



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, March 17, 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 remained under pressure against its major currency peer while US Treasuries' positive reaction to the less hawkish than expected FOMC monetary policy statement was short-lived. The EUR/USD extended its post-FOMC gains supported by ECB Governing Council member Ewald Nowotny's comments that the Central Bank would decide "when the time comes" whether to raise interest rates before or after ending its bond purchase programme. Elsewhere, the GBP also firmed against most of its currency peers after MPC policymaker Kirsten Forbes surprised investors by breaking ranks and voting in favour of a rate hike at this week's monetary policy meeting, representing the first split on the MPC since July of last year.

**GREECE:** In view of the 20 March Eurogroup, different views as to the state of play in the negotiations and the timeline ahead are reportedly expressed by the Greek side and the institutions. In particular, according to press reports the Greek FinMin expressed optimism that a "global agreement" comprising the staff-level agreement, the specification of the medium-term debt relief measures and the determination of the duration of the post-programme period for maintaining the 3.5%-of-GDP medium term primary surplus target is possible at the April 7 Eurogroup. On the other side, according to press reports, a high-ranking European official appeared cautious as to whether an agreement could be possible in April given certain time restrictions pertaining to the Easter recess and the IMF Spring Meeting (21-23 April).

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** The emerging markets rally instigated earlier this week in the wake of the FOMC meeting and the Dutch elections appeared to be running out of steam, with most EM assets trading mixed earlier on Friday. Today focus is on Moody's review of Serbia's sovereign credit rating, with an upgrade appearing to be on the cards.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasuries' positive reaction to the less hawkish than expected FOMC monetary policy statement was short-lived with the 10-yr yield hitting a session peak of 2.54% earlier today, a 4bps increase from one-week lows recorded in the prior session, purportedly affected by a string of positive US data. US housing starts rose by more than projected in February coming in at a seasonally adjusted annualized rate of 1.29million units, initial jobless claims edged down by 2k to 241k for the week ended March 11, remaining below the 300k threshold for the 106th straight week and the Philly Fed manufacturing activity index declined by less than expected in March with the key new orders component hitting its highest level since December 1987. In FX markets, the USD remained under pressure against its major currency peers with the DXY index hovering around a five-week intraday low of 100.160 in European trade at the time of writing, poised for weekly losses of around 1.0%. The EUR/USD extended its post-FOMC gains soaring to a session peak of 1.0782 earlier today, the highest in nearly six weeks, supported by ECB Governing Council member Ewald Nowotny's comments that the Central Bank would decide "when the time comes" whether to raise interest rates before or after ending its bond purchase programme. The market friendly outcome of the Dutch general election earlier this week also continues to have a positive impact on the common currency. Elsewhere, the GBP also firmed against most of its currency peers. At its meeting on Thursday, the MPC decided to keep its monetary policy stance unchanged and maintain a neutral bias, as expected. However, policymaker Kirsten Forbes surprised investors by breaking ranks and voting in favour of a rate hike, representing the first split on the MPC since July of last year. In addition, the tone of the minutes was more hawkish than expected, supporting the view that, unless economic growth slows down, the MPC could likely split further in the coming months with a minority supporting the case of higher interest rates.

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### GREECE

In view of the 20 March Eurogroup, different views as to the state of play in the negotiations and the timeline ahead are reportedly expressed by the Greek side and the institutions. In particular, according to press reports the Greek FinMin expressed optimism that a "global agreement" comprising the staff-level agreement, the specification of the medium-term debt relief measures and the determination of the duration of the post-programme period for maintaining the 3.5%-of-GDP medium term primary surplus target is possible at the April 7 Eurogroup. Additionally, he expressed the opinion that the contentious issue of the labour market reform could be transferred to the 3rd programme review. On the other side, according to press reports, a high-ranking European official appeared cautious as to whether an agreement could be possible in April given certain time restrictions pertaining to the Easter recess and the IMF Spring Meeting (21-23 April). Furthermore, he categorically ruled out the possibility of postponing the labour market reform adding that this issue as well as energy market reform and privatisations have remained unresolved for years and should be dealt with now. Meanwhile, a bill was submitted yesterday for the treatment of the deferred tax assets of Greek financial institutions in a manner consistent with the write-offs and restructuring of their debtors' loans. The bill complements the legal framework that is being constructed with the aim to address the serious NPLs problem. In other news, US Congressman Bill Huizenga introduced a bill yesterday calling for the Trump administration to oppose any further IMF participation in the Greek programme and if that is not possible to oppose any further quota reforms until Greece has repaid all its debt to the IMF. It is reminded that for a number of countries, including Germany, the IMF's participation in the programme is a strict condition for them to approve the disbursement of any additional funds to Greece.

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March 17, 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

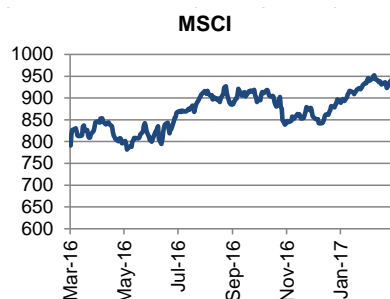
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

The emerging markets rally instigated earlier this week in the wake of the FOMC meeting and the Dutch elections appeared to be running out of steam, with most EM assets trading mixed earlier on Friday. In the CESEE space, Poland's main WIG index which outperformed its regional peers yesterday with a near 2% spike, was ca 0.4% firmer in European trade today compared to the prior session's settlement. The index is poised to end the week 3.7% higher, nearly in line with the performance of the broader MSCI Emerging Markets index which is braced to record a 4.0% weekly advance. The latter is set to register the strongest week in eight months and traded near 2-year highs earlier today. Elsewhere, Turkey's BIST100 stood in a marginally negative territory at the time of writing, following gains to the tune of 0.9% on Thursday, while Hungary's BUX posted a concomitant decline of 0.6%.

In FX markets, CESEE currencies retained a firm tone against a weaker US dollar. The Turkish lira led the gains a day after the Central Bank held the three policy interest rates on hold but hiked, as was broadly anticipated, the Late Liquidity Window lending rate by 75bps to 11.75%. The benchmark repurchase rate as well as the overnight lending and borrowing rates were kept stable at 8.00%, 9.25% and 7.25%, respectively, in line with market expectations. Following the Central Bank tightening yesterday, the USD/TRY slid as far as a 2-½ week trough of 3.5960 in Asian trade, sliding further below a 1-month peak near 3.7850 hit last week amid increased expectations about a Fed rate hike this month and mounting political frictions between Turkey and European countries over the former's planned political rallies as part of a campaign supporting the "yes" vote at the April 16<sup>th</sup> referendum.

Today focus is on Moody's review of Serbia's sovereign credit rating. As we noted yesterday, an upgrade in the long term foreign currency sovereign rating appears likely on the back of improving domestic macroeconomic fundamentals over the last couple of years.

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March 17, 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	2383.77	-0.1%	6.5%	EUR/USD	1.0735	0.0%	2.0%	UST - 10yr	2.52	3	7	GOLD	1229	0.8%	6.7%
Nikkei 225	19590.14	0.1%	2.5%	GBP/USD	1.2358	0.5%	0.0%	Bund-10yr	0.44	3	24	BRENT CRUDE	52	0.1%	-8.7%
STOXX 600	377.43	0.6%	4.4%	USD/JPY	113.19	0.2%	3.4%	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	5.43	0	7
7Y RSD	5.71	#N/A	N/A

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.03	-5	-30
USD Nov-24	6.50	-2	9

**CDS**

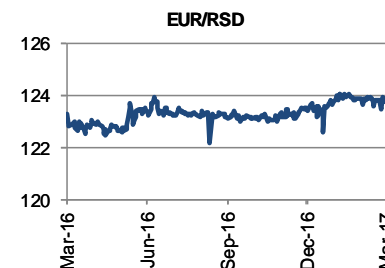
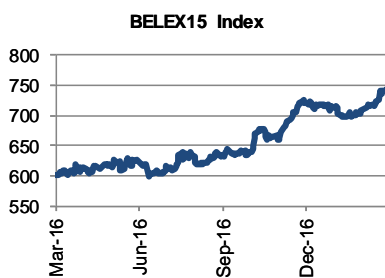
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	248	1	-8

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	747.0	0.69%	4.13%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.86	-0.12%	-0.33%



**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	2.73	-3	21
10Y RON	3.75	-4	10

**RO Eurobonds**

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

**CDS**

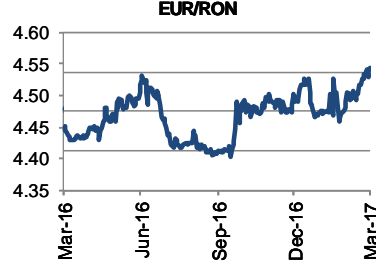
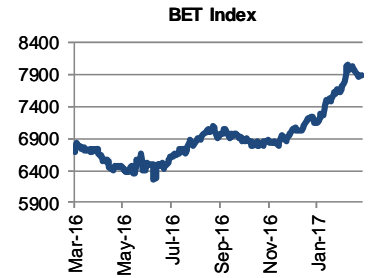
	Last	ΔDbps	ΔYTD bps
5-year	94	-1	-15
10-year	141	-2	-12

**STOCKS**

	Last	ΔD	ΔYTD
BET	7940.0	-0.16%	12.07%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5559	-0.26%	-0.37%



**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	-10
5Y BGN	0.41	1	-9
10Y BGN	1.74	0	-17

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.18	-10	14
EUR Sep-24	1.53	7	-15

**CDS**

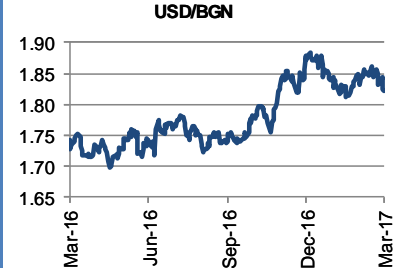
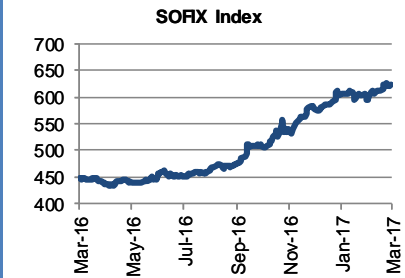
	Last	ΔDbps	ΔYTD bps
5-year	114	0	-38
10-year	150	0	-43

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	624.2	0.14%	6.44%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8222	0.00%	1.99%



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

Data updated as of 17:00 EET of previous session

March 17, 2017

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