

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: As was expected, the FOMC dropped the “patient” guidance from its post-meeting policy statement, opening the door for a rate hike later this year. However, the tone of the accompanying statement and the updated economic projections tilted towards the dovish side of market expectations.

GREECE: In an attempt to reach a political agreement on the Greek issue, Prime Minister Alexis Tsipras will meet on the sidelines of the two-day EU Summit that commences today seven top EU officials namely German Chancellor Angela Merkel, France’s President Francois Hollande, ECB President Mario Draghi, European Commission President Jean-Claude Juncker, Eurogroup President Jeroen Dijsselbloem and Donald Tusk, the President of the European Council. The said meeting will reportedly take place late today, ahead of another crucial meeting between Greece’s Premier and German Chancellor Angela Merkel in Berlin on Monday 23rd March.

CYPRUS: According to the results of the Passengers Survey, tourists arrivals increased by 12.1% YoY to 50,709 individuals in February 2015. In other data, the Industrial Turnover Index fell modestly by 0.3% YoY in December 2014, bringing the annual rate of decline to 4.7% for the whole of last year.

SOUTH EASTERN EUROPE

ROMANIA: The government’s upcoming T-notes auction later on the day, where the finance ministry plans to sell 300mn of April 2020 paper, takes centre stage today domestically. The issue will bear a 5.75% coupon.

CESEE MARKETS: Most **Emerging bourses** closed higher on Wednesday and government bonds gained ground as hopes about further economic stimulus in China overshadowed caution prevailing ahead of the FOMC announcement, which was due after the market’s close. With the FOMC largely anticipated to lay on Wednesday the ground for the inception of its monetary easing cycle later this year, most **CESEE currencies** weakened for the second consecutive session yesterday.

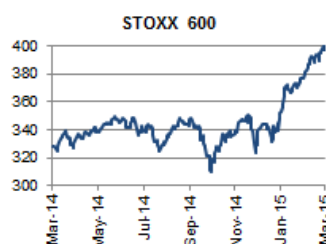
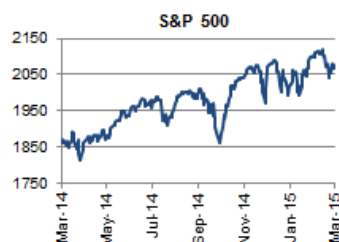
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Latest world economic & market developments

GLOBAL MARKETS

As was expected, the FOMC dropped the “patient” guidance from its post-meeting policy statement, opening the door for a rate hike later this year. However, the tone of the accompanying statement tilted towards the dovish side of market expectations while the updated projections on growth, inflation and unemployment for both 2015 and 2016 were revised modestly lower, prompting a dovish shift in FOMC rate hike expectations. Against this background, major European equity markets were firmer in early trade today, US Treasury yields were standing close to recent lows and the USD weakened. However, with the monetary policy divergence remaining a key theme in FX markets, short-term risks for the US currency remain probably skewed to the upside.



GREECE

In an attempt to reach a political agreement on the Greek issue, Prime Minister Alexis Tsipras will meet on the sidelines of the two-day EU Summit that commences today seven top EU officials namely German Chancellor Angela Merkel, France’s President Francois Hollande, ECB President Mario Draghi, European Commission President Jean-Claude Juncker, Eurogroup President Jeroen Dijsselbloem and Donald Tusk, the President of the European Council. The said meeting will reportedly take place late today, ahead of another crucial meeting between Greece’s Premier and German Chancellor Angela Merkel in Berlin on Monday 23rd March. Local newswires quoted today an unnamed high-level German official suggesting that the Chancellor will try to find a compromise and bring official talks in the context of Greece’s current review back on track while any suggestion that an ultimatum will be delivered to Greece’s Premier is nonsense. In other news, the Hellenic Parliament approved late y-day a bill incorporating a number of measures aimed at addressing the domestic humanitarian crisis, including: (i) the provision of up to 300 KW free electricity per month to 150k households living under the poverty line; (ii) the provision of stamps for food and other basic goods to 300k households; and (iii) monthly rent stipend of €150 to c. 150k households. According to recent comments by Greece’s Minister of Finance Yanis Varoufakis, the adoption of these measures will be fiscally neutral as their total cost, estimated at c. 200mn, will be covered through existing NSFP programs and/or the adoption of offsetting cost saving measures. According to press reports, the vote in Parliament took place without the Institutions’ consent. Meanwhile, the ECB decided at its meeting y-day to increase the ELA limit for the Greek banks by €400mn to €69.8bn.

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CYPRUS

According to the results of the Passengers Survey, tourists arrivals increased by 12.1%YoY to 50,709 individuals in February 2015. The breakdown of the data showed that an increase of 7.2%YoY to 17,329 was recorded in tourists arrivals from the United Kingdom and a 20.1%YoY rise to 7,510 was marked in arrivals from Greece. On the flipside, the number of individuals visiting from Russia decreased by 10.4%YoY to 3,659. For the first two months of the year, tourists arrivals advanced by 7.7%YoY to 92,508. In other data, the Industrial Turnover Index fell modestly by 0.3%YoY in December 2014, bringing the annual rate of decline to 4.7% for the whole of last year.

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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

ROMANIA

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	1.0	0.0	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

The government's upcoming T-notes auction later on the day, where the finance ministry plans to sell 300mm of April 2020 paper, takes centre stage today domestically. The issue will bear a 5.75% coupon.

CESEE MARKETS

Most **Emerging bourses** closed higher on Wednesday as hopes about further economic stimulus in China overshadowed caution prevailing ahead of the FOMC announcement, which was due after the market's close. Indicatively, Ukraine's PFTS rose by 1.4% outperforming a concomitant increase of 0.6% in the broad MSCI Emerging Markets Index.

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

With the FOMC largely anticipated to lay on Wednesday the ground for the inception of its monetary easing cycle later this year, most **CESEE currencies** weakened for the second consecutive session yesterday. The Turkish lira gave back some of the gains it recorded on Tuesday after the Central Bank stayed put on interest rates. Along these lines, the USD/TRY advance by ca 0.3% to stand at 2.6245 at the session's settlement, approaching anew a record high near 2.6490 hit late last week amid escalating tensions between President Tayyip Erdogan and the Central Bank. The Ukrainian hryvnia was the region's worst performer, with the USD/UAH bouncing by 4.6% on the day to a multi-session high of 23.4, as external sovereign bonds remained near record lows amid worries over the outcome of the country's debt renegotiations.

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

In **local rate markets**, government bonds tracked USTs and Bunds higher. Turkish paper outperformed with the corresponding 2 and 10-year yields sliding by 20bps and 12bps near 8.6% and 8.1% respectively.

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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 19, 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	2066.82	-0.4%	0.4%	EUR/USD	1.065	0.5%	-12.0%	UST - 10yr	2.02	-3	-15	GOLD	1152	0.2%	-2.8%
Nikkei 225	19544.48	0.6%	12.0%	GBP/USD	1.4695	-0.4%	-5.7%	Bund-10yr	0.20	-9	-35	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	397.80	0.1%	16.1%	USD/JPY	120.89	0.4%	-1.0%	JGB - 10yr	0.37	-6	4	LMEX	2699	-0.5%	-7.4%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA					
Money Market				Money Market				Money Market					
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps		
T/N	on	18	-297	O/N	0.59	2	2	LEONIA	0.01	0	-1		
1-week	7.46	3	-255	1-month	0.81	4	-10	1-month	0.16	0	-5		
1-month	8.10	-13	-195	3-month	1.31	3	-39	3-month	0.36	0	-7		
3-month	8.56	-9	-129	6-month	1.55	1	-46	6-month	0.72	0	-7		
6-month	8.67	-6	-112	12-month	1.62	1	-40	12-month	1.37	0	-14		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	9.14	0	6	3Y RON	2.11	1	-20	3Y BGN	0.40	3	-64		
5Y RSD	10.17	1	-1	5Y RON	2.45	1	-26	5Y BGN	0.65	-1	-79		
7Y RSD	11.28	1	4	10Y RON	3.34	3	-32	10Y BGN	1.83	0	-92		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.72	8	-54	EUR Sep-20	1.29	1	-44	EUR Jul-17	0.62	-2	-54		
USD Nov-24	6.43	0	-16	USD Aug-23	3.41	-1	-21	EUR Sep-24	2.14	46	-72		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	273	1	-17	5-year	106	-1	-36	5-year	165	-13	-26		
10-year	298	0	-58	10-year	149	-1	-38	10-year	212	-14	-29		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	652.5	-0.10%	-2.18%	BET	6955.7	-0.57%	-1.80%	SOFIX	498.7	0.01%	-4.49%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.06	-0.05%	1.08%	EUR/RON	4.4523	-0.18%	0.70%	USD/BGN	1.8365	0.50%	-11.98%		

BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 18:00 EET of previous session

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