



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, March 28, 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 (3<sup>rd</sup> 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:** In the absence of major data releases, G10 currency pairs were little changed on a daily basis in European trade on Tuesday. Major US equity markets closed lower overnight albeit off multi-week intraday lows as the negative market sentiment surrounding the Republicans' failure to pass last week a replacement of Obamacare seems to have partially subsided. Reacting to today's modest improvement in risk sentiment, US Treasuries edged lower but their losses were limited. Later in the day, Fed Chair Janet Yellen will be the keynote speaker at the NCR Annual Conference held in Washington (18:50 CET).

**GREECE:** The 30 March Euroworking Group (EWG) is reportedly expected to be critical for the ongoing 2nd programme review, as it will prepare the 7 April Eurogroup and to this effect it will require from the Greek side to clarify where it stands with respect to the framework agreement that was discussed during the talks in Brussels last week. Provided that progress is made at that EWG the institutions' mission heads might return to Athens sometime next week in order to finalise a staff-level agreement that could be sealed at the April 7 Eurogroup.

### SOUTH EASTERN EUROPE

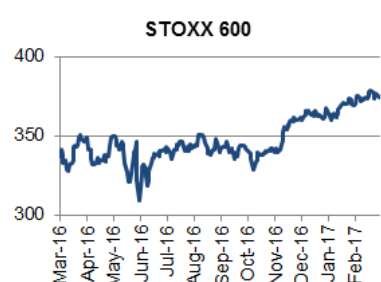
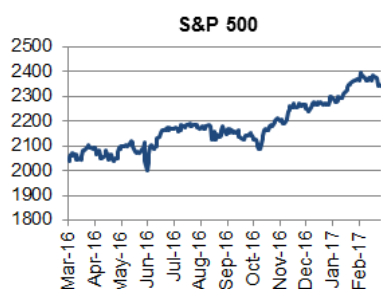
**CESEE MARKETS:** Emerging market assets traded mixed earlier on Tuesday, with rising commodity prices providing support to related shares and currencies faced with depreciation pressures as the US dollar halted its recent slide.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In the absence of major data releases, G10 currency pairs were little changed on a daily basis in European trade on Tuesday. The DXY index was hovering around 99.260 at the time of writing, 0.4% higher from Monday's multi-month intraday low. In spite of today's upside attempt, it remained 0.7% lower from a multi-session peak marked early last Friday ahead of the scheduled discussion on the Affordable Care Act in the US House of Representatives where President Donald Trump failed to garner enough in-favour votes for a plan to repeal former President Barack Obama's 2010 health law. Major US equity markets closed lower overnight albeit off multi-week intraday lows as the negative market sentiment surrounding the Republicans' failure to pass a replacement of Obamacare seems to have partially subsided. Reacting to today's modest improvement in risk sentiment, US Treasuries edged lower but their losses were limited amid lingering uncertainty over whether US President Donald Trump will manage to deliver tax reforms and sizable public spending promised in the election campaign. Long-dated Treasuries outperformed with the 10-yr yield hovering around 2.38% at the time of writing after temporarily testing a one-month trough of 2.35% in the prior session remaining though below levels close to 2.44% marked a couple of sessions earlier. Later in the day, Fed Chair Janet Yellen will be the keynote speaker at the NCR Annual Conference held in Washington (18:50 CET) while two Fed officials will be speaking, Dallas Fed President Robert Kaplan and Chicago Fed President Charles Evans George, who are expected to keep alive market expectations for a rate hike in June. On the data front, focus today is on US Case Shiller house index for January and CB March consumer confidence.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

The 30 March Euroworking Group (EWG) is reportedly expected to be critical for the ongoing 2nd programme review, as it will prepare the 7 April Eurogroup and to this effect it will require from the Greek side to clarify where it stands with respect to the framework agreement that was discussed during the talks in Brussels last week. According to press reports, on the labour market reform front the institutions may back down over the increase of the collective dismissals threshold and the legislation of lock-down but insist on the annulment of the Minister's veto on collective dismissals as well as on maintaining the existing regime with regard to collective bargaining. On the fiscal front the Greek government may achieve the decrease of the lowest tax bracket rate in return for a generous decrease in the tax-free threshold. With regard to the energy market reform, the institutions remain firm on their position for the decrease of the production capacity of the Public Power Corporation by 40% through the sale of some of its production units, although at this stage the sale may apply solely on lignite production units leaving hydroelectric ones for a later stage. With respect to the offsetting measures proposed by the Greek government, official lenders may reportedly consent to a small decrease in the single property tax. Provided that progress is made at the upcoming EWG the institutions' mission heads might return to Greece sometime next week in order to finalise a staff-level agreement that could be sealed at the April 7 Eurogroup.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

March 28, 2017

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Emerging market assets traded mixed earlier on Tuesday, with rising commodity prices providing support to related shares and currencies faced with depreciation pressures as the US dollar halted its recent slide. Against this backdrop, the MSCI Emerging Markets index rose by ca 0.3% on the day. Most bourses in the CESEE region outperformed these gains with Hungary's main BUX index leading the way higher, rising by 0.8% at the time of writing. In FX markets, the Hungarian forint lost ground ahead of the Central Bank meeting announcement later on the day. The Monetary Policy Committee is expected to keep its key interest rate at the current record low of 0.90%. However, further easing via lowering the limit on the 3-month deposits is on the cards. The market's median forecast is for a HUF 150bn reduction in the 3-month deposit limit for the end of June to HUF 600bn, from HUF 750bn currently by the end of this month. Along these lines, the EUR/HUF hovered around levels of 309.35 in European trade today, having inched higher from yesterday's settlement near 308.75.

In the sovereign debt markets, the Romanian finance ministry sold on Monday EUR 240mn of February 2021 local EUR-denominated T-bonds, more than an initially planned amount of EUR 200mn. The average accepted yield came in at 0.42%, below 1.0% achieved when the paper was last sold about a year earlier.

Looking into the remainder of the week, Q4 GDP data from Turkey and CPI for March from Poland are amongst the most notable releases. On Sunday, Serbia holds Presidential elections, with a potential 2<sup>nd</sup> round to take place on April 16<sup>th</sup>. According to opinion surveys, the candidate and leader of major coalition partner Serbian Progressive Party (SNS), as well as incumbent Prime Minister, Aleksandar Vucic is the frontrunner and, according to opinion surveys, he could win the ballot in the first round as he enjoys strong popular support.

Regarding the latest news on Sunday's snap general elections in Bulgaria, with nearly all (99.98%) of the votes counted, the centre-right pro-EU ruling party Citizens for European Development of Bulgaria (GERB) won the ballot with a share of 32.66%. Former Prime Minister Boyko Borissov's party won the national polls for the third time in five years. The second largest party in Parliament, the Bulgarian Socialist Party (BSP), was the runner up having scored 27.19%. Three more political parties managed to pass the 4% threshold to enter the 240-seat Parliament. Namely, the nationalist coalition United Patriots (9.07%), the Movement for Rights and Freedoms DPS (8.99%) which represents primarily the ethnic Turkish minority and the newly formed "Volya" (4.15%) led by businessman Veselin Mareshki. Turnout on Sunday was reportedly around 50%. As was broadly anticipated GERB fell short of obtaining the necessary absolute majority in order to rule on its own, with coalition government negotiations expected to kick off next week. Final results on Sunday's elections are expected to be announced on Wednesday.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

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

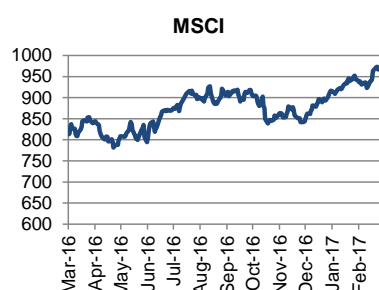
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

March 28, 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	2341.59	-0.1%	4.6%	EUR/USD	1.0859	-0.1%	3.2%	UST - 10yr	2.38	1	-6	GOLD	1253	-0.1%	8.7%
Nikkei 225	19202.87	1.1%	0.5%	GBP/USD	1.2564	0.0%	1.7%	Bund-10yr	0.39	-1	19	BRENT CRUDE	51	0.6%	-10.1%
STOXX 600	375.83	0.2%	4.0%	USD/JPY	110.68	0.0%	5.7%	JGB - 10yr	0.06	0	1	LMEX	2816	-1.1%	5.9%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	1	-1
1-week	3.16	3	-1
1-month	3.34	-1	-1
3-month	3.52	-4	5
6-month	3.71	-5	5

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.99	-1	-9
5Y RSD	5.34	0	-1
7Y RSD	5.64	0	1

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.84	-3	-49
USD Nov-24	6.53	2	11

**CDS**

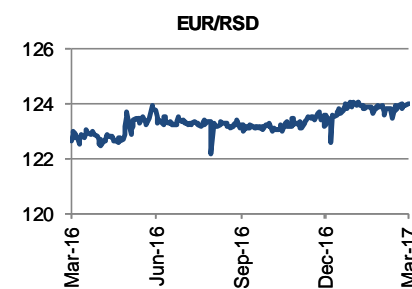
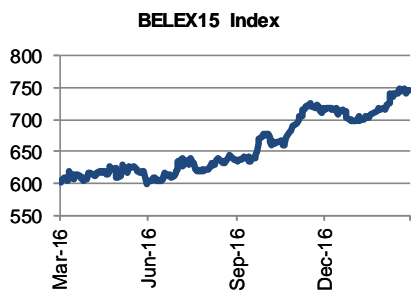
	Last	ΔDbps	ΔYTD bps
5-year	192	-13	-16
10-year	233	-13	-23

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	738.7	-0.78%	2.97%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.97	-0.01%	-0.41%



**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	1	-1
5Y RON	2.54	0	2
10Y RON	3.60	0	-5

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.04	0	-9
USD Jan-24	3.42	0	-44

**CDS**

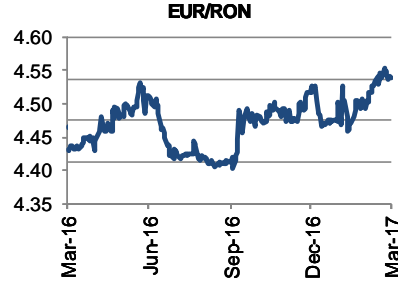
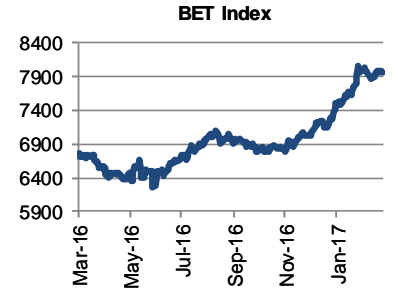
	Last	ΔDbps	ΔYTD bps
5-year	99	-1	-10
10-year	144	-1	-9

**STOCKS**

	Last	ΔD	ΔYTD
BET	7962.3	0.02%	12.38%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.552	0.01%	-0.29%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.17	0	-1
3-month	-0.08	0	-1
6-month	0.04	0	-4
12-month	0.39	0	-1

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.10	-1	-6
5Y BGN	0.41	-1	-9
10Y BGN	1.68	0	-22

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-1.55	32	-123
EUR Sep-24	1.47	-2	-22

**CDS**

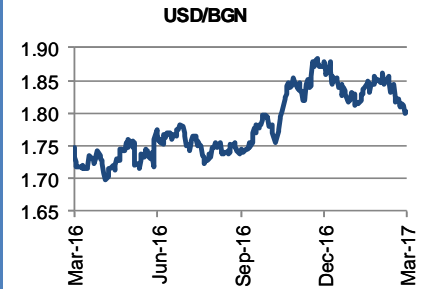
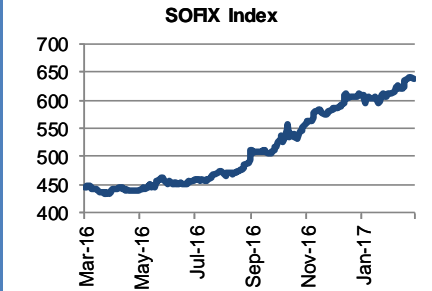
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-37
10-year	153	0	-40

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	637.1	-0.20%	8.63%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8011	-0.03%	3.18%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:30 EEST

March 28, 2017

## Contributors

**Paraskevi Petropoulou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

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

**Theodoros Stamatou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
30 210 3371228  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

## Regional Contributors

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

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokrousos: Group Chief Economist**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) +30 210 33 71 225

**Stylios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) +30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr) +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto: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](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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