



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, March 27, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Mar 28
 - Case Shiller house price index (Jan)
 - CB consumer sentiment (Mar)
- Mar 29: Pending home sales (Feb)
- Mar 30
 - Initial jobless claims (weekly)
 - GDP (3rd est)
- Mar 31
 - Personal income/spending (Feb)
 - Core PCE price index (Feb)
 - Chicago PMI (Mar)
 - UoM Consumer sentiment (Mar)

EUROZONE

- Mar 27: DE: Ifo business climate (Mar)

UK

- Mar 29: Government to trigger Brexit Article 50

GREECE

- Mar 31: Retail sales (Jan)

SEE

BULGARIA

- Mar 28: Gross external debt (Dec)
- Mar 31: Budget balance (Feb)

ROMANIA

- Mar 27: T-bonds auction
- Mar 31: ILO U/E rate (Feb)

SERBIA

- Mar 30: 3.50% 2018 T-Bonds sale
- Mar 31
 - Industrial production (Feb)
 - Retail sales (Feb)
 - Trade balance (Feb)
 - Current account (Jan)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD moved lower, US futures point to a weaker open on Wall Street later today and US Treasuries gained on increased uncertainty about US President Donald Trump's ability to push through tax cuts and fiscal spending promised in his election campaign. The US President decided on Friday to cancel the planned vote of the Affordable Care Act (or "Obamacare") repeal bill in the House of Representatives, a major election campaign promise, after reportedly failing to secure enough Republicans to cast a positive vote. Looking at this week's calendar, focus is on US PCE core inflation and euro area HICP inflation data, both on Friday, while on Wednesday March 29th the UK government has announced in a letter to the EU that the Prime Minister will trigger Article 50.

GREECE: According to press reports sources from the institutions claim that during official talks that took place in Brussels last week, the Greek side and the institutions came close to an agreement in all pending items and that it is now a matter of political will from the Greek government to commit to this agreement so that the technical staff can return to Athens and finalise the technical details.

SOUTH EASTERN EUROPE

BULGARIA: The domestic equity market ended last week, though, the main SOFIX index managed to add ca 0.7% and reach new 8.5-year highs. Meanwhile, the local sovereign market remained very quiet and Eurobonds were well-supported despite election concerns. With 89.7% of the votes counted, the centre-right pro-EU ruling Citizens for European Development of Bulgaria (GERB) won Sunday's snap general election ballot with a share of 32.58%. The second largest party in Parliament, the Bulgarian Socialist Party (BSP), was the runner up on Sunday's polls having scored 26.8%.

SERBIA: In FX markets, the EUR/RSD remained bound within a tight range of 123.75-124.0 last week.

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March 27, 2017

Latest world economic & market developments

GLOBAL MARKETS

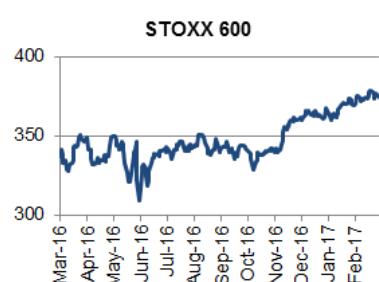
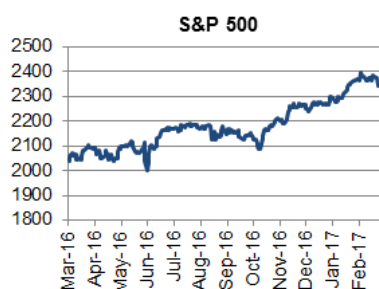
The USD moved lower, US futures point to a weaker open on Wall Street later today and US Treasuries gained on increased uncertainty about US President Donald Trump's ability to push through tax cuts and fiscal spending promised in his election campaign. The US President decided on Friday to cancel the planned vote of the Affordable Care Act (or "Obamacare") repeal bill in the House of Representatives, a major election campaign promise, after reportedly failing to secure enough Republicans to cast a positive vote. The DXY index marked a new two-month low of 99.038 earlier today before recovering modestly to levels around 99.090 at the time of writing, remaining 1.3% lower on a weekly basis and 3% lower compared to a multi-week high recorded earlier this month ahead of the mid-March FOMC monetary policy meeting. Against a broadly weaker USD, the EUR/USD extended its recent gains rising to 1.0875, the highest since early December 2016, while Friday's better than expected euro area data were also favorable. The Eurozone Composite PMI rose to 56.7 in March from 56.0 in the prior month, the highest in nearly six years, indicating that economic growth has probably strengthened further at the end of Q1. Meanwhile long-dated US Treasuries outperformed with the 10-yr yield falling to 2.35%, the lowest in nearly four weeks, after testing levels slightly above 2.51% a week earlier. The 2/10-yr yield curve undertook some bullish flattening with the corresponding spread hovering around a two-week low of 112.3bps at the time of writing. Looking at this week's calendar, focus is on US PCE core inflation on Friday following the FOMC commitment at the last meeting over a "symmetric inflation target". In the euro area, HICP March inflation data on Friday are of particular importance while on Wednesday March 29th the UK government has announced in a letter to the EU that the Prime Minister will trigger Article 50.

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GREECE

According to press reports sources from the institutions claim that during official talks that took place in Brussels last week, the Greek side and the institutions came close to an agreement in all pending items and that it is now a matter of political will from the Greek government to commit to this agreement so that the technical staff can return to Athens and finalise the technical details. More specifically, with regard to the tax-free threshold it may decrease to either c. €5,500 – €5,900 if the tax rate for the lower tax bracket falls to 11% - 15%, or €6,900 – €7,000 if the said tax rate remains in the area of 22%. On the subject of pensions, the discussions revolve around whether the personal difference will be gradually eliminated in two years as the IMF prefers or in three or more years as the Greek side favours. As regards energy reform, the break-up of the Public Power Corporation (PPC) is reportedly considered certain but there are differences as to the means to carry this out. According to reports, the Greek government would rather the PPC transfer part of its clientele to private energy suppliers, whereas the institutions support the sale of part of PPC's lignite and hydroelectric production units. Finally, on the labour market reform front it is reportedly agreed that the collective dismissals limit for companies employing more than 150 employees will rise to 10% of staff per month while changes will also be made in the industrial action framework. On the other side, there may be a change in the collective bargaining framework whereby sectoral agreements might take precedence over company-level ones. It should, however, be noted that in all aforementioned items, until a staff-level agreement is reached changes might take place. With regard to the next steps ahead, it is increasingly understood that they largely depend on how the Greek government will balance the benefits of a swift completion of the review and the political costs that it may entail.

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Source: Reuters, Bloomberg, Eurobank Research

March 27, 2017

Latest economic & market developments in the CESEE region

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

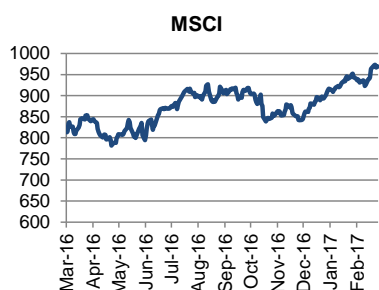
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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	Ba3	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

BULGARIA

The domestic equity market ended last week mixed as investors acted mainly on speculative trades. However, the main SOFIX index managed to add ca 0.7% and reach new 8.5-year highs just above 640 points intraday on Friday, extending its recent gains to end in the black for the 5th straight week. The weekly turnover totaled €2.5mn lifted by some block deals. Meanwhile, the local sovereign market remained very quiet with little flexing of the benchmark bond yield curve around the 5-year tenor, as the short-end went up and long-end down. Meanwhile, Eurobonds were well-supported despite election concerns.

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With 89.7% of the votes counted, the centre-right pro-EU ruling Citizens for European Development of Bulgaria (GERB) won Sunday's snap general election ballot with a share of 32.58%. The elections were called earlier this year after Prime Minister Boyko Borisov handed in his government's resignation in Parliament in the wake of the November Presidential elections that saw the defeat of his party's candidate. They took place two years ahead of schedule and mark the country's return to national polls for the third time in four years. The second largest party in Parliament, the Bulgarian Socialist Party (BSP), was the runner up on Sunday's polls having scored 26.8%, in a renewed indicator that polls are not a reliable predictor of election results as they had pitted GERB and BSP as running neck and neck. Three more political parties managed to pass the 4% threshold to enter the 240-seat Parliament. Namely, the nationalist coalition United Patriots (9.2%), the Movement for Rights and Freedoms DPS (8.93%) which represents primarily the ethnic Turkish minority and the newly formed Volya (4.11%) led by businessman Veselin Mareshki. As was broadly anticipated no party managed to obtain the necessary number of seats in order to rule on its own. At the same time, GERB is rather unlikely to form a coalition government with BSP, hence support from smaller parties will prove essential for the formation of a new government. Final results on Sunday's ballot are expected to be announced on Thursday. The domestic stock market reacted positively to the election's outcome, which ensures pro-EU policy continuity. In more detail, the main SOFIX index rose by 0.30% in European trade, bucking the negative trend in the region.

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SERBIA

According to the latest IPSOS polls, Aleksandar Vucic still enjoys strong public support, of 53%, of electorate willing to participate on elections (projected turnout 60%). Luka Maksimovic, aka Ljubisa Beli Preletacevic, is now the runner up with a rating of about 11%. He is followed by Sasa Jankovic (10.6%), Vojislav Seselj (8.7%), Vuk Jeremic (6.9%). It is unlikely that situation is going to change drastically ahead of the April 2 Presidential elections. In the meantime, another strong data came from the Statistical Office of Serbia. Average net wages increased by 2.4% year-on-year in real terms in February following 0.0% annual growth in December. In FX markets, the EUR/RSD remained bound within a tight range of 123.75-124.0 last week, as a win by Prime Minister Aleksandar Vucic on the upcoming Presidential poll has been largely priced in by financial markets.

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March 27, 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	2343.98	-0.1%	4.7%	EUR/USD	1.0865	0.6%	3.3%	UST - 10yr	2.37	-5	-8	GOLD	1257	1.1%	9.1%
Nikkei 225	18985.59	-1.4%	-0.7%	GBP/USD	1.2589	0.9%	1.9%	Bund-10yr	0.39	-1	18	BRENT CRUDE	50	-0.6%	-11.1%
STOXX 600	374.50	-0.5%	3.6%	USD/JPY	110.35	0.9%	6.0%	JGB - 10yr	0.06	-1	1	LMEX	2846	-0.3%	7.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	298	-1	-2
1-week	3.13	-3	-4
1-month	3.35	1	0
3-month	3.56	4	9
6-month	3.76	5	10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.01	0	-8
5Y RSD	5.42	0	7
7Y RSD	5.71	0	8

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.86	-6	-46
USD Nov-24	6.53	2	11

CDS

	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	246	-1	-9

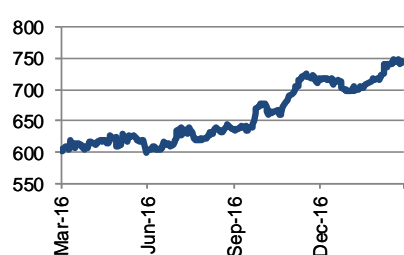
STOCKS

	Last	ΔD	ΔYTD
BELEX15	744.1	-0.27%	3.73%

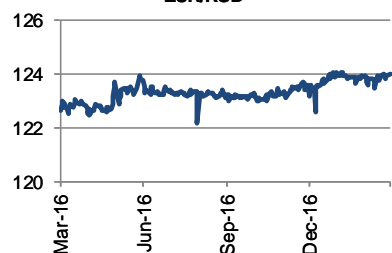
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.98	-0.10%	-0.42%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	0	-11
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	1.61	-3	-1
5Y RON	2.54	-4	2
10Y RON	3.59	-4	-6

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.04	3	-9
USD Jan-24	3.45	-2	-41

CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	2	-10
10-year	144	3	-8

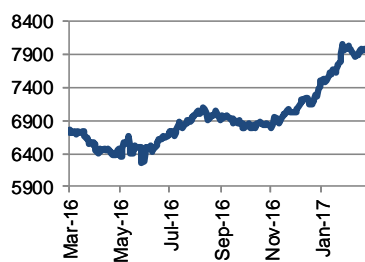
STOCKS

	Last	ΔD	ΔYTD
BET	7976.6	-0.06%	12.58%

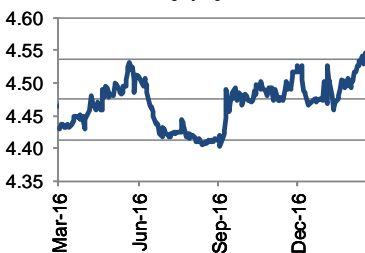
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5495	0.10%	-0.23%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.04	0	-3
12-month	0.40	0	-1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.10	1	-5
5Y BGN	0.42	-1	-9
10Y BGN	1.70	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.49	32	-117
EUR Sep-24	1.53	-11	-15

CDS

	Last	ΔDbps	ΔYTD bps
5-year	115	-1	-37
10-year	153	-2	-40

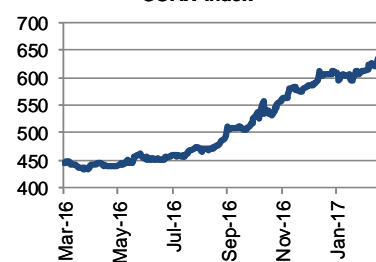
STOCKS

	Last	ΔD	ΔYTD
SOFIX	640.9	0.19%	9.28%

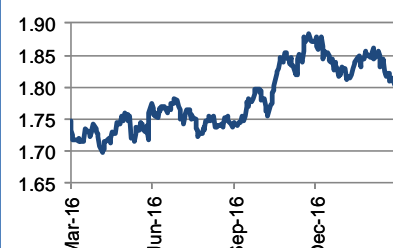
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8	0.63%	3.24%

SOFIX Index



USD/BGN



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

Data updated as of 13:30 EEST

March 27, 2017

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