

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- March 23: Existing home sales (Feb)
- March 24
  - CPI (Feb)
  - New home sales (Feb)
- March 25: Durable goods orders (Feb)
- March 26: Initial jobless claims (Mar 21)
- March 27: GDP (Q4, 3<sup>rd</sup>)

##### EUROZONE

- March 23: ECB's Draghi speaks
- March 24: PMI manufacturing (Mar)

##### CYPRUS

- March 26: CAD (Q414)
- March 27
  - Labour force surv. (Q4)
  - Retail trade (Jan)

##### GREECE

- March 23: Current account balance (Jan)
- March 26: Deposits (Jan)

##### SEE

##### BULGARIA

- March 23: 3.1% 2025 T-Bonds auction
- March 27: Gross external debt (Jan)

##### SERBIA

- March 23: 5-year EUR T-Notes auction
- March 24: 7-year RSD T-bonds auction
- March 25:
  - Gross wages (Feb)
  - 2-year floating RSD T-Notes auction
- March 20: CAD (Dec)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Comments by a number of FOMC officials y-day supported the view that US interest rates will rise this year and the domestic economy can handle the stronger US dollar. Against this background, the USD moved modestly higher in European trade on Tuesday.

**GREECE:** Speaking in the joint press conference y-day following their bilateral meeting in Berlin, the Greek Premier characterized the talks with the German Chancellor as "positive" emphasizing that his intention for the meeting was not "to ask for financial help" but to exchange views. On her part, the German Chancellor said that the meeting was held in "a spirit of trust" while she underlined that the Greek list of reforms will have to be discussed with the institutions, not with Germany. On this issue, speaking in a local TV station y-day, Greek government spokesman Gavril Sakellaris said that the government will present a full reform list "by early next week".

**CYPRUS:** According to the latest Business and Consumer Surveys from the Economic Research Centre of University of Cyprus, economic sentiment deteriorated modestly in March, with the corresponding indicator (ESI) falling 0.2 points on a monthly basis to 103.7.

### SOUTH EASTERN EUROPE

**BULGARIA:** In an interview to local media on Monday, Minister of Tourism Nikolina Angelkova warned about a tough summer season ahead.

**SERBIA:** The consolidated general government budget swung into a deficit of RSD 11.30bn in February from a surplus of RSD 15.95bn in January, as a result of a 120%MoM increase in debt interest payments to creditors. In other news, the Public Debt Administration sold 82.95% of the €100mn offered, in 5-year EUR-denominated T-Notes at an auction on Monday at an average accepted yield of 4.79%, a tad below a yield of 5% achieved at a prior auction of similar maturity paper held in August last year.

**CESEE MARKETS: Emerging market stocks** broadly extended last week's gains on Monday, on expectations that the Fed may be less aggressive in its upcoming rate-tightening cycle, anticipated to incept later this year. In a similar vein, **CESEE currencies** broadly firmed y-day.

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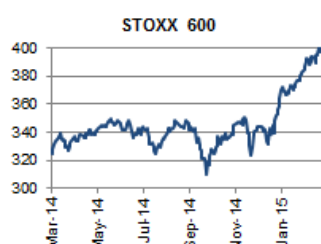
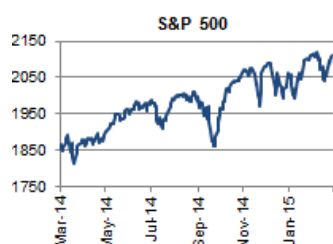
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March 24, 2015

## Latest world economic & market developments

### GLOBAL MARKETS

Comments by a number of FOMC officials y-day supported the view that US interest rates will rise this year and the domestic economy is operating near maximum employment and can handle the stronger US dollar. Against this background, the USD moved modestly higher in European trade on Tuesday with the DXY index hovering around 97.00 at the time of writing, modestly higher compared to Monday's levels, albeit still below a multi-year high of 100.33 hit late last week. With monetary policy divergence remaining a key theme in FX markets, short-term risks for the USD seem skewed to the upside. However, with a lot of good news already priced in and investors still looking for clear signs over the exact time of the first FOMC rate hike, any further USD appreciation in the coming sessions/weeks is likely to prove limited. On the data front, focus today is on US February's CPI and Eurozone flash PMIs for March.



### GREECE

Speaking in the joint press conference y-day following their bilateral meeting in Berlin, both Greece's Prime Minister and German Chancellor Angela Merkel adopted a conciliatory tone. The Greek Premier characterized the talks as "positive" emphasizing that his intention for meeting the German Chancellor was not "to ask for financial help" but to exchange views. He underscored that the Greek government will try to find common ground for reaching an agreement soon on a list of reforms as well the release of official funding. On her part, the German Chancellor said that the meeting was held in "a spirit of trust" with an "appetite for cooperation" while she underlined that the Greek list of reforms will have to be discussed with the institutions, not with Germany. On this issue, speaking in a local TV station y-day, Greek government spokesman Gavril Sakellariadis said that the government will present a full reform list "by early next week". As a reminder, speaking on the sidelines of last week's EU Summit, Eurogroup President Jeroen Dijsselboem stated that euro area finance ministers could meet soon to examine the possibility of allowing a partial release of the pending loan tranche to Greece, provided that the Greek side presents a comprehensive list of reforms that is positively assessed by the Institutions. In other news, Greece's current account balance showed a deficit of €847mn in January 2015, €511mn wider compared to the same month a year earlier. This development is mainly due to an increase in the deficit of the balance of goods which grew by 16%YoY (or €279mn) on the back of the higher net import bill for oil and other goods excluding ships.

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### CYPRUS

According to the latest Business and Consumer Surveys from the Economic Research Centre of University of Cyprus, economic sentiment deteriorated modestly in March, with the corresponding indicator (ESI) falling 0.2 points on a monthly basis to 103.7. The aforementioned development comes primarily on the back of a worsening of the economic climate in the retail trade as well as among consumers.

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CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.3	0.4
HICP (pa, yoy %)	0.4	-0.3	0.7
Budget Balance/GDP	-4.7	0.4	-1.2
Current Account/GDP	-1.9	-1.1	-0.8

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

March 24, 2015

## Latest world economic & market developments in the CESEE region

### BULGARIA

ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	2.25	2.00

\* on a cash basis

Source: EC Economic Forecasts, Reuters, Bloomberg,  
Eurobank Global Markets Research, local authorities

In an interview to local media on Monday, Minister of Tourism Nikolina Angelkova warned about a tough summer season ahead. It is worth noting that, among other, risks to the domestic growth outlook this year lie in the face of the economic recession in both Ukraine and Russia as well as persisting geopolitical tensions in the region. Visitors from both countries account for a significant amount of Bulgaria's tourism revenues, while the agricultural sector is also faced with increased headwinds as a result. In support of the aforementioned, Minister of Agriculture Desislava Taneva was quoted as saying on Monday that Bulgaria's food industry has incurred estimated damages of BGN 12mn (equivalent to ca €6mn) in view of Russia's sanctions on the food imports from the EU.

### SERBIA

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-1.8	-0.5
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-6.5	-7.1	-5.5
Current Account/GDP	-6.1	-6.1	-6.0
EUR/RSD (eop)	114.60	120.96	125.00
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	7.50	7.50

Source: EC Economic Forecasts, Reuters, Bloomberg,  
Eurobank Global Markets Research, local authorities

The consolidated general government budget swung into a deficit of RSD 11.30bn in February from a surplus of RSD 15.95bn in January, as a result of a 120%MoM increase in debt interest payments to creditors. Along these lines, the cumulative surplus over the first two months of the year totaled RSD 4.65bn. The latter compares with a RSD 26.60bn shortfall registered over the same period a year earlier. The improvement came primarily on the back of a 4.7%YoY decline in public expenditure, thanks to recently adopted wage and pension cuts, accompanied by an 8.0% increase in revenues. In other news, the Public Debt Administration sold 82.95% of the €100mn offered, in 5-year EUR-denominated T-Notes at an auction on Monday. The average accepted yield came in at 4.79%, a tad below a yield of 5% achieved at a prior auction of similar maturity paper held in August last year. The issue bears an annual coupon of 4% and the bid to cover ratio was 1.03%.

### CESEE MARKETS



**Emerging market stocks** broadly extended last week's gains on Monday, on expectations that the Fed may be less aggressive in its upcoming rate-tightening cycle, anticipated to incept later this year. Against this backdrop, Turkey's BIST 100 index rallied 1.5%, reaching a near 3-week high and outperforming a concomitant increase of 0.8% in the broad MSCI Emerging Markets Index. In a similar vein, **CESEE currencies** broadly firmed y-day. In more detail, the Turkish lira led the gains in the region, hitting a multi-session intraday peak near 2.5390/USD, largely shrugging off consumer confidence data which showed that the index slid to a 6-year low of 64.4 in March, well below the 100-mark threshold that separates optimism from pessimism. The US dollar's recent modest pull back was mostly behind the currency's firming, while Fitch's decision to affirm late on Friday the country's sovereign credit ratings at "BBB-" maintaining its "stable" outlook and confound some expectations for a downward revision to "negative", also favoured the TRY. On the flipside, the Hungarian forint bucked the positive trend witnessed in the CESEE region as Standard & Poor's one notch sovereign credit rating upgrade to BB+, amid improving economic growth and fiscal prospects announced late last week, stirred market talk about a potentially higher than anticipated rate cut at the MPC meeting today. Recall that, the market's consensus is for a 20bps cut, which if delivered will bring the key policy rate to a new record low of 1.90%.

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

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## 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	2112.02	0.2%	2.6%	EUR/USD	1.0923	0.9%	-9.7%	UST - 10yr	1.91	-2	-26	GOLD	1188	0.4%	0.2%
Nikkei 225	19754.36	1.0%	13.2%	GBP/USD	1.4939	-0.1%	-4.1%	Bund-10yr	0.22	4	-32	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	401.24	-0.7%	17.1%	USD/JPY	119.79	0.2%	-0.1%	JGB - 10yr	0.31	-2	-2	LMEX	2786	2.7%	-4.4%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-8	-330
1-week	7.31	2	-270
1-month	7.89	5	-216
3-month	8.42	8	-143
6-month	8.66	13	-113

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	8.94	-46	-10
5Y RSD	10.16	1	-2
7Y RSD	11.28	0	3

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.61	-1	-65
USD Nov-24	6.43	0	-16

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	231	-4	-59
10-year	261	-2	-95

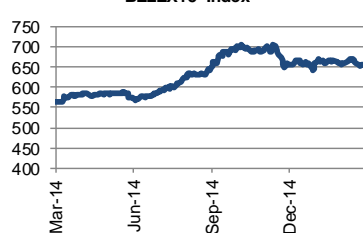
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	655.0	0.10%	-1.80%

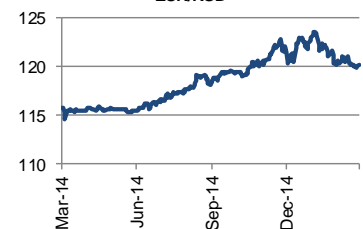
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.21	-0.04%	0.95%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.57	-1	0
1-month	0.8	-1	-11
3-month	1.29	-2	-41
6-month	1.55	-1	-46
12-month	1.61	-1	-41

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.06	-1	-25
5Y RON	2.33	-2	-38
10Y RON	3.20	-1	-46

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.30	0	-43
USD Aug-23	3.34	0	-27

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	113	3	-30
10-year	158	4	-29

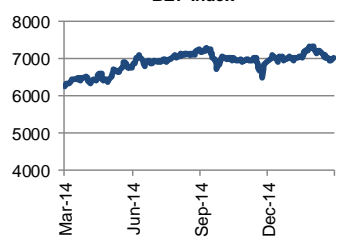
## STOCKS

	Last	ΔD	ΔYTD
BET	7010.8	1.15%	-1.02%

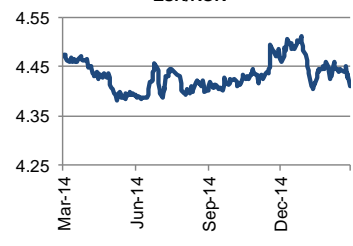
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4102	0.58%	1.66%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.16	0	-5
3-month	0.36	0	-7
6-month	0.70	0	-9
12-month	1.31	0	-19

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.58	19	-46
5Y BGN	0.89	23	-56
10Y BGN	1.82	0	-93

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.75	-5	-41
EUR Sep-24	2.33	-4	-54

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	165	1	-26
10-year	212	2	-28

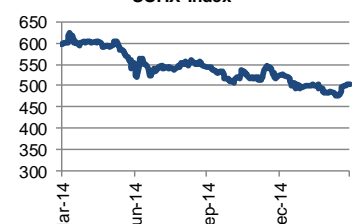
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	502.4	-0.36%	-3.78%

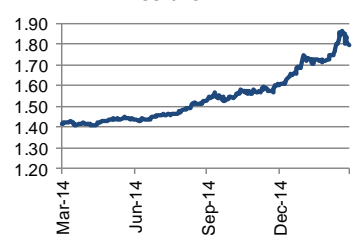
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7908	0.94%	-9.73%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 19:00 EET of previous session

March 24, 2015

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