

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, March 22, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- March 21
 - Existing home sales (Feb)
- March 23
 - New home sales (Feb)
- March 24
 - Durable goods orders (Feb)
 - Jobless claims (weekly)
- March 25: GDP (Q4, 3rd est)

EUROZONE

- March 23: Consumer confidence (Mar, p)
- March 24: PMI manufacturing/ services (Mar)

GREECE

- March 22: CAD (Jan)

SEE

BULGARIA

- March 25: Gross external debt (Jan)

ROMANIA

- March 24: 4.75% 2025 T-bonds auction

SERBIA

- March 22: EUR 2.5% T-bonds auction
- March 24: EUR 2-year T-bonds auction
- March 25: Real gross wages (Feb)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: German government bonds firmed in European trade on Tuesday on the aftermath of explosions in Brussels airport and a metro station in the centre of the Belgian capital. Elsewhere, the majority of European bourses were weaker in early trade on Tuesday while the US dollar firmed across the board following hawkish comments by a number of FOMC officials.

GREECE: Speaking at an event with his French counterpart yesterday, Germany's finance minister Wolfgang Schaeuble said that the implementation of the social security pension reform in Greece "is difficult" and it is likely that there will be no majority in the Hellenic Parliament to approve a further cut in main pensions. Meanwhile, after meeting yesterday EU Commissioner for Migration, Home Affairs and Citizenship Dimitris Avramopoulos, Greece's Prime Minister Alexis Tsipras described the recently struck EU-Turkey agreement as positive acknowledging though that its implementation will not be an easy task.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging stock markets moved broadly lower in European trade on Tuesday as their recent rally ran out of steam. Explosions in Brussels earlier today and hawkish comments by Fed officials yesterday suggesting that the next rate hike may materialize as soon as April also weighed on investor sentiment towards risky assets. In a similar vein, regional currencies recoiled and government bonds broadly weakened. Today's focus is on Hungary's Central Bank meeting (announcement anticipated at 13:00 GMT), where the market's median forecast is for the MPC to stay put on its monetary policy and maintain the key policy rate at the current record low of 1.35%.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS

German government bonds firmed in European trade on Tuesday with respective yields hitting multi-session lows earlier today on the aftermath of explosions in Brussels airport and a metro station in the centre of the Belgian capital. Against this background, data showing that Germany's IFO business climate index halted a three-month falling streak in March coming in at 106.7, higher than 106.0 expected from 105.7 in the prior month, was broadly shrugged off. Terrorist bomb attacks and hawkish comments by a number of FOMC officials dented investors' risk appetite with the majority of European bourses moving lower in early trade on Tuesday. Atlanta Fed President Dennis Lockhart was quoted saying that there is sufficient economic momentum to justify another Fed rate hike "possibly as early as the meeting scheduled for end of April" while, along these lines, San Francisco Fed President John Williams said that April or June would be "potential times for a rate hike". In response to the above, the USD firmed across the board with the DXY index hovering around 95.628 points at the time of writing, not far from a multi-session high of 95.725 points recorded earlier in the day. US data showing that existing home sales fell by a higher than expected 7.1% in February to an annual rate of 5.08mn units, the lowest level in the last four months, failed to exert a lasting impact on the US dollar. Meanwhile, the GBP remained under pressure for the second session in a row amid mounting Brexit woes after former Secretary of State for Work and Pensions and leading "Out" campaigner, Iain Duncan Smith, resigned from the UK cabinet late last week over cuts to welfare disability benefits. Moody's warning that the economic costs of Britain exiting the European Union would "outweigh the potential benefits" and may put the UK's Aa1 credit rating at risk, also had an impact.

okosma@eurobank.gr

GREECE

Speaking at an event with his French counterpart yesterday, Germany's finance minister Wolfgang Schäuble said that the implementation of the social security pension reform in Greece "is difficult" and it is likely that there will be no majority in the Hellenic Parliament to approve a further cut in main pensions. That said, he stressed that "to that extent, one is looking for a way to fulfill in principle what was agreed on in the summer", giving the impression that European creditors may make some concessions regarding the mix of measures the Greek government will adopt in order to meet the official target for 1%-of-GDP in savings in FY-2016 through the overhaul of the social security pension reform without though cutting main pensions. On his part, France's Minister of Finance acknowledged that Greece has made progress on meeting the terms of its new bailout programme despite facing a major challenge coping with the refugee crisis. He added that the EU must show its solidarity and understanding as Greece faces unexpected expenditures because of the refugee influx. After the mission heads departed from Athens this weekend for the Catholic Easter, discussions on the open issues attached to the 1st programme review will continue between the Greek authorities and the Athens-based technical teams representing official creditors. According to a European Commission spokesperson, the mission heads will return to Athens on April 2nd to resume official discussions with a view "to conclude them as soon as possible". Meanwhile, after meeting yesterday EU Commissioner for Migration, Home Affairs and Citizenship Dimitris Avramopoulos, Greece's Prime Minister Alexis Tsipras described the recently struck EU-Turkey agreement as positive acknowledging though that its implementation will not be an easy task. According to recent official data, a total of 50,411 migrants and refugees are currently in Greece.



Source: Reuters, Bloomberg, Eurobank Research

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

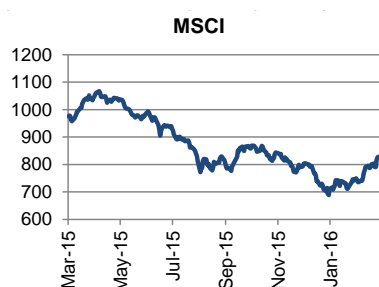
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicators	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	B1	BB-	B+

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

Latest world economic & market developments in the CESEE region

CESEE MARKETS

Emerging stock markets moved broadly lower in European trade on Tuesday as their recent rally ran out of steam. Explosions in Brussels earlier today and hawkish comments by Fed officials yesterday suggesting that the next rate hike may materialize as soon as April also weighed on investor sentiment towards risky assets. Bourses in the CESEE region broadly fell at the time of writing compared to the prior session's settlement. Turkey's BIST 100 index led the losses with a 2.2% drop, retreating from a 4 ½ month peak hit intraday on Monday.

In a similar vein, CESEE currencies recoiled and government bonds broadly weakened. In the FX markets, the Turkish lira broadly underperformed its regional peers. Investor caution ahead of the upcoming Central Bank meeting later in the week also prevailed. Meanwhile, comments by Presidential adviser Yigit Bulut yesterday suggesting that interest rates should "definitely" be lowered may also had a negative impact on the Turkish currency.

Despite well above target inflation the CBT is broadly anticipated to hold its key policy rate unchanged at 7.50% for the 13th month running on Thursday, with the Central Bank arguing that this is caused by temporary factors. Nonetheless, there has been growing speculation that the MPC may cut the upper band of the interest rate corridor, the overnight lending rate which currently stands at 10.75%, after comments by another Presidential adviser Cemil Ertem last week suggested possibility for such a move. It is also worth noting that this week's meeting may be the last for incumbent CBT Governor Erdem Basci whose tenure expires on April 19.

Today's focus is on Hungary's Central Bank meeting (announcement anticipated at 13:00 GMT). The market's median forecast is for the MPC to maintain the key policy rate at the current record low of 1.35%. That said, it may announce unconventional policy easing measures, such as a reduction in the overnight deposit and repo rates. Meanwhile, further monetary easing in the coming months seems to be on the cards as inflation (CPI at 0.3%YoY in February) runs persistently below the 3% medium-term target.

gphoka@eurobank.gr

March 22, 2016

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	2051.60	0.1%	0.4%	EUR/USD	1.1213	-0.3%	3.3%	UST - 10yr	1.90	-2	-37	GOLD	1252	0.7%	18.0%
Nikkei 225	17048.55	1.9%	-10.4%	GBP/USD	1.4278	-0.6%	-3.1%	Bund-10yr	0.21	-3	-42	BRENT CRUDE	41	-0.2%	11.2%
STOXX 600	338.90	-0.6%	-7.4%	USD/JPY	111.62	0.3%	7.6%	JGB - 10yr	-0.10	0	-36	LMEX	2341	0.4%	6.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	283	-1	-20
1-week	2.95	-1	-24
1-month	3.12	0	-39
3-month	3.29	-1	-54
6-month	3.51	1	-52

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.28	-3	-28
5Y RSD	5.29	0	17
7Y RSD	7.66	0	-4

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.02	1	-15
USD Nov-24	6.19	0	-23

CDS

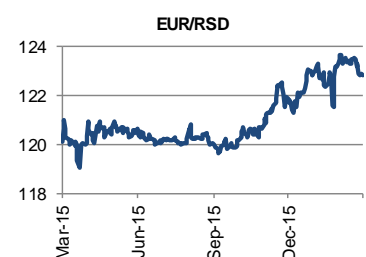
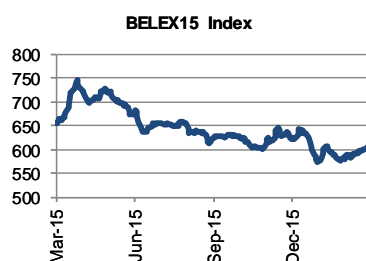
	Last	ΔDbps	ΔYTD bps
5-year	260	-4	-14
10-year	334	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	608.3	0.08%	-5.57%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.80	0.05%	-0.99%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	1	-13
1-month	0.56	2	-13
3-month	0.79	0	-23
6-month	1.04	-1	-30
12-month	1.21	0	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.79	1	-14
5Y RON	2.58	1	-22
10Y RON	3.31	1	-47

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	0	-18
USD Jan-24	3.34	2	-45

CDS

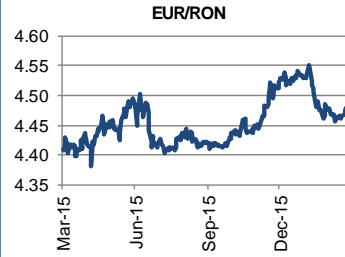
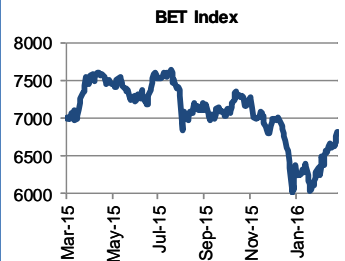
	Last	ΔDbps	ΔYTD bps
5-year	115	-1	-18
10-year	162	1	-9

STOCKS

	Last	ΔD	ΔYTD
BET	6770.9	-0.29%	-3.33%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4697	-0.02%	0.99%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.13	0	-28
3-month	-0.01	-1	-28
6-month	0.13	-3	-39
12-month	0.45	-9	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.39	0	-21
5Y BGN	0.99	-6	-28
10Y BGN	2.62	0	-3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.25	0	18
EUR Sep-24	2.37	26	-5

CDS

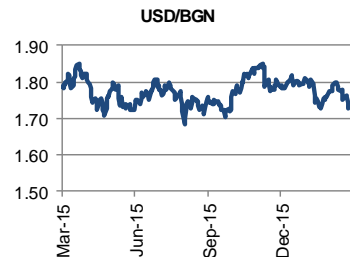
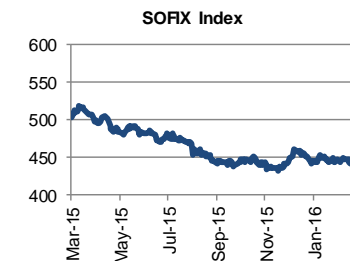
	Last	ΔDbps	ΔYTD bps
5-year	163	5	-9
10-year	214	8	-2

STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.5	-0.17%	-3.13%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7442	-0.25%	3.22%



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

Data updated as of 12:30 EET

Contributors

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

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

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

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Stylianios G. Gogos (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371226
sgogos@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@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

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

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr, +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, +30 210 33 71 224

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

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 33 71 228

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 Economic Analysis and Financial Markets Research

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

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

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

Follow us on twitter: <http://twitter.com/Eurobank>

