



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, March 11, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- March 10: Initial jobless claims (Mar. 5)

EUROZONE

- March 8: Q4 GDP (details)
- March 10: ECB monetary policy meeting

GREECE

- March 7: Eurogroup
- March 8: Motor Vehicle Circulation Licences (January 2016)
- March 9- Industrial Production Index (December 2015)

CYPRUS

- March 7- Eurogroup
- March 8: HICP (Feb)
- March 10: GDP (NSA, Q4)

SEE

BULGARIA

- March 8: GDP (WDA, Q4)
- March 11: Trade Balance (Jan)
- March 10:
 - Retail Sales (Jan)
 - Industrial Production (Jan)

ROMANIA

- March 8: GDP (WDA, Q4)
- March 9: Net wages (Jan)
- March 11:
 - Industrial Sales (Jan)
 - Trade Balance (Jan)
 - CPI (Feb)

SERBIA

- March 7: Producers Price Index (Feb)
- March 11: HICP (Feb)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: At its meeting yesterday, the ECB surprised markets with a bolder than expected comprehensive package of monetary stimulus aiming to boost domestic economic activity and counteract heightened risks on its price stability objective.

GREECE: Official discussions between the Greek government and the mission heads in the context of the 1st programme review will continue today with the agenda focusing on the NPL resolution framework, restricted professions and the new Authority for Public Revenues. According to the local press, also involved parts in official discussions aim a preliminary staff level agreement on the conditionality attached to the review to be reached by March 20th and the relevant legislation to be approved by the Hellenic Parliament by April 21st, when an informal Eurogroup is due to be held.

SOUTH EASTERN EUROPE

CYPRUS: According to the revised estimate of the Statistical Service, GDP growth came at +0.4% QoQ/+2.7% YoY in Q4-2015, bringing FY GDP growth at +1.6% in 2015.

ROMANIA: Inflation dipped to -0.2% MoM/-2.7% YoY in February down from -0.8% MoM/-2.1% YoY in January.

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March 11, 2016

Latest world economic & market developments

GLOBAL MARKETS

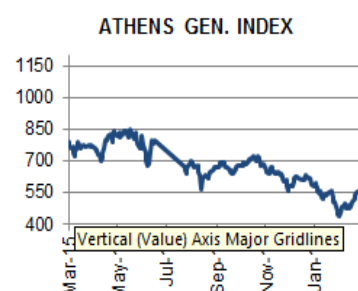
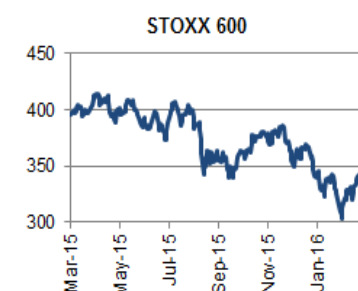
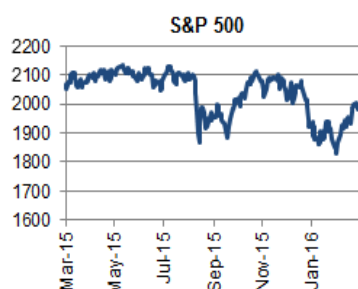
At its meeting yesterday, the ECB surprised markets with a bolder than expected comprehensive package of monetary stimulus aiming to boost domestic economic activity and counteract heightened risks on its price stability objective. The main refinancing rate and the marginal lending rate were both cut by 5bps to 0.0% and 0.25% respectively while the overnight deposit rate was lowered by 10bps to -0.40%. Furthermore, the ECB announced a new series of four targeted longer-term refinancing operations (TLTRO II) starting in June 2016, each with a maturity of four years. The interest rate under TLTRO II will be fixed over the life of each operation at the rate on the Eurosystem's main refinancing operations prevailing at the time of taken up and could get a reduction up to the level of the deposit facility rate, depending on lending volumes. Monthly asset purchases were raised by €20bn to €80bn starting from April while investment grade euro-denominated bonds issued by non-bank corporations will be included in the pool of assets eligible for regular repurchases. In FX markets, soon after the ECB policy announcement, the EUR/USD fell over one big figure hitting a six-week low of 1.0820. But as soon as the press conference commenced, the EUR/USD started rising retesting levels slightly above 1.1200 for the first time since mid-February on President Mario Draghi's comments that "do not anticipate that it will be necessary to cut rates further". Technically, the next target for EUR-bulls stands at 1.1375 (Feb. 11 peak), a level that could be potentially tested in the coming sessions assuming that the Fed adopts a cautious tone at next week's policy meeting signaling that it does not intend to push interest rates higher any time soon. Along these lines, the 2-yr German bond yield was hovering around -0.459% at the time of writing, not far from a six-week high of -0.453% recorded yesterday during the ECB President's press conference after testing levels around -0.540% a week earlier. Long-dated bonds outperformed with the 2/10-yr Bund yield curve undertaking some bullish flattening and the corresponding spread standing close to a one-week low of 74.116bps at the time of writing, c. 1.8bps narrower compared to the prior session's settlement.

GREECE

Official discussions between the Greek government and the mission heads in the context of the 1st programme review will continue today with the agenda focusing on the NPL resolution framework, restricted professions and the new Authority for Public Revenues. The income tax code reform and the overhaul of the social security pension system will be reportedly discussed tomorrow (Saturday, March 12th). With respect to the former, official creditors reportedly argued, among others, for an income tax threshold no higher than €7,000-€8,000 compared to €9,550 the government has proposed for wage earners, pensions and farmers. With respect to the social security pension reform, official creditors reportedly rejected the government's proposal for a 1.5% increase in social security contributions as a means to avert further cuts in existing main pensions and a horizontal cut in supplementary pensions. Against this background, some press reports suggested that, in an effort to secure savings of €1%-of-GDP this year through the social security pension reform, the government may be finally forced to backtrack from its earlier vow not to proceed with further cuts in all existing main pensions. Greece's Minister of Labour, Social Insurance and Social Solidarity Georgios Katrougalos was quoted saying in a local radio station yesterday that protecting pensions up to €1,300/month (main + supplementary pension) is the "absolute red line" for the government. According to the local press, also involved parts in official discussions aim a preliminary staff level agreement on the conditionality attached to the review to be reached by March 20th and the relevant legislation to be approved by the Hellenic Parliament by April 21st, when an informal Eurogroup is due to be held. In other news, Fitch is expected to review Greece's sovereign credit rating today.

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Source: Reuters, Bloomberg, Eurobank Research

March 11, 2016

BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	2.9	3.0
CPI (pa, yoy %)	-1.4	-0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	1.5	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

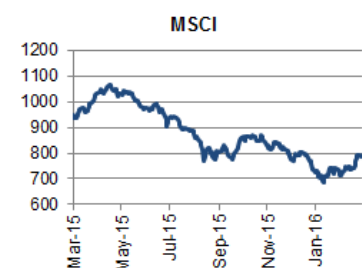
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.25	4.25

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

Latest world economic & market developments in the CESEE region

CYPRUS

The second estimate of the Statistical Service on the seasonally adjusted fourth quarter GDP reading confirmed the flash estimate of +0.4% QoQ/+2.7% YoY in Q4-2015, up from +0.5% QoQ/+2.3% YoY in Q3-2015, compared to -0.1% QoQ/-1.6% YoY in Q4-2014. This is the fourth consecutive positive one on both quarterly and an annual basis after a three year recession- an illustration that the economy is finally out of the woods. In the full year 2015, growth expanded by +1.6% YoY, a notch higher than the revised government projection, compared to -2.5% in 2014, -5.9% in 2013 and -2.4% in 2012. From a sectorial point of view, construction and agriculture impressed in the last quarter of the year expanding at +8.9% YoY and +5.2% YoY respectively. On the demand side, the consumption rebound continued in Q4-2015 albeit at a slower pace (+2.2% YoY in Q4 vs +2.7% YoY in Q3), driven by sentiment improvement as a result of strong compliance with programme's conditionalities, lower energy prices, lower unemployment and a rise in real incomes. Looking ahead, we anticipate growth to gain further momentum in 2016 as lower energy prices, the lagged effect from Euro depreciation, the lack of additional fiscal austerity measures and a flourishing tourism sector are expected to provide more support to consumption's recovery and net exports.

ROMANIA

Inflation surprised to the downside in the second month of the year. Inflation dipped to -0.2% MoM/-2.7% YoY in February-a historic low for the standards of Romanian-down from -0.8% MoM/-2.1% YoY in January and compared down from +0.1% MoM/-0.9% YoY in December. As a result, the average annual inflation eased to -1.1% YoY in February down from -0.8% YoY in January. The print was below market expectations (BBG survey: +0.2% MoM/-2.3% YoY). The implementation of a 4ppts headline VAT rate cut-from 24% to 20%- effective from January 1st, compounded by the food staff VAT rate cut-from 24% to 9% effective from last June- pushed has headline inflation further into negative territory. On a monthly basis, the volatile food component of CPI edged up to +0.34% MoM/-6.47% YoY in February vs. +0.47% MoM/-6.29% YoY in January compared to +0.22% MoM/-6.20% YoY in last December. Both non-food items and services entered negative territory reflecting lower energy prices and the implementation of lower VAT on the telecom services. Non-food items came at -0.27% MoM/-0.54% YoY in February vs. -1.56% MoM/+0.12% YoY in January compared to -0.1% MoM/+1.95% YoY in last December. Services slowed down to -1.14% MoM/-0.31% YoY in February compared to -1.12% MoM/+1.23% YoY in January vs. +0.4% MoM/+2.4% YoY in December.

Looking ahead, inflation is most likely to stay below the Central Bank target range (2.5%±1%) until the 1H-2016. However, notwithstanding the impact of taxes inflation has already entered the target band. Despite the continuous energy prices slump and the negative base effects from fiscal easing, inflationary pressures are rising in Romania faster than its peers. HICP at constant taxes climbed to +2.9% YoY in January 2016 compared to +2.3% YoY in December 2015 vs. only +0.3% YoY in December 2014, at a comparably significantly higher than its regional peers (Poland: +0.2% YoY, Hungary: +0.8% YoY, Bulgaria: -0.7% YoY).

In other news, the Ministry of Finance sold at an auction on Thursday €275mn, slightly more than €250mn initially planned, of 5 Year T-bonds at an average accepted yield of 1.0%, at the same level achieved at a prior tender of the same maturity paper on February 24th. The amount of total bids came at € 329mn, thus pushing the bid to cover ratio at 1.32.

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March 11, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities
S&P 500	EUR/USD	(yields)	GOLD
Nikkei 225	GBP/USD	UST - 10yr	BRENT CRUDE
STOXX 600	USD/JPY	Bund-10yr	LMEX
		JGB - 10yr	

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	284	1	-19
1-week	2.96	1	-23
1-month	3.12	0	-39
3-month	3.30	0	-53
6-month	3.50	0	-53

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	-3	-21
5Y RSD	5.22	0	9
7Y RSD	7.64	0	-6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.00	0	-16
USD Nov-24	6.18	0	-24

CDS

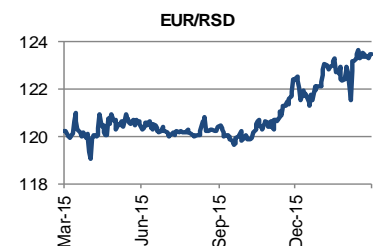
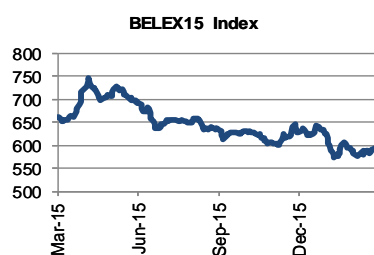
	Last	ΔDbps	ΔYTD bps
5-year	289	0	14
10-year	334	-1	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	595.8	0.40%	-7.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.45	0.00%	-1.51%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.39	0	-14
1-month	0.54	0	-15
3-month	0.77	0	-25
6-month	1.02	0	-32
12-month	1.19	0	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.87	0	-6
5Y RON	2.62	0	-18
10Y RON	3.32	0	-46

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.45	N/A	-12
USD Jan-24	3.44	1	-35

CDS

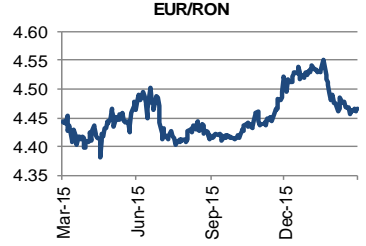
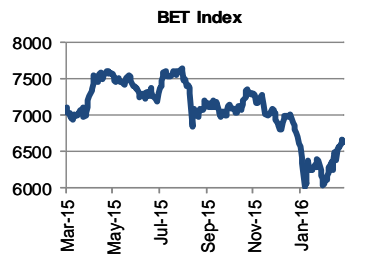
	Last	ΔDbps	ΔYTD bps
5-year	125	-4	-8
10-year	171	-4	-1

STOCKS

	Last	ΔD	ΔYTD
BET	6615.3	-0.35%	-5.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4648	-0.02%	1.10%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.08	-1	-24
3-month	0.03	0	-24
6-month	0.22	0	-31
12-month	0.58	0	-39

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.38	0	-22
5Y BGN	1.07	0	-20
10Y BGN	2.64	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.54	0	-61
EUR Sep-24	2.38	19	-4

CDS

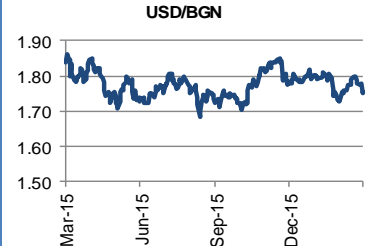
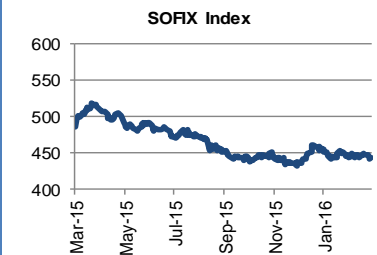
	Last	ΔDbps	ΔYTD bps
5-year	169	-2	-3
10-year	215	-2	-1

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.1	0.42%	-3.65%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7541	-0.25%	2.63%



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

Data updated as of 09:40 EET

March 11, 2016

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