



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, April 12, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK GLOBAL

US

- April 13
 - Retail sales (Mar)
 - Business inventories (Feb)
- April 14
 - CPI (Mar)
 - Initial jobless claims
- April 15
 - Empire manufacturing (Apr)
 - Industrial production (Mar)
 - Univ. of Michigan Confidence (Apr, p.)
 - Total Net TIC flows (Feb)

EUROZONE

- April 13: Industrial production (Feb)
- April 14: CPI (Mar, f.)

GREECE

- April 12
 - Mission heads expected to depart from Athens
 - Building activity (Jan)
- April 15: IMF 2016 Spring Meeting

SEE

BULGARIA

- April 11: Trade balance (Feb)
- April 12: CPI (Mar)
- April 15: U/E rate (Mar)

ROMANIA

- April 11
 - CPI (Mar)
 - Trade Balance (Feb)
 - 2.25% 2020 T-bonds auction
- April 12: Industrial output (Feb)
- April 13: CAD (Feb)
- April 14: 3.25% 2022 T-bonds auction

SERBIA

- April 12: HICP (Mar)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The prevailing market view that the Fed will proceed more cautiously than earlier expected in hiking interest rates, continued to weigh on the US dollar on Tuesday. The April issue of the IMF's World Economic Outlook, will be presented at 15:00 CET.

GREECE: Talks between Greek government officials and the institutions (EU/ECB/ESM/IMF) adjourned late last night without having produced an agreement in the context of the 1st programme review. According to the Greek Minister of Finance Mr. Tsakalotos, progress has been made in most areas so that a staff level agreement can be drawn up on time for the 22nd April Eurogroup.

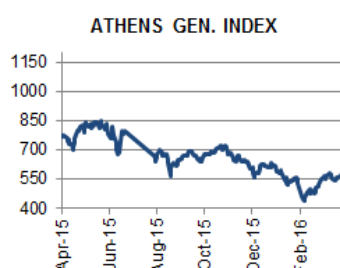
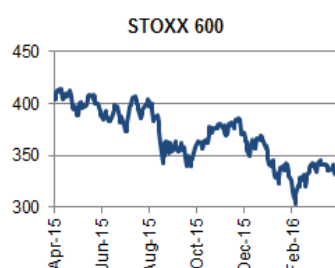
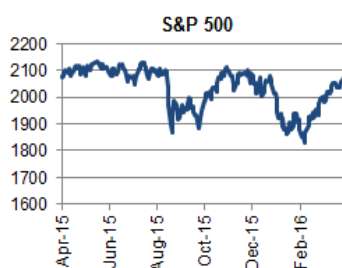
SOUTH EASTERN EUROPE

ROMANIA: Inflation dipped to +0.1% MoM/-3.0% in March compared to -0.2% MoM/-2.7% YoY in February-a new historic low for the standards of Romania.

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BULGARIA



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

The prevailing market view that the Fed will proceed more cautiously than earlier expected in hiking interest rates, continued to weigh on the US dollar on Tuesday. The currency's index DXY was hovering around 93.912 in European trade, not far from Monday's 93.748 settlement, the lowest in near eight months while comments from Dallas Fed President Robert Steven Kaplan that current US data do not support a rate hike this month, also exerted a negative impact. On the flip side, favoring by the USD's broad-based weakness and investors' subdued appetite for risk taking amid lingering downside risks on the global economy, the JPY retained a firm tone. The USD/JPY was hovering around 108.10/15 at the time of writing, within distance from Monday's 107.60 two-year low. Renewed warnings against the JPY's current upside momentum by Japanese Finance Minister Taro Aso earlier today that he would take steps as needed if "one-sided and speculative" moves were observed in the FX market, failed to exert a significant impact. Elsewhere, the EUR/USD extended its recent gains hitting a fresh year-to-date high of 1.1458 earlier today amid somewhat reduced market expectations of further ECB rate cuts in the months ahead. US retail sales and core CPI for March due for release later this week (Wednesday and Thursday, respectively) have the potential to trigger a USD relief rally in the coming sessions. Yet, any gains are likely to prove limited and short-lived on the back of persisting market uncertainty over the Fed's policy outlook. On the data front, focus today is on UK March's CPI. Consensus is for an uptick to 0.4%YoY from 0.3%YoY in the prior month. Yet, amid lingering Brexit woes, any positive impact on the GBP is likely to prove unsustainable. Meanwhile, the April issue of the IMF's World Economic Outlook, will be presented at 15:00 CET.

ppetropoulou@eurobank.gr

GREECE

Talks between Greek government officials and the institutions (EU/ECB/ESM/IMF) adjourned late last night without having produced an agreement in the context of the 1st programme review. According to the Greek Minister of Finance Mr. Tsakalotos, progress has been made in most areas so that a staff level agreement can be drawn up on time for the 22nd April Eurogroup. According to press reports, 95% of the MoU and the MEFP on behalf of the EU and the IMF respectively are agreed on with the open issues remaining: i) the resolution of NPLs where reportedly the Greek government has presented a new proposal, which lies closer to the institutions' requirements as it limits both the criteria for the loans that will be protected from sale and the duration of the protection, ii) the income tax and the solidarity tax scale as well as the level of the tax-free threshold, iii) the level of auxiliary pensions, and iv) the fiscal measures that will be taken in order to secure another €1.8bn. According to press reports, another issue that was brought up by the institutions was the privatization of the Public Power Corporation (PPC), the Public Gas Corporation (DEPA) and Hellenic Petroleum (ELPE), which the Greek government strongly opposes. Now, members of the Greek economic team including Mr. Tsakalotos and Mr. Stathakis as well as the mission heads are scheduled to travel to Washington for the IMF's spring meeting (15-17 April) on the sidelines of which the Greek government would like to introduce the debt relief issue into the negotiations. However, according to the German Minister of Finance Wolfgang Schäuble, a solution will be found for Greece in the coming weeks but it will not have to do with debt relief but rather with Greece having to do more on the way to becoming a competitive economy. Official discussions ahead of the 22nd April Eurogroup will be reportedly resumed in Athens, on Monday April 18th.

April 12, 2016

Latest world economic & market developments in the CESEE region

| 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

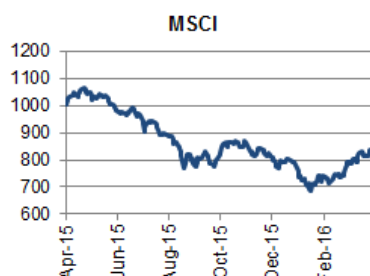
| ROMANIA: Indicator: | 2014 | 2015e | 2016f |
|----------------------|------|---------|-------|
| Real GDP growth % | 2.9 | 3.8 | 4.1 |
| CPI (pa, yoy %) | 1.1 | -0.4 | -0.1 |
| Budget Balance/GDP * | -1.9 | -1.9 | -2.8 |
| Current Account/GDP | -0.4 | -1.0 | -2.0 |
| EUR/RON (eop) | 4.48 | 4.52 | 4.35 |
| | 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 | 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

ROMANIA

Another downside surprise occurred on the inflation front in the third month of the year. Inflation dipped to +0.1% MoM/-3.0% in March compared to -0.2% MoM/-2.7% YoY in February—a new historic low for the standards of Romania—down from -0.8% MoM/-2.1% YoY in January. As a result, the average annual inflation eased to -1.4% YoY in March down from -1.1% YoY in February. The print was below market expectations again (BBG survey: +0.2% MoM/-2.8% YoY). The implementation of a 4ppts headline VAT rate cut—from 24% to 20%—effective from January 1st, compounded by the food staff VAT rate cut—from 24% to 9%—effective from last June—pushed has headline inflation further into negative territory.

On a monthly basis, the food component and services decreased marginally. The volatile food component of CPI declined to -0.01% MoM/-6.74% YoY in March vs. +0.34% MoM/-6.47% YoY in February compared to +0.47% MoM/-6.29% YoY in January. Services slowed down to -0.01% MoM/-0.47% YoY in March down from -1.14% MoM/-0.31% YoY in February compared to -1.12% MoM/+1.23% YoY in January. On the other hand, non-food items edged up at +0.23% MoM/-0.91% YoY in March down from -0.27% MoM/-0.54% YoY in February compared to -1.56% MoM/+0.12% YoY in January. The monthly spike in fuels (+1.3% MoM/-3.1% YoY) came as a result of oil prices rebound during March (the average Brent price went up from 32 USD/bbl. to 38 USD/bbl. in March).

Looking ahead, inflation is most likely to stay below the Central Bank target range (2.5%±1%) until the 1H-2016. However, notwithstanding the impact of taxes inflation has already entered the target band. Despite the continuous energy prices slump and the negative base effects from fiscal easing, inflationary pressures are rising in Romania faster than its peers. HICP at constant taxes came at +2.7% YoY in February compared to +3.4% YoY in January 2016 significantly higher than its regional peers (Poland: -1.4% YoY, Hungary: +0.5% YoY, Bulgaria: -1% YoY). As things stand at this moment, NBR upgraded its year-end inflation forecast in 2016 to +1.4% YoY in February vs. +1.0% YoY in November and presented for the first time its year-end forecast in 2017 at +3.4% YoY compared to +2.8% YoY in Q3-2017 in the previous report.

In other news, the Ministry of Finance sold at an auction on Monday €600mn of 4 Year T-bonds at an average accepted yield of 2.17%, 3bps higher than the one achieved at a prior tender of the same maturity paper on March 17th. The amount of total bids came at €1240mn, thus pushing the bid to cover ratio at 2.1.

igkionis@eurobank.gr

April 12, 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 | 2041.99 | -0.3% | -0.1% | EUR/USD | 1.1433 | 0.2% | 5.3% | UST - 10yr | 1.76 | 3 | -51 | GOLD | 1261 | 0.2% | 18.8% |
| Nikkei 225 | 15928.79 | 1.1% | -16.3% | GBP/USD | 1.4292 | 0.4% | -3.0% | Bund-10yr | 0.15 | 4 | -48 | BRENT CRUDE | 43 | 1.5% | 16.6% |
| STOXX 600 | 331.70 | -0.4% | -9.3% | USD/JPY | 108.23 | -0.3% | 10.9% | JGB - 10yr | -0.10 | -2 | -37 | LMEX | 2214 | -0.1% | 0.5% |

CESEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 287 | 1 | -16 |
| 1-week | 2.97 | 0 | -22 |
| 1-month | 3.12 | 2 | -39 |
| 3-month | 3.30 | 2 | -53 |
| 6-month | 3.56 | 2 | -47 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 3.37 | -1 | -22 |
| 5Y RSD | 5.29 | 0 | 16 |
| 7Y RSD | 7.07 | 0 | -63 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 3.05 | -1 | -11 |
| USD Nov-24 | 6.23 | 0 | -18 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 262 | -8 | -12 |
| 10-year | 306 | -1 | -33 |

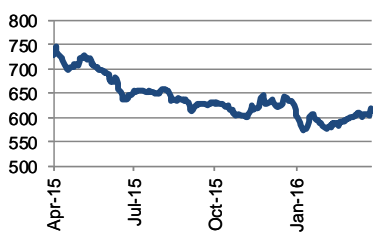
STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|-------|--------|
| BELEX15 | 607.6 | 0.00% | -5.67% |

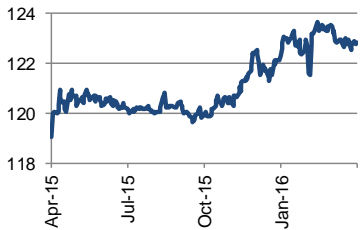
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| EUR/RSD | 122.81 | -0.07% | -1.00% |

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 0.43 | 1 | -10 |
| 1-month | 0.59 | 1 | -10 |
| 3-month | 0.78 | 2 | -24 |
| 6-month | 1.02 | 0 | -32 |
| 12-month | 1.19 | 2 | -33 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 1.74 | -1 | -19 |
| 5Y RON | 2.55 | 0 | -25 |
| 10Y RON | 3.36 | 0 | -42 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 2.34 | #N/A | N/A |
| USD Jan-24 | 3.32 | 0 | -46 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 117 | -3 | -16 |
| 10-year | 160 | -3 | -11 |

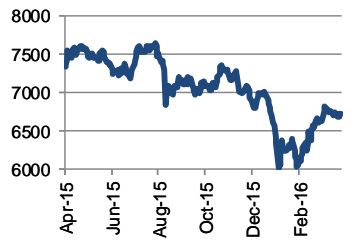
STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|--------|
| BET | 6721.2 | 0.14% | -4.04% |

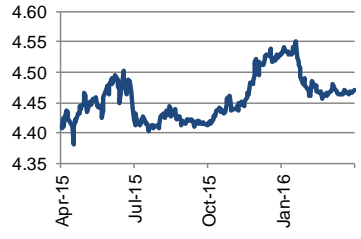
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RON | 4.4715 | -0.08% | 0.95% |

BET Index



EUR/RON



BULGARIA

Money Market

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| LEONIA | 0.01 | 0 | 0 |
| 1-month | -0.17 | 0 | -32 |
| 3-month | -0.05 | 0 | -31 |
| 6-month | 0.10 | 0 | -43 |
| 12-month | 0.43 | 0 | -54 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| 3Y BGN | 0.38 | 0 | -22 |
| 5Y BGN | 1.04 | 0 | -24 |
| 10Y BGN | 2.50 | 0 | -15 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Jul-17 | 0.14 | -8 | 7 |
| EUR Sep-24 | 2.30 | -12 | -12 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 165 | -5 | -7 |
| 10-year | 212 | -5 | -4 |

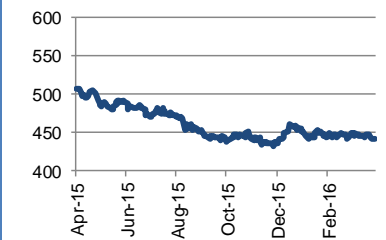
STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|--------|
| SOFIX | 441.5 | -0.04% | -4.22% |

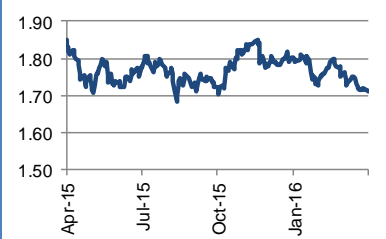
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| USD/BGN | 1.7108 | 0.16% | 5.23% |

SOFIX Index



USD/BGN



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

Data updated as of 12:00 EEST, April 12, 2016

April 12, 2016

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

Stylianos 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
pmonokrousos@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

Stylianos 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 Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 3371228

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

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