

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, March 23, 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: Absorbing the shock of the terrorist events in Brussels yesterday, the majority of European bourses were firmer in early trade supported by positive euro area data. In FX markets, the USD gained some ground in early European trade on Wednesday following comments by Chicago Fed President Charles Evans, a non-voter this year but one of the Central Bank's most dovish members, that he expects two rate hikes this year.

GREECE: Speaking to Parliament yesterday, Minister of Finance Euclid Tsakalotos said that negotiations between official creditors and domestic authorities in the context of the 1st programme review will resume on April 4th and are likely to be concluded by April 12th-13th. Elsewhere, the current account balance recorded a deficit of €742mn in January 2016, up by €461mn on an annual basis, marking the first deterioration in the last seven months.

SOUTH EASTERN EUROPE

CESEE MARKETS: In **CESEE FX markets**, the Hungarian forint remained under pressure earlier today, after the Central Bank unexpectedly cut interest rates at its MPC meeting yesterday. In the **external sovereign debt markets**, Serbia's Public Debt Administration sold on Tuesday €75mn of EUR-denominated 5-year government bonds at an average accepted yield of 3.45%.

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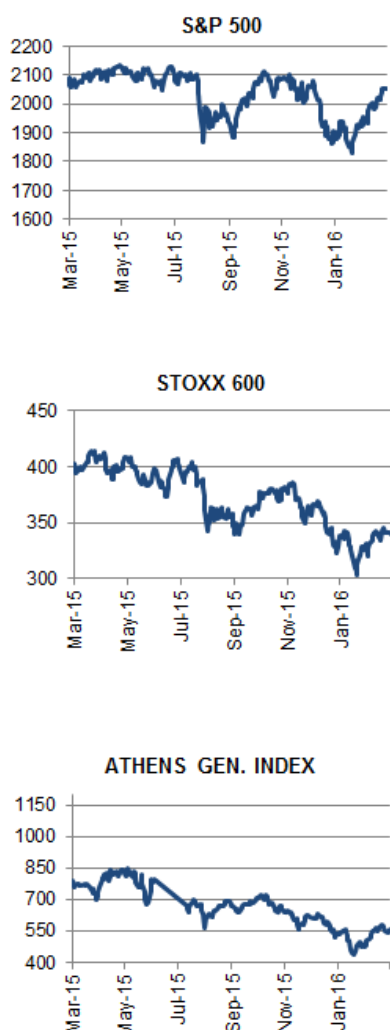
Latest world economic & market developments

GLOBAL MARKETS

Absorbing the shock of the terrorist events in Brussels yesterday, the majority of European bourses were firmer in early trade on Wednesday supported by positive euro area data. Germany's IFO business morale index rose in March, halting a three-month falling streak, coming in at a higher than expected 106.5 from 105.7 in February. In addition, the Euro zone's composite PMI unexpectedly increased in March rising from February's 13-month low of 53.0 to 53.7 mainly due to the services sector index which rose to 54.0 vs 53.3 while the manufacturing index inched up by 0.2 points to 51.4. In FX markets, the USD gained some ground following comments by Chicago Fed President Charles Evans, a non-voter this year but one of the Central Bank's most dovish members, that he expects two rate hikes this year given his forecasts for a 2%-2.5% GDP growth this year and a further drop in the unemployment rate to 4.75% by the end of this year. The DXY index was hovering around 95.850 in European trade at the time of writing, close to a multi-session peak of 95.920 marked earlier in the day. Elsewhere, US Treasuries regained some ground in early European trade remaining though below levels recorded earlier this week. After hitting a one-week closing high of 0.8865% on Tuesday, the 2-yr bond yield was hovering around 0.8846% at the time of writing, below Monday's settlement of 0.8720%. Looking at today's calendar, the main key data releases include US February's new home sales while St Louis Fed President James Bullard is scheduled to give an interview on Bloomberg TV.

GREECE

Speaking to Parliament yesterday, Minister of Finance Euclid Tsakalotos said that negotiations between official creditors and domestic authorities in the context of the 1st programme review will resume on April 4th and are likely to be concluded by April 12th-13th. The IMF's 2016 Spring Meeting will follow on April 15th-17th and is likely to pave the way for an agreement on the provision of further debt relief to Greece with the finance minister expressing his optimism that a final agreement on the issue could be reached on April 22nd when the Eurogroup is scheduled to convene. One of the open issues attached to the review includes the identification of measures for the coverage of a 1.0%-of-GDP fiscal shortfall in the period between FY-2017 and FY-2018, out of a 3%-of-GDP cumulative gap currently projected for the entire period between FY-2016 and FY-2018. To this end, among the measures the government is reportedly mulling to propose include, inter alia, broadening the tax base for the unified Property Tax (ENFIA), an increase in the special consumption tax on fuel, a tax increase in mobile telephony, an increase in the VAT on utilities and the imposition of a special levy on cable TV. With respect to the remaining 2.0%-of-GDP fiscal gap, it has been officially agreed that it has to be covered in FY-2016 through the social security pension reform and the overhaul of the income tax code (1%-of-GDP each). Elsewhere, the current account balance recorded a deficit of €742mn in January 2016, up by €461mn on an annual basis, marking the first deterioration in the last seven months. This development is mainly attributed to a deterioration in the primary income account and, to a less extent, in the services balance and the secondary income account.



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

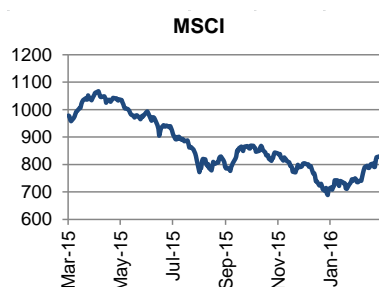
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: 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	B1	BB-	B+

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

Latest world economic & market developments in the CESEE region

CESEE MARKETS

In **CESEE FX markets**, the Hungarian forint remained under pressure earlier today, hovering near a 2-month trough of 313/EUR hit on Tuesday, after the Central Bank (MNB) unexpectedly cut interest rates at its MPC meeting yesterday. Most market participants had expected the Central Bank to stay put on its monetary policy, having remained on hold over the last eight months. In more detail, the MNB cut the key policy (base) rate by 15bps to a new historical low of 1.20%. It also asymmetrically narrowed the interest rate corridor, slashing the overnight deposit and lending rates to -0.05% from 0.10% and 1.45% from 2.10%, respectively, being the first Central Bank in the region to push its overnight deposit rate into a negative territory. Behind its decision it cited persistently subdued price pressures, the slowdown in global growth and historically low inflation expectations. Notably, inflation stood at 0.3%YoY in February, well below the official 3% medium-term target. The Central Bank expects CPI to only approach its target in the first half of 2018. Leaving the door open for further monetary easing ahead, Deputy Governor Marton Nagy said earlier on Wednesday that the National Bank of Hungary could reduce its base rate in the coming months in 15bps steps. However, he added that his view may not be shared by other MPC members.

In the **external sovereign debt markets**, Serbia's Public Debt Administration sold on Tuesday €75mn of EUR-denominated 5-year government bonds. The auction's average accepted yield came in at 3.45%, 55bps below that achieved at a prior tender of similar maturity paper held on October 2015. The issue expires on March 24, 2021 and bears an annual coupon of 2.5%.

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March 23, 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	2049.80	-0.1%	0.3%	EUR/USD	1.1185	-0.3%	3.0%	UST - 10yr	1.94	0	-33	GOLD	1234	-1.2%	16.2%
Nikkei 225	17000.98	-0.3%	-10.7%	GBP/USD	1.4164	-0.3%	-3.9%	Bund-10yr	0.23	1	-40	BRENT CRUDE	42	-0.6%	11.4%
STOXX 600	341.62	0.4%	-6.6%	USD/JPY	112.71	-0.3%	6.5%	JGB - 10yr	-0.11	-2	-38	LMEX	2339	-0.1%	6.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	288	5	-15
1-week	2.99	4	-20
1-month	3.15	3	-36
3-month	3.31	2	-52
6-month	3.53	2	-50

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.31	#N/A N/A	-28
5Y RSD	5.29	0	17
7Y RSD	7.66	0	-4

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.06	2	-11
USD Nov-24	6.20	1	-21

CDS

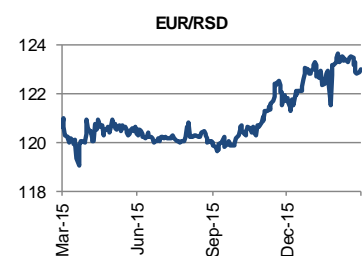
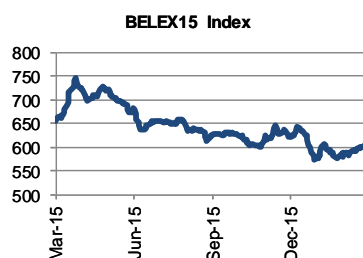
	Last	ΔDbps	ΔYTD bps
5-year	260	0	-14
10-year	333	-1	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	604.4	0.20%	-6.16%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.99	-0.08%	-1.15%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	0	-13
1-month	0.56	0	-13
3-month	0.8	1	-22
6-month	1.03	-1	-31
12-month	1.21	0	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.77	-2	-16
5Y RON	2.59	0	-21
10Y RON	3.32	0	-46

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	0	-18
USD Jan-24	3.33	-1	-45

CDS

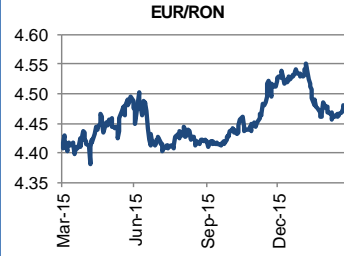
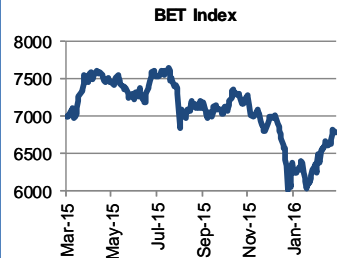
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-18
10-year	162	0	-9

STOCKS

	Last	ΔD	ΔYTD
BET	6773.0	-0.14%	-3.30%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4659	0.07%	1.08%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.13	0	-29
3-month	-0.02	-1	-28
6-month	0.13	-1	-40
12-month	0.44	-2	-53

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.42	2	-19
5Y BGN	1.02	0	-25
10Y BGN	2.62	0	-4

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.12	-2	5
EUR Sep-24	2.39	-8	-3

CDS

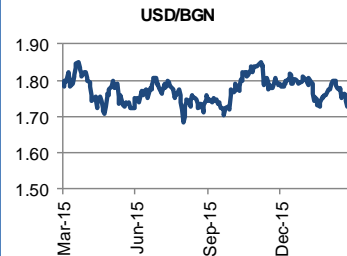
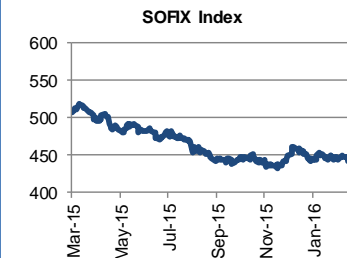
	Last	ΔDbps	ΔYTD bps
5-year	165	2	-7
10-year	216	2	0

STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.9	-0.01%	-3.05%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7486	-0.27%	2.96%



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

Data updated as of 12:15 EET

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