	114	0	-38
10-year	150	0	-43

STOCKS

	Last	ΔD	ΔYTD
SOFIX	625.8	0.40%	6.71%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8243	-0.12%	1.87%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:25 EET

March 16, 2017

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