

### 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
  - Labor Force Survey (October 2015)
  - Commercial transactions, provisional data (November 2015)
- March 8- Industrial Production Index (November 2015)

#### CYPRUS

- 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:** US February's non-farm payrolls surprised positively pushing US Treasuries lower. In FX markets, the USD moved higher against the EUR in the wake of the positive US data but gains proved short-lived as investors adopt a cautious tone ahead of Thursday's ECB monetary policy meeting.

**GREECE:** The Eurogroup that will convene today is expected to determine when the mission heads of the institutions (EC/ECB/ESM/IMF) are to return to Athens to continue deliberations with the Greek side in the context of the 1<sup>st</sup> programme review. In other news, according to provisional data released by the Hellenic Statistical Authority last week, FY2015 real GDP contraction was 0.2% against -0.7% previously estimated, which translates into a carry-over of -0.4% into 2016.

### SOUTH EASTERN EUROPE

**CYPRUS:** Today's Eurogroup is expected to discuss the state of play for the economic adjustment program of Cyprus

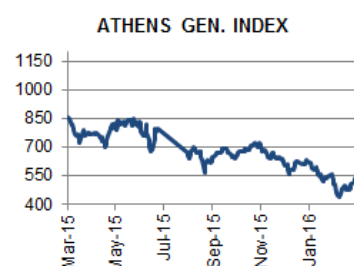
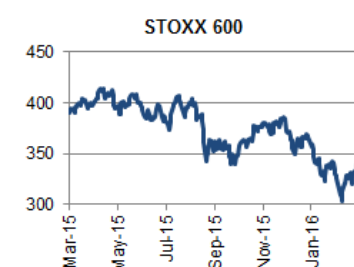
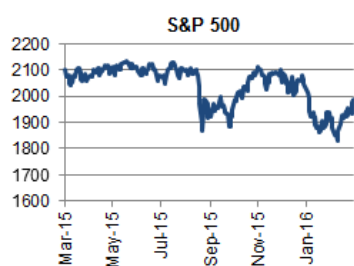
**ROMANIA:** Labor productivity and employment were among the macroeconomic variables which benefited from EU funds absorption according to the National Prognosis Commission.

**SERBIA:** The EUR/RSD remained range bound between 123.20 and 123.60 in the past week as a result of renewed Central Bank intervention.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

The US non-farm payrolls rose by a higher than expected 242k in February while the respective figures of the previous two months were revised upward by 30k cumulatively. The unemployment rate remained unchanged at the prior month's level of 4.9%, the lowest in eight years while the broader U-6 unemployment rate which includes discouraged workers and people who are working only part-time declined by 0.2pp to 9.7%, the lowest since April 2008. Average weekly hours dropped by 0.2hrs to 34.4 and average hourly earnings fell back to 2.2%YoY from 2.5%YoY in January. Overall, the February's payrolls report adds to the view that the US economy has regained some momentum in the first months of the new year. Yet, in view of persistently subdued inflation pressures, the Fed will not rush probably to push interest rates higher any time soon. Positive US data weighed on US Treasuries with the 10-yr bond yield hovering around a one-month peak of 1.88% in European trade at the time of writing. In FX markets, the bigger than expected increase in US February's non-farm payrolls helped the USD to move higher against the EUR but gains proved short-lived as investors adopt a cautious tone ahead of Thursday's ECB monetary policy meeting. The EUR/USD was hovering around 1.0967/70 at the time of writing, having recovered from a session trough of 1.0900 hit on Friday soon after the release of the US' employment report. Should the ECB add more stimulus than currently expected to its QE programme, the EUR/USD could potentially move lower testing 1.0850 (Fib.) ahead of 1.0777 (Jan. 21 low). On the flipside, major resistance lies at 1.1050 in the way to 1.1150/1.1200. On the data front, China's CPI inflation and US initial jobless claims, both due on Thursday, take centre stage this week.

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### GREECE

The Eurogroup that will convene today is expected to determine when the mission heads of the institutions (EC/ECB/ESM/IMF) are to return to Athens to continue deliberations with the Greek side in the context of the 1<sup>st</sup> programme review. According to press releases, the heads are most likely to return sometime this week and, reportedly, the issues that all institutions agree are a priority at this point are the tax reforms for farmers and freelancers, the resolution of NPLs', the reduction of existing pensions, the withdrawal of the Greek government's proposal for an increase in employers' contribution, rendering permanent the solidarity contribution and not enforcing decisions of the Hellenic Council of State that have a fiscal cost, or, find equivalent measures. With regard to the Privatizations Fund, the establishment of which is a prerequisite for the completion of the first review, apparently it will incorporate both the Hellenic Republic Asset Development Fund and the Hellenic Financial Stability Fund. In total, the Fund is expected to deliver around EUR30bn from privatizations. With regard to the pressing issue of the migration flows towards Europe, the EU Summit will convene today with the participation of Turkey to discuss an action plan. So far, around 35,000 immigrants are said to have been "trapped" in Greece as the countries along the so-called West Balkan route towards Central Europe have closed their borders. In other news, according to provisional data released by the Hellenic Statistical Authority last week, FY2015 real GDP contraction was 0.2% against -0.7% previously estimated, which translates into a carry-over of -0.4% into 2016.

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March 7, 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

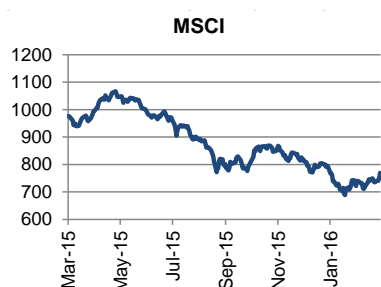
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

L-T ccy	Credit Ratings		
	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

Today's Eurogroup is expected to discuss the state of play for the economic adjustment program of Cyprus. As the program is set to expire by the end of March, the Eurogroup is also expected to exchange views on the program exit. At the time of the last Eurogroup last month, Cyprus was praised for the high degree of ownership in the economic adjustment program implementation. Although Cyprus had made significant progress in implementing the program, it was expected to fulfil two prior actions in the area of the state-owned public utilities widely known as semi government organizations, so as to formally finalize the last review. So far, authorities have not satisfied the conditionality with respect to the approval from the parliament of the corporatization of CYTA -the telecom public utility. As a result, Cyprus will most probably not become the third country after Portugal and Ireland to have made a clean exit from its economic adjustment program in late March.

Overall, Cyprus has already made use of €7.3bn up until now out of a total €10bn available under the program. Although the disbursement of the last ESM tranche is not absolutely necessary as market access has been restored, at a comparably higher cost than that of official lending, the endorsement of the review will send a positive signal to the markets allowing for a further improvement in the cost of funding. More importantly, it will allow the ECB to provide a waiver for government bonds to be eligible for Euro system financing after Cyprus's graduation from the program, even though the sovereign rating of Cyprus is still below investment grade, despite rating agencies' upgrading. Cyprus has made the fastest come-back to international markets among other Euroarea program countries tapping the international markets three times (June 2014, April 2015 and October 2015).

### ROMANIA

According to the data released by the National Prognosis Commission, labor productivity and employment were among those macroeconomic variables which benefited from EU funds absorption. Labor productivity, defined by the ratio of gross value added to employment, expanded by 3.5% higher in 2009-2013 than it would have been in the absence of EU funds. Similarly, employment is estimated to have increased by 3.8% in 2015, as a result of EU funds.

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### SERBIA

The EUR/RSD moved higher the past week but any further upside was capped by renewed central bank intervention. As a result, the EUR/RSD remained range-bound between 123.20 and 123.60. At this point, the pair's technical picture suggests that immediate resistance lies at 123.50 but repetitive interventions and relatively low demand for hard currency suggests that retrace is more likely outcome in the week to come.

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March 7, 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	1983.03	-0.2%	-3.0%	EUR/USD	1.0921	0.5%	0.6%	UST - 10yr	1.85	1	-42	GOLD	1247	0.5%	17.5%
Nikkei 225	16960.16	1.3%	-10.9%	GBP/USD	1.4129	0.4%	-4.1%	Bund-10yr	0.19	-2	-44	BRENT CRUDE	36	-1.3%	-2.3%
STOXX 600	339.42	-0.4%	-7.2%	USD/JPY	113.59	-0.1%	5.7%	JGB - 10yr	-0.01	2	-28	LMEX	2288	1.4%	3.8%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	284	0	-19
1-week	2.95	0	-24
1-month	3.12	1	-39
3-month	3.30	3	-53
6-month	3.50	3	-53

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.49	0	-17
5Y RSD	5.22	0	9
7Y RSD	7.64	0	-6

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.94	-2	-22
USD Nov-24	6.18	0	-24

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	275	-13	1
10-year	320	-15	-20

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	590.5	0.85%	-8.32%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.35	0.10%	-1.43%

BELEX15 Index



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	-2	-13
1-month	0.54	0	-15
3-month	0.76	0	-26
6-month	1.03	0	-31
12-month	1.2	1	-32

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.86	4	-7
5Y RON	2.72	1	-8
10Y RON	3.44	-1	-34

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.49	#N/A	N/A
USD Jan-24	3.33	0	-46

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	7	-3
10-year	176	9	5

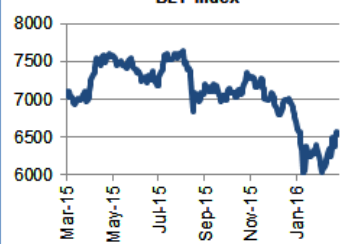
## STOCKS

	Last	ΔD	ΔYTD
BET	6577.9	0.42%	-6.25%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4596	-0.13%	1.22%

BET Index



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.07	0	-23
3-month	0.04	1	-22
6-month	0.23	0	-30
12-month	0.58	0	-39

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.38	4	-22
5Y BGN	1.14	5	-13
10Y BGN	2.65	0	0

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.03	-66	-4
EUR Sep-24	2.40	6	-2

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	165	-2	-6
10-year	213	-2	-3

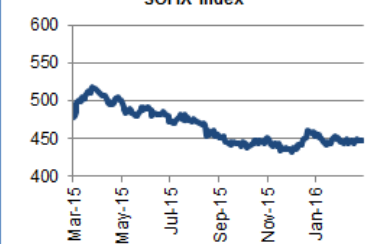
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.8	-0.70%	-3.07%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7909	0.49%	0.52%

SOFIX Index



EUR/RSD



EUR/RON



USD/BGN



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

Data updated as of 10:30 EET of Monday, March 7

March 7, 2016

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