

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- March 16
 - Empire State Index (Mar)
 - IP (Feb)
 - NAHB (Feb)
- March 17
 - Housing starts (Feb)
 - Building permits (Feb)
- March 18: FOMC decision
- March 19
 - Initial jobless claims (Mar 14)
 - Philly Fed (Mar)

EUROZONE

- March 16: ECB's Draghi speaks
- March 17: HICP (f, Feb)
- March 19-20: EU Summit

CYPRUS

- March 18
 - Industrial turnover (Dec)
 - Tourism arrivals (Feb)
- March 20: National accounts (1st est. 2014)

SEE

SERBIA

- March 19: 2-year RSD T-bonds auction
- March 20: CAD (Dec)

ROMANIA

- March 16
 - RON 300mn Jan 2018 3.25% T-bonds auction
 - CAD (Jan)
- March 19: RON 300mn Apr 2020 5.75% T-bonds auction

BULGARIA

- March 16: U/E rate (Feb)
- March 17: CAD (Jan)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European bourses were firmer, German Bund yields stood close to recent multi-year lows while the EUR remained under pressure across the board in European trade on Monday as the ECB's expanded asset purchase programme, which was launched last week, continues to have an impact. Market focus this week is on the FOMC policy meeting (March 17-18).

GREECE: According to the latest (January-February 2015) data on the execution of the State Budget, the Central Government primary balance on a modified cash basis showed a surplus of €1.243bn less than the €1.411bn expected, mainly due to an underperformance of the respective net revenue target set in the 2015 Budget.

CYPRUS: The Ministry of Finance announced on Friday a further relaxation of capital controls, which were imposed in March 2013 in order to safeguard the stability of the banking system.

SOUTH EASTERN EUROPE

BULGARIA: According to the latest NSI data released on Friday, deflation pressures in the domestic economy persisted in February as CPI declined for the 19th month running, marking a 0.5%YoY drop.

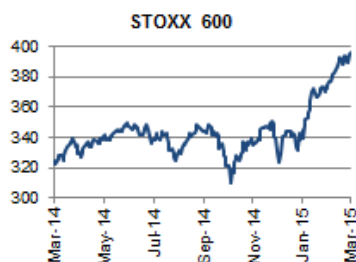
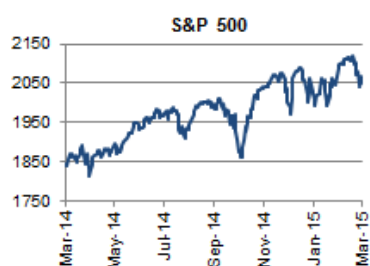
ROMANIA: The EUR/RON was little changed remaining bound within a tight range of 4.4315/4.4500 last week, while government bonds came under pressure over the last few days, in line with the recent sell-off witnessed in emerging markets on expectations that the Fed may embark on its rate-tightening cycle sooner than anticipated.

SERBIA: The EUR/RSD closed modestly lower on a weekly basis on Friday, standing near levels of 120.00, with further downside pressures mitigated by new NBS intervention in the FX markets.

CESEE MARKETS: Emerging market assets came under pressure last week as mounting speculation that the Fed may start hiking interest rates earlier than previously expected overshadowed the positive impact from the launch of the ECB's QE programme.

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.



Latest world economic & market developments

GLOBAL MARKETS

Major European bourses were firmer, German Bund yields stood close to recent multi-year lows while the EUR remained under pressure across the board in European trade on Monday as the ECB's expanded asset purchase programme, which was launched last week, continues to have an impact. Market focus this week is on the FOMC policy meeting (March 17-18) as investors eagerly await hints about the timing of the first Fed Funds rate hike since June 2006. On the back of continued improvement in the US labor market over the last few months, investors expect the accompanying FOMC policy statement to remove any references suggesting that the Central Bank will remain "patient in beginning to normalize the stance of monetary policy" while the exact time of a Fed rate hike will primarily depend on inflation and wage trends.

GREECE

According to the latest (January-February 2015) data on the execution of the State Budget, the Central Government primary balance on a modified cash basis showed a surplus of €1.243bn less than the €1.411bn expected, mainly due to an underperformance of the respective net revenue target set in the 2015 Budget. Total receipts amounted to €7.298bn, recording a drop of 7.3%YoY compared to the same period in the prior year and undershooting by €1.169bn the respective target of the FY-2015 Budget. In other news, talks between technical teams of the institutions that reportedly arrived in Athens late last week and domestic authorities focused on the budget execution and the likelihood of a fiscal gap this year. As per the same sources, the institution's technical teams project that a fiscal gap of c. €2.5bn is likely to arise this year on the assumption that the primary fiscal target will be revised to 1.0-1.5%-of-GDP while the European Commission's latest forecast for 2.5% real GDP growth in 2015 seems rather optimistic. Separately, ratings agency S&P announced on Friday that it kept Greece's sovereign credit rating at B, leaving it however under 'CreditWatch Negative'.

ppetropoulou@eurobank.gr

CYPRUS

The Ministry of Finance announced on Friday a further relaxation of capital controls, which were imposed in March 2013 in order to safeguard the stability of the banking system. According to the 35th decree on the enforcement of restrictive measures on transactions under the Emergency Law of 2013, transfers of deposits/funds outside the Republic are allowed for an amount of up to €1mn per month (from €50k before), per person for each credit institution and/or payment institution regardless of the purpose. Although several of measures regulating the flow of capital in Cyprus have been waived over recent months, some restrictions still remain in place.

gphoka@eurobank.gr

CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.3	0.4
HICP (pa, yoy %)	0.4	-0.3	0.7
Budget Balance/GDP	-4.7	0.4	-1.2
Current Account/GDP	-1.9	-1.1	-0.8

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

Latest world economic & market developments in the CESEE region

BULGARIA

BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	0.8
CPI (pa, yoy %)	0.4	-1.5	0.1
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	2.1	2.2	1.8
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

According to the latest NSI data released on Friday, deflation pressures in the domestic economy persisted in February as CPI declined for the 19th month running, marking a 0.5%YoY drop. Yet, the pace of decrease decelerated from a 1.0%YoY fall in the prior month and follows a record low decline of 2.6%YoY registered over the same month a year earlier. The breakdown of the data showed that transport prices recorded the highest fall (-12.4%) amid low global oil prices, while the utilities sub-component posted the greatest increase (+5.5%) reflecting regulated price hikes. Inflation is likely to turn positive towards end-2015 mirroring administered price increases and the waning impact of temporary deflationary factors. Yet, price pressures are likely to remain subdued throughout this year in view of weak domestic demand dynamics and low global oil prices. Focus this week domestically, is on February's unemployment rate and January's current account balance.

ROMANIA

ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.25	2.00

* on a cash basis

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

The EUR/RON was little changed remaining bound within a tight range of 4.4315/4.4500 last week. In view of ample RON liquidity in the money market, s-t RON rates continued to hover close to the NBR's deposit facility (0.25%). On the other hand, government bonds came under pressure over the last few days, in line with the recent sell-off witnessed in emerging markets on expectations that the Fed may embark on its rate-tightening cycle sooner than anticipated. Paper of longer maturity underperformed, with the corresponding 5-10 year yields moving around 10bps higher last week. In reflection of limited supply, the recent primary market auctions of 4 and 10-year T-bonds were well received (bid-to-cover ratios of 2-3 compared to 1-1.5 in February), though average accepted yields rose by ca 30bps compared to a month earlier. Looking into this week, in the absence of any significant news domestically, we expect range trading to continue in money markets, while government bonds and the leu may see some volatility around the Fed meeting on Wednesday.

SERBIA

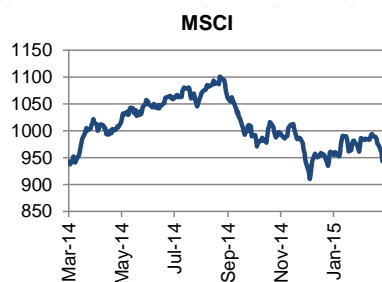
SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-1.8	-0.5
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-6.5	-7.1	-5.5
Current Account/GDP	-6.1	-6.1	-4.6
EUR/RSD (eop)	114.60	120.96	125.00
	2014	current	2015f
Policy Rate (eop)	8.00	7.50	7.50

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

The EUR/RSD closed modestly lower on a weekly basis on Friday, standing near levels of 120.00, with further downside pressures mitigated by new NBS intervention in the FX markets. Against this backdrop, range trading around 120.00-121.00 is likely to prevail in the coming days as the dinar's upside momentum, on the back of ECB's QE and optimism about fiscal consolidation hopes, is likely to be counterbalanced by renewed Central Bank action.

CESEE MARKETS

Emerging bourses broadly fell on Friday to end the week in the red, as mounting speculation that the Fed may start hiking interest rates earlier than previously expected overshadowed the positive impact from the launch of the ECB's QE programme. Indicatively, the MSCI Emerging Markets Index closed 3.3% lower on a weekly basis, while Turkey's BIST100 index led the losses in the CESEE region, registering a concomitant 4.6% drop. Elsewhere, **regional currencies** came under renewed pressure on Friday, as caution prevailed ahead of this week's FOMC meeting which may provide some clues about the timing of interest rate hikes. The Polish zloty eased to a 2-session low near 4.1615/EUR after CPI came in weaker than anticipated at a new lifetime trough of -1.6%YoY in February, confirming persisting deflation pressures for the 8th month running. Meanwhile, the Turkish lira recoiled to a new lifetime trough just below 2.6490/USD, despite Deputy Prime Minister Ali Babacan's comments in favour of the Central Bank's independence. His remarks come ahead of the MPC meeting this week, where the market's consensus is for stable interest rates. In the **local rates markets**, government bonds gave back some of their recent gains last week, despite expectations about Central Bank monetary easing in Hungary and Romania this month as inflation remains well below official targets in both countries.



Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	B+	B-

March 16, 2015

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	2048.13	-0.9%	-0.5%	EUR/USD	1.0509	-1.2%	-13.1%	UST - 10yr	2.11	-1	-6	GOLD	1154	0.0%	-2.6%
Nikkei 225	19254.25	1.4%	10.3%	GBP/USD	1.4736	-1.0%	-5.4%	Bund-10yr	0.26	1	-28	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	396.61	0.3%	15.8%	USD/JPY	121.29	0.0%	-1.3%	JGB - 10yr	0.41	2	8	LMEX	2707	1.2%	-7.1%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-42	-280
1-week	7.60	-52	-241
1-month	8.40	-50	-165
3-month	8.78	-51	-107
6-month	8.89	-51	-90

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.22	-3	18
5Y RSD	10.18	0	0
7Y RSD	11.29	0	4

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.63	4	-63
USD Nov-24	6.43	0	-16

CDS

	Last	ΔDbps	ΔYTD bps
5-year	271	1	-19
10-year	297	2	-59

STOCKS

	Last	ΔD	ΔYTD
BELEX15	661.3	0.06%	-0.86%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.41	-0.11%	0.78%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	-1	1
1-month	0.75	1	-16
3-month	1.32	0	-38
6-month	1.56	-1	-45
12-month	1.64	0	-38

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.07	0	-24
5Y RON	2.32	1	-39
10Y RON	3.13	3	-53

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.31	3	-42
USD Aug-23	3.45	5	-17

CDS

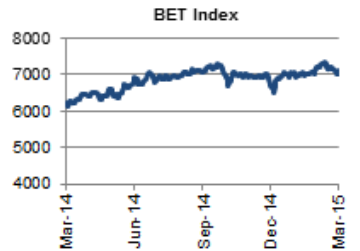
	Last	ΔDbps	ΔYTD bps
5-year	108	0	-35
10-year	151	-1	-36

STOCKS

	Last	ΔD	ΔYTD
BET	7035.3	-0.92%	-0.67%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4432	-0.05%	0.91%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.00	0	-2
1-month	0.16	0	-5
3-month	0.36	0	-7
6-month	0.72	0	-7
12-month	1.37	1	-14

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.37	0	-67
5Y BGN	0.65	0	-79
10Y BGN	1.83	0	-92

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.62	-2	-54
EUR Sep-24	2.21	17	-66

CDS

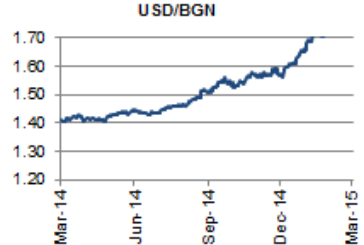
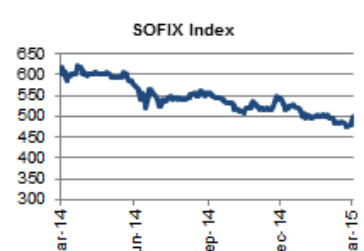
	Last	ΔDbps	ΔYTD bps
5-year	177	-2	-14
10-year	224	-3	-17

STOCKS

	Last	ΔD	ΔYTD
SOFIX	497.3	2.53%	-4.75%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.861	-1.17%	-13.14%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 19:15 EET of previous session

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Emerging Markets Analyst, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@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

Đorđe Lučić
Fixed Income Dealer, Eurobank a.d. Beograd
+381 11 2065891
djordje.lucic@eurobank.rs

Ivan Radović
Head, Brokerage, Eurobank ad Beograd
+381 11 30 27 533
Ivan.Radovic@eurobank.rs

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

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos:
Group Chief Economist

pmonokrousos@eurobank.gr, +30 210 37 18 903

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

Galatia Phoka: Emerging Markets Analyst
gphoka@eurobank.gr, +30 210 37 18 922

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 37 18 793

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Market International
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

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

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>