



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, March 22, 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: Global equity markets edged significantly lower on Wednesday, as increasing concerns about the timing of the new US administration's economic growth agenda encouraged investors to move from risky to safe haven assets such as gold and government debt. In the FX market, the USD remained under pressure, with the USD/JPY hitting a 4-month low of 111.14 in European trade ahead of the expected vote on the repeal of Obamacare on Thursday. Elsewhere, the common currency was hovering around 1.0795 against the dollar at the time of writing, after surging to a nearly two-month high of 1.0819 following centrist French presidential candidate Emmanuel Macron's good performance in a debate that sparked expectations that anti-euro candidate Marine Le Pen will be defeated in the French presidential elections.

GREECE: With regard to the 2nd programme review, deliberations continue in Brussels between Greece and its official lenders with a view to reaching a staff-level agreement by Thursday 23 March, when this round of talks is scheduled to be completed. Greece is represented by the Minister and Alternate Minister of Finance Euclid Tsakalotos and George Chouliarakis, the Minister of Labour Effie Achtsioglou and the Minister of Energy George Stathakis. The issues that must be dealt with at this stage are reportedly the pension, tax, labour and energy market reform.

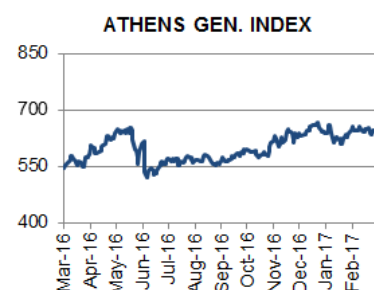
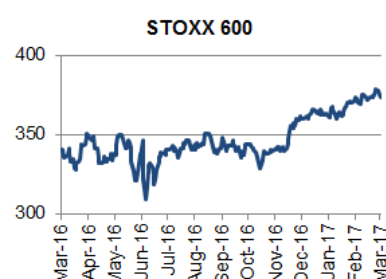
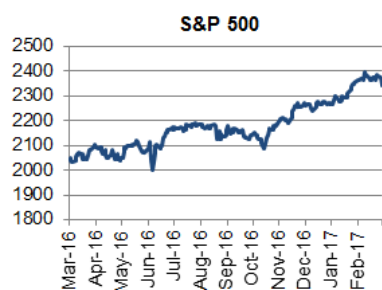
SOUTH EASTERN EUROPE

CESEE MARKETS: Trailing losses in Wall Street overnight and in major bourses in Asia and Europe earlier on Wednesday, emerging stock markets broadly fell today as risk sentiment soured amid uncertainty over whether US President Trump's administration will implement fiscal stimulus plans that will support growth in the world's largest economy.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Global equity markets edged significantly lower on Wednesday, as increasing concerns about the timing of the new US administration's economic growth agenda encouraged investors to move from risky to safe haven assets such as gold and government debt. Referring to the Obamacare health bill, Republican Mark Meadows, Chairman of the conservative House Freedom Caucus, said that "currently there are not enough votes to pass the legislation". Favored by the risk-off sentiment, 10yr Treasuries rose with the yield dropping to a three-week low of 2.39%. Meanwhile, Fed's Loretta Mester highlighted that the central bank should continue with a gradual tightening cycle if the US economy continues to improve. In the FX market, the USD remained under pressure, with the USD/JPY hitting a 4-month low of 111.14 in European trade ahead of the expected vote on the repeal of Obamacare on Thursday. Elsewhere, the common currency was hovering around 1.0795 against the dollar at the time of writing, after surging to a nearly two-month high of 1.0819 following centrist French presidential candidate Emmanuel Macron's good performance in a debate that sparked expectations that anti-euro candidate Marine Le Pen will be defeated in the French presidential elections. Growing expectations of a tapering in the ECB's monetary policy stance later in 2017 have also supported the common currency. On the data calendar front, US existing home sales for February are due later today.

okosma@eurobank.gr

GREECE

With regard to the 2nd programme review, deliberations continue in Brussels between Greece and its official lenders with a view to reaching a staff-level agreement by Thursday 23 March, when this round of talks is scheduled to be completed. Greece is represented by the Minister and Alternate Minister of Finance Euclid Tsakalotos and George Chouliarakis, the Minister of Labour Effie Achtsioglou and the Minister of Energy George Stathakis. The issues that must be dealt with at this stage are reportedly the pension, tax, labour and energy market reform. With regard to the latter, according to press reports, official lenders are pushing for the acceleration of the energy market deregulation through a plan that reportedly envisages the sale of 40% of the Public Power Corporation's (PPC) lignite and hydroelectric production by end Q1 2018. The Greek side, however, is understood to favour keeping the NOME type auctions mechanism for the time being and revisiting the issue at a later stage.

andimitriadou@eurobank.gr

March 22, 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

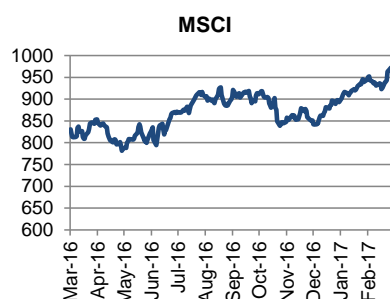
CESEE MARKETS

Trailing losses in Wall Street overnight and in major bourses in Asia and Europe earlier on Wednesday, emerging stock markets broadly fell today as risk sentiment soured amid uncertainty over whether US President Trump's administration will implement fiscal stimulus plans that will support growth in the world's largest economy. Against this backdrop, the MSCI Emerging Markets index slid by ca 1% earlier today, retreating from yesterday's near 2-year peak hit intraday and snapping an eight-session rising streak, the longest period of consecutive daily gains since August.

Reflecting the deterioration in risk appetite, yield spreads of emerging market dollar-denominated bonds over US Treasuries widened 4bps to 310bps, reaching their widest level in a week. A similar picture was evidenced in FX and domestic government bond markets earlier on Wednesday. In the CESEE space, main stock indices broadly fell at the time of writing with Poland's WIG leading the decline with a 1.5% drop. At the same time most regional currencies retreated against major hard currency peers. The Turkish lira broadly underperformed other CESEE currencies, with the USD/TRY rising by 0.3% on the day to 3.6435.

In the local rates markets, the Serbian finance ministry sold on Tuesday RSD 4bn (~€0.03bn) of 2-year T-bonds, slightly less than an initially planned amount of RSD 5bn. The sale is a re-opening of securities issued in January. The average accepted yield came in at 4.65% yesterday, a tad below 4.74% achieved at a prior tender of the same paper held in mid-February. The bid to cover ratio stood at 1.45 on Tuesday. The issue matures on January 12, 2019 and carries an annual coupon of 3.5%.

Looking into the remainder of the week, government bond auctions in Serbia (today), Hungary & Poland (Thursday) and the minutes from the National Bank of Poland's latest MPC (Thursday) are amongst the most notable events in the CESEE space. A sovereign credit rating review by Moody's on Cyprus's ratings takes centre stage on Friday.

gphoka@eurobank.gr


Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

March 22, 2017

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-1
1-week	3.16	0	-1
1-month	3.35	1	0
3-month	3.53	0	6
6-month	3.72	1	6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.03	-1	-6
5Y RSD	5.42	0	7
7Y RSD	5.71	0	8

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.92	2	-40
USD Nov-24	6.51	1	10

CDS

	Last	ΔDbps	ΔYTD bps
5-year	204	1	-3
10-year	247	1	-8

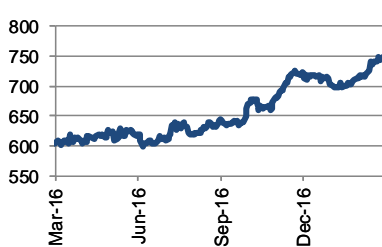
STOCKS

	Last	ΔD	ΔYTD
BELEX15	747.3	0.16%	4.17%

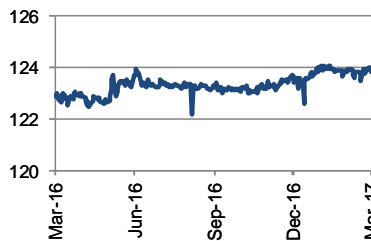
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.93	-0.02%	-0.38%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	0	-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	1.67	-1	5
5Y RON	2.66	0	14
10Y RON	3.73	0	8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.01	0	-12
USD Jan-24	3.50	0	-36

CDS

	Last	ΔDbps	ΔYTD bps
5-year	94	-4	-16
10-year	141	-5	-11

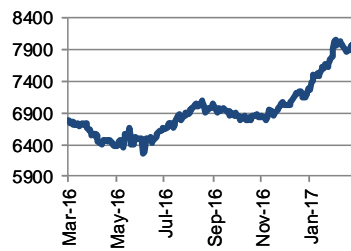
STOCKS

	Last	ΔD	ΔYTD
BET	7984.1	0.11%	12.69%

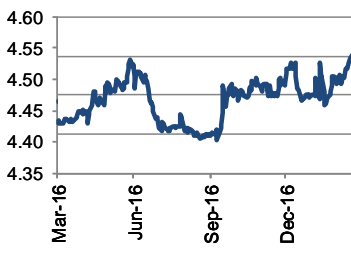
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5621	-0.08%	-0.51%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.35	5	-35
1-month	-0.17	0	0
3-month	-0.09	0	-2
6-month	0.04	1	-4
12-month	0.39	2	-1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.04	-2	-11
5Y BGN	0.44	2	-6
10Y BGN	1.76	0	-15

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.34	0	-2
EUR Sep-24	1.51	0	-17

CDS

	Last	ΔDbps	ΔYTD bps
5-year	115	1	-37
10-year	155	1	-39

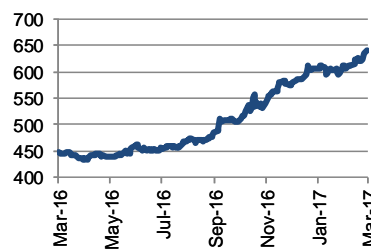
STOCKS

	Last	ΔD	ΔYTD
SOFIX	639.3	0.00%	9.02%

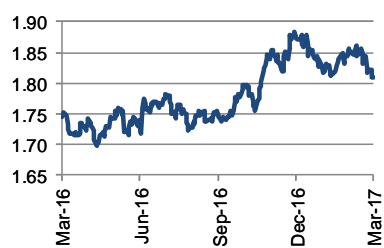
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8104	-0.06%	2.65%

SOFIX Index



USD/BGN



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

Data updated as of 10:20 EET

March 22, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokrousos: Group Chief Economist
pmonokrousos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Eurobank Ergasias S.A., 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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