



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, March 21, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Mar 22: Existing home sales (Feb)
- Mar 23
 - Initial jobless claims (weekly)
 - New home sales (Feb)
- Mar 24: Durable goods orders

EUROZONE

- Mar 20: Labour costs (Q4 2016)
- Mar 23
 - Consumer confidence (Mar)
 - Results of T-LTRO II
- Mar 24: PMI manufacturing & services (Mar)

UK

- Mar 21: CPI (Feb)
- Mar 23: Retail sales (Feb)

GREECE

- Mar 20: Eurogroup
- Mar 22: Turnover index in Industry (Jan.)

SEE

BULGARIA

- Mar 21: Current account balance (Jan)

CYPRUS

- Mar 24: Sovereign credit rating review by Moody's

ROMANIA

- Mar 23: Money Supply (Feb)

SERBIA

- Mar 21: 3.50% 2018 T-Bonds sale
- Mar 22: 2% 2020 T-Bonds sale

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD remained under pressure in European trade on Tuesday as the less-hawkish-than-expected tone of last week's FOMC monetary policy statement continued to have an impact. Meanwhile, market uncertainty over the US President Trump administration's fiscal stimulus plan prevails as no details have been released so far with investors waiting for a detailed budget plan in mid-May. The EUR extended its recent gains against the USD favored by the publication of an opinion poll suggesting that centrist presidential candidate Emmanuel Macron was seen as the most convincing in a marathon election debate between France's top five election contenders last night. GBP also gained after UK inflation data showed that headline rose to a higher than expected 2.3%YoY in February, moving above the BoE's inflation target for the first time in nearly four years. Meanwhile, according to EU sources, UK Premier Theresa May has informed the European Council that she will trigger Article 50 on Wednesday, March 29.

GREECE: The Eurogroup than convened yesterday was debriefed by the institutions and the Greek authorities on the state of play of the ongoing 2nd review of Greece's 3rd Economic Adjustment Programme. It was acknowledged that a lot of work has been done and progress made but some key issues remain. Therefore, it was agreed that talks will continue to intensify and to this end the Greek Ministers of Finance and Labour remained in Brussels to resolve the outstanding topics and reach with official lenders a full policy package agreement. With regard to the order of things ahead, Eurogroup President Jeroen Dijsselbloem stated that first there should be an agreement on a policy package including pension, tax and labour reform as well as a number of other issues and then the Eurogroup will work towards a political agreement which will also include the issues of the fiscal trajectory and debt.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets mostly retained a firm tone earlier on Tuesday as the post FOMC meeting and Dutch elections euphoria continued to have a positive impact on investor risk sentiment.

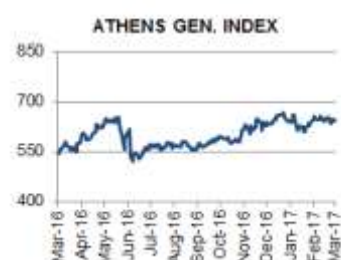
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March 21, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD remained under pressure in European trade on Tuesday as the less-hawkish-than-expected tone of last week's FOMC monetary policy statement continued to have an impact. Supporting the view that the Fed intends to pursue a gradual pace of rate tightening ahead, Chicago Fed Charles Evans was quoted saying earlier this week that, after last week's 25bps rate hike, the Central Bank "is entirely possible" to deliver two additional hikes by the end of this year while the prospect of more or fewer moves depends on the outlook of the domestic economy. Meanwhile, market uncertainty over US President Trump administration's fiscal stimulus plan prevails as no details have been released so far with investors waiting for a detailed budget plan in mid-May. The DXY index was hovering around 99.950 at the time of writing after falling below the 100.00 level earlier today for the first time in six weeks, marking losses of 2.3% so far from a multi-week peak recorded mid last week ahead of the 14-15 March FOMC monetary policy meeting. US Treasuries came under some pressure with long-dated bonds underperforming and the 2/10-yr yield curve undertaking some bearish steepening. Capitalizing on the USD's broad-based weakness, the EUR extended its recent gains rising briefly slightly above 1.0800 earlier today for the first time in nearly 1 ½ month. An opinion poll published shortly after the conclusion of a marathon election debate between France's top five election contenders last night suggesting that centrist presidential candidate Emmanuel Macron was seen as the most convincing, also favored the common currency. Elsewhere, the GBP also gained testing levels close to 1.2570 against the USD earlier today in a knee-jerk reaction to February UK inflation data showing that headline rose to a higher than expected 2.3%YoY from 1.8%YoY in the prior month, moving above the BoE's 2.0% inflation target for the first time in nearly four years. Meanwhile, according to EU sources, UK Premier Theresa May has informed the European Council that she will trigger Article 50 on Wednesday, March 29.

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GREECE

The Eurogroup than convened yesterday was debriefed by the institutions and the Greek authorities on the state of play of the ongoing 2nd review of Greece's 3rd Economic Adjustment Programme. It was acknowledged that a lot of work has been done and progress made but some key issues remain. Therefore, it was agreed that talks will continue to intensify and to this end the Greek Ministers of Finance and Labour remained in Brussels to resolve the outstanding topics and reach with official lenders a full policy package agreement. During the press conference following the Eurogroup, its President Jeroen Dijsselbloem stated that deliberations in Brussels will try to resolve the "bigger issues", namely labour, pension and tax reforms and will take place between the institutions, including the IMF, and the Greek Ministers directly involved. He added that talks will be done at the appropriate level and "whatever power is needed will be brought into the room". A political discussion will then follow, possibly at the April 7 Eurogroup, although this milestone should not be considered rigid. Furthermore, at the press conference all involved parties were urged to accelerate efforts to conclude the review as soon as possible to avoid the cost of the uncertainty on the economy and Jeroen Dijsselboem noted that it is his understanding that on behalf of the Greek side there is strong political will and a sense of urgency to conclude the review considering that confidence in the Greek economy is a key factor. With regard to the order of things ahead, Eurogroup President stated that first there should be an agreement on a policy package including pension, tax and labour reform as well as a number of other issues. Once this policy package has been agreed and completed the Eurogroup will work towards a political agreement which will also include the issues of the fiscal trajectory (i.e. primary surpluses going forward) and debt. He added, however, that no big surprises should be anticipated on these topics as they have already broadly been agreed on at the May 2016 Eurogroup.

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March 21, 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

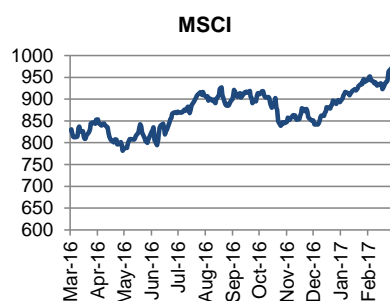
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 mostly retained a firm tone earlier on Tuesday as the post FOMC meeting and Dutch elections euphoria continued to have a positive impact on investor risk sentiment. With rising commodity prices providing an additional lift to related shares, the MSCI Emerging Markets index stood in the black for the eighth consecutive session in Asian trade today, registering its longest daily winning streak since August and hitting a new near 2-year peak intraday. Currently the index stands more than 4% higher compared to its levels at the end of February.

Most regional currencies held on to their recent gains in European trade today, having benefited from a broadly weaker US dollar over the last few sessions. The Turkish lira led the gains in the CESEE space, with the USD/TRY firming as far as a 2-session low of 3.6000 earlier on Tuesday, not too far from a 1-month trough of 3.5960 hit last Friday, before pulling back towards 3.6065 at the time of writing. Elsewhere, the Serbian dinar was little changed earlier today hovering around levels of 123.85/€ at the time of writing after firming modestly on Monday following a much anticipated sovereign credit rating upgrade by Moody's late last week. Behind its decision to raise Serbia's rating by one notch to Baa3 on Friday, with stable outlook, the agency acknowledged the significant fiscal consolidation that has taken place over the last couple of years and recent implementation of structural reforms that increase the resilience of the country's economy. We had long expected this upgrade as Serbia's 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, the corresponding ratings of both S&P and Fitch previously stood one notch higher than that of Moody's. Separately, the Romanian leu remained under pressure today amid persisting worries over fiscal slippages ahead. In a statement published at its website upon the conclusion of a staff visit to Romania as part of regular consultations of member countries under Article IV, the IMF warned that the budget deficit targets may be significantly exceeded this year and the next, unless tightening measures are adopted. Ceteris paribus, the Fund expects the budget shortfall to reach 3.7% of GDP in 2017, well above the 3% of GDP target which is also the EU Maastricht criterion, amid wage and pension increases and tax cuts. For 2018 the IMF envisions a further increase to 3.9% of GDP, while it noted that a further deterioration by 5.5% of GDP is possible over the next few years if measures included in the government's programme are taken into account. Along these lines, the EUR/RON rose as far as a new 3 1/2 year peak of 4.5675 in European trade today.

In the local rates markets, the Romanian finance ministry sold on Monday RON 327mn (~€71.7mn) of 10-year T-bonds, above an initially planned amount of RON 300mn (~€65.8mn). The average accepted yield came in at 4.03%, slightly below 4.07% in February when a tender of the same paper was last held. The bid to cover ratio stood at 1.6, reflecting relatively healthy investor demand, despite mounting fiscal slippage worries. The issue matures on July 26, 2027 and bears a coupon of 5.8%.

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March 21, 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	-0.2%	6.0%	EUR/USD	1.0797	0.5%	2.6%	UST - 10yr	2.49	3	4	GOLD	1232	-0.2%	6.9%
Nikkei 225	19455.88	-0.3%	1.8%	GBP/USD	1.2411	0.4%	0.4%	Bund-10yr	0.47	3	26	BRENT CRUDE	52	0.8%	-8.4%
STOXX 600	377.93	0.1%	4.6%	USD/JPY	112.69	-0.1%	3.8%	JGB - 10yr	0.07	-1	2	LMEX	2866	-0.5%	7.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	1	-1
1-week	3.16	1	-1
1-month	3.34	-1	-1
3-month	3.53	0	6
6-month	3.71	-1	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.03	-1	-5
5Y RSD	5.42	0	7
7Y RSD	5.71	#N/A N/A	8

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.94	-5	-39
USD Nov-24	6.51	0	9

CDS

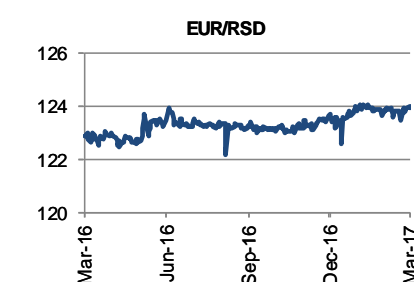
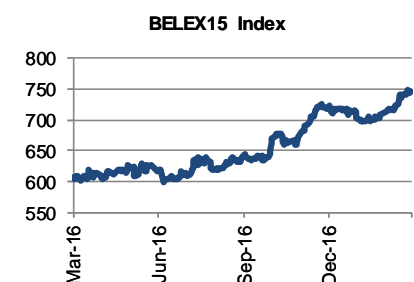
	Last	ΔDbps	ΔYTD bps
5-year	203	-1	-4
10-year	246	-1	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	748.1	0.27%	4.28%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.93	0.00%	-0.38%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	-1	-16
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	1.66	0	4
5Y RON	2.65	-1	13
10Y RON	3.73	0	8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.04	-1	-10
USD Jan-24	3.61	4	-25

CDS

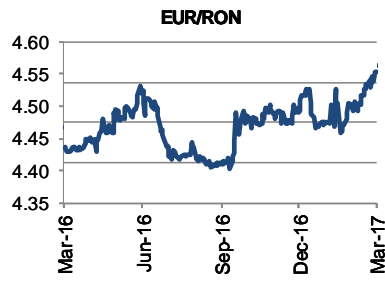
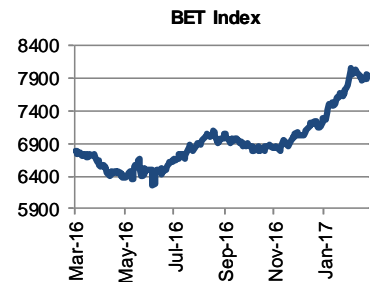
	Last	ΔDbps	ΔYTD bps
5-year	98	4	-12
10-year	146	8	-7

STOCKS

	Last	ΔD	ΔYTD
BET	7974.1	0.09%	12.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5625	0.00%	-0.52%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.17	0	-1
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	0.42	1	-8
10Y BGN	1.73	0	-17

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.30	0	2
EUR Sep-24	1.51	0	-17

CDS

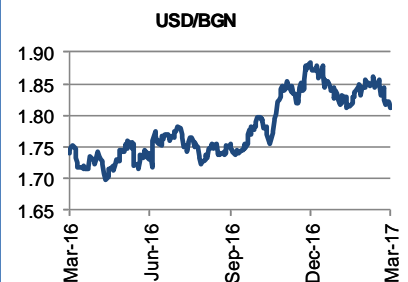
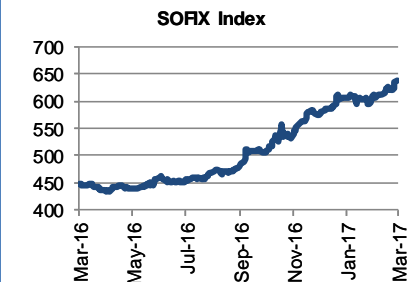
	Last	ΔDbps	ΔYTD bps
5-year	114	4	-38
10-year	154	7	-40

STOCKS

	Last	ΔD	ΔYTD
SOFIX	637.2	0.10%	8.66%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8114	0.54%	2.59%



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

Data updated as of 11:15 EET

March 21, 2017

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