

### 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:** Taking their cue from the negative tone in Asian bourses, the majority of European bourses opened lower on Tuesday as appetite for profit taking emerged. Market anxiety over the outcome of Thursday's ECB monetary policy meeting and China's disappointing trade data for February, also had an impact.

**GREECE:** Speaking at the press conference following the conclusion of yesterday's Eurogroup, President Jeroen Dijsselbloem announced that finance ministers agreed the mission heads to return to Greece to resume discussions with the Greek authorities in the context of the 1<sup>st</sup> programme review. He also revealed that euro area finance ministers took a political decision concerning the issue of debt relief. In more detail, provided that the Greek government fulfils its commitments underlying the adjustment programme and the General Government accounts record a primary surplus, they "will do what is necessary to make the annual debt surplus manageable" while discussions on debt relief will commence "in the near future".

### SOUTH EASTERN EUROPE

**ROMANIA:** The provisional estimate of the Statistical Service on the seasonally adjusted fourth quarter GDP reading confirmed the flash estimate of +1.1% QoQ/+3.8% YoY compared to +1.5% QoQ/+ 3.6% YoY in the third quarter.

**SERBIA:** In its latest working paper published yesterday, the Fiscal Council urged the government not to relax the restrictive fiscal policy prematurely and give up on the essential structural reforms program

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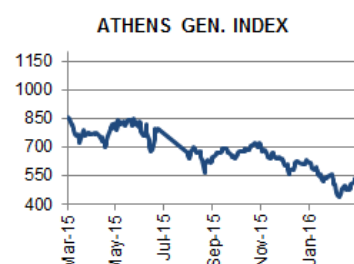
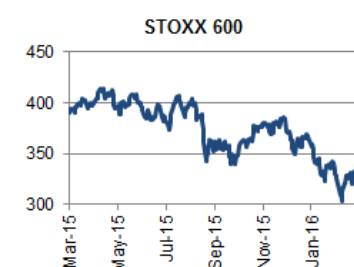
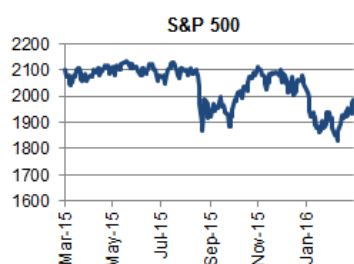
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March 8, 2016

## Latest world economic & market developments

### GLOBAL MARKETS

Taking their cue from the negative tone in Asian bourses, the majority of European bourses opened lower on Tuesday as appetite for profit taking emerged. Market anxiety over the outcome of Thursday's ECB meeting where the Central Bank is expected to adopt additional monetary stimulus, also had an impact. In addition to the above, China's trade data for February disappointed with exports and imports falling by a higher than expected 25.4%YoY and 13.8% respectively. Increased risk aversion favored the safe-haven appeal of the JPY with the USD/JPY hitting multi-session lows of 112.72 earlier today after rising to levels slightly above 114.00 at some point on Monday. Data showing that Japan's Q4 real GDP contracted by 0.3% q/q, a slight upward revision from an initial estimate of -0.4%qoq, also favored the JPY. Elsewhere, the EUR/USD was trading close to 1.1027/30 at the time of writing, having recovered from Monday's 1.0940 session low supported by a string of positive German data. Factory orders fell in January by a lower than expected 0.1%mom while the respective figure of the previous month was revised higher to -0.2%mom from -0.7%mom initially reported. Furthermore, industrial production rose by 3.3%mom in January, the biggest increase since September 2009. Commodity related currencies retained a firm tone with the AUD/USD standing close to 0.7426/30 in European trade, not far from an eight-month high of 0.7484 touched at some point in the prior session assisted by a surge in the price of iron ore. On the data front, today sees the second reading on Euro area Q4 GDP (including a breakdown of growth by expenditure).



Source: Reuters, Bloomberg, Eurobank Research

### GREECE

Speaking at the press conference following the conclusion of yesterday's Eurogroup, President Jeroen Dijsselbloem announced that finance ministers agreed the mission heads to return to Greece to resume discussions with the Greek authorities in the context of the 1<sup>st</sup> programme review. He acknowledged that "enough common ground" has been reached between all involved parts but stressed that more work needs to be done for the successful completion of the review. He urged the Greek government to intensify its efforts towards that goal noting that "there are still fiscal gaps to be filled and some of the reforms will have to be deepened". The Eurogroup President revealed that euro area finance ministers took a political decision concerning the issue of debt relief. In more detail, provided that the Greek government fulfils its commitments underlying the adjustment programme and the General Government accounts record a primary surplus, euro area finance ministers "will do what is necessary to make the annual debt surplus manageable" while discussions on debt relief will commence "in the near future". According to the local press, the mission heads are expected to arrive in Athens today (Tuesday, March 8<sup>th</sup>) and will depart ahead of the Catholic Easter that falls on March 27<sup>th</sup>. Unless a staff level agreement has been reached by then, the heads are reportedly expected to return in early April with an intention to complete the review by the Orthodox Easter which falls on May 1<sup>st</sup>. In other news, yesterday's EU Summit with the participation of Turkey was concluded without reaching a solution on the refugee crisis. A new EU-Turkey Summit will take place on March 17-18.

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March 8, 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

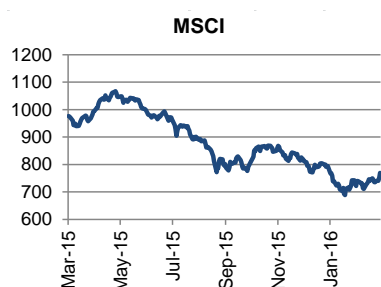
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### ROMANIA

The provisional estimate of the Statistical Service on the seasonally adjusted fourth quarter GDP reading confirmed the flash estimate of +1.1% QoQ/+3.8% YoY compared to +1.5% QoQ/+ 3.6% YoY in the third quarter. From a demand side point of view, both private consumption and gross fixed capital formation posted very strong dynamics. Driven by higher disposable income as a result of the generous VAT rate cut for food stuff and the rapid rise in real wages-the highest in EU-28- private consumption expanded by +2% QoQ /+7% YoY in Q4 up from +2% QoQ/+6.1% YoY in Q3, making a hefty contribution of 4.5pps to growth. Gross fixed capital formation jumped by +3.1% QoQ/+11.0% YoY up from -0.6% QoQ/+4.2% YoY, making a 2.6pps contribution to growth, which was partially offset by the negative contribution of inventories (-1.5pps). On the other hand, net exports made a negative contribution of -2.1pps which is broadly expected as domestic demand recovery is accompanied by a recovery of imports in the case of Romania. From a qualitative point of view, private consumption has taken over as the leading driver behind the growth rally concealing warning signs of an overheating scene in the making. The Q4 reading brings FY growth performance at 3.7% in 2015, a notch below our 3.8% forecast compared to 3% in 2014 and 3.5% in 2013. Had it not been for the negative contribution of the volatile agriculture sector (-0.2pps in Q4, -0.5pps in FY2015), growth would have been even higher. Romania is expected to be a regional outperformer in 2016 as well. Growth is expected to accelerate further to 4.1% in 2016, driven primarily by the private consumption spending boom, fueled by the unwarranted pro-cyclical fiscal stimulus ahead of the parliamentary elections scheduled in late 2016. Hence, the economy is driven close to, if not above, its potential growth rate at the expense of pushing government finances off consolidation track.

In other news, the Ministry of Finance sold at an auction on Monday RON316mn, slightly more than initially planned, of 15 Year T-bonds at an average accepted yield of 3.82%, a bit higher than the 3.65% achieved at a prior tender of the same maturity paper on February 8<sup>th</sup>. The amount of total bids came at RON 558mn, thus pushing the bid to cover ratio at 1.77.

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### SERBIA

In its latest working paper published yesterday under the title "Economic recovery, employment and fiscal consolidation: lessons from 2015 and prospects for 2016 and 2017", the Fiscal Council urged the government not to relax the restrictive fiscal policy prematurely and give up on the essential structural reforms program, but put more effort in improving the business environment instead. According to the Fiscal Council, Serbia is confronted with three major challenges: slow economic growth, excessive fiscal deficit accompanied with rising public debt as well as high unemployment. Although the Fiscal Council took note of the decline in the fiscal deficit to 3.7% of GDP in 2015 down from 6.6% in 2014, a further decline to 2.7% will require additional permanent savings in 2016 and 2017 of about 1.5% of GDP. In the latest monthly piece in the Regional Economics & Market Strategy, we identified the challenge for additional permanent savings to achieve this year's fiscal target. Finally, we also highlighted the risk of the government coming under additional pressure to loosen targets ahead of the upcoming general elections in late April, thus further jeopardizing the fiscal adjustments for this year.

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March 8, 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	2001.76	0.1%	-2.1%	EUR/USD	1.1025	0.1%	1.6%	UST - 10yr	1.85	-6	-42	GOLD	1275	0.6%	20.1%
Nikkei 225	16783.15	-0.8%	-11.8%	GBP/USD	1.424	-0.2%	-3.4%	Bund-10yr	0.17	-5	-46	BRENT CRUDE	41	-0.4%	9.1%
STOXX 600	336.75	-1.2%	-7.9%	USD/JPY	112.92	0.5%	6.3%	JGB - 10yr	-0.10	-5	-36	LMEX	2364	-0.2%	7.3%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	283	-2	-20
1-week	2.95	-2	-24
1-month	3.12	-1	-39
3-month	3.30	0	-53
6-month	3.50	-1	-53

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	-3	-20
5Y RSD	5.22	0	9
7Y RSD	7.64	0	-6

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.97	0	-19
USD Nov-24	6.18	0	-24

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	270	-18	-4
10-year	334	0	-5

#### STOCKS

BELEX15	Last	ΔD	ΔYTD
	590.5	-0.47%	-8.32%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.27	0.02%	-1.37%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.39	0	-14
1-month	0.54	-1	-15
3-month	0.77	0	-25
6-month	1.03	0	-31
12-month	1.2	0	-32

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.86	0	-7
5Y RON	2.65	-2	-15
10Y RON	3.35	-2	-43

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.45	0	-11
USD Jan-24	3.44	3	-35

#### CDS

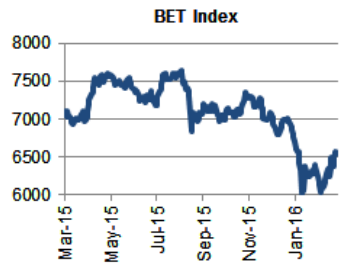
	Last	ΔDbps	ΔYTD bps
5-year	130	7	-3
10-year	176	9	5

#### STOCKS

BET	Last	ΔD	ΔYTD
	6628.7	0.04%	-5.36%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4643	-0.03%	1.11%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.08	0	-23
3-month	0.01	-3	-25
6-month	0.22	0	-31
12-month	0.58	0	-39

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.35	1	-25
5Y BGN	1.08	-1	-20
10Y BGN	2.62	0	-3

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.49	0	-56
EUR Sep-24	2.42	-28	0

#### CDS

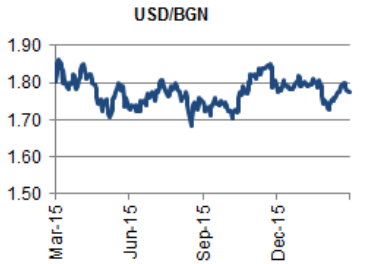
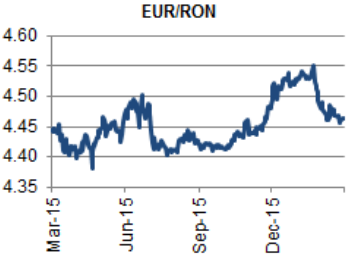
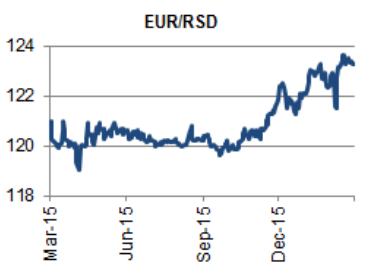
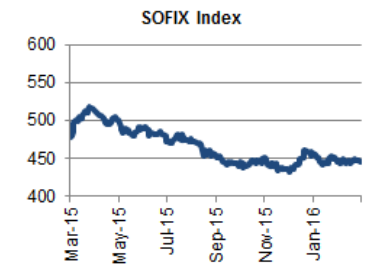
	Last	ΔDbps	ΔYTD bps
5-year	171	4	-1
10-year	219	4	3

#### STOCKS

SOFIX	Last	ΔD	ΔYTD
	445.4	-0.22%	-3.36%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7743	0.14%	1.47%



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

Data updated as of 11:30 EET of Tuesday, March 8

March 8, 2016

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