

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 majority of European bourses were modestly weaker in early trade on Friday weighed down by market anxiety ahead of the April 17th meeting between OPEC and non-OPEC members where the possibility of oil production freeze will dominate discussions. In FX markets, the US dollar retained a firm tone ahead of the G20 Finance Ministers and Central Bank Governors meeting.

GREECE: Speaking in a press conference yesterday ahead of the commencement of the IMF/World Bank Spring Meeting today, IMF Managing Director Christine Lagarde expressed her skepticism over whether the fiscal target for a general government primary surplus of 3.5%-of-GDP in 2018 embedded in Greece's new bailout programme is feasible. According to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in March for the ninth month in a row coming in at €101.42bn, the lowest since January 2015.

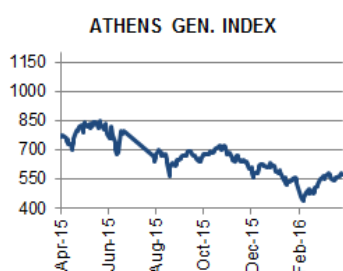
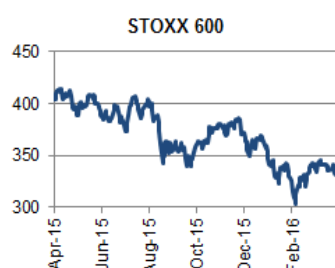
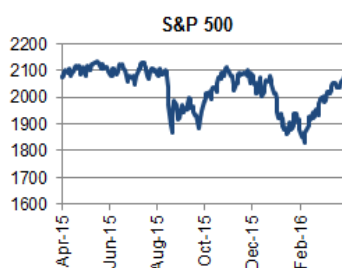
SOUTH EASTERN EUROPE

ROMANIA: The parliament of Romania adopted with an overwhelming majority the debt discharge law.

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BULGARIA



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

The majority of European bourses were modestly weaker in early trade on Friday weighed down by market anxiety ahead of the April 17th meeting between OPEC and non-OPEC members where the possibility of oil production freeze will dominate discussions. Meanwhile, Brent crude was hovering slightly below \$44.00/barrel in European trade, c. 2% lower compared to multi-month highs recorded earlier this week. In FX markets, the US dollar retained a firm tone ahead of the G20 Finance Ministers and Central Bank Governors meeting on the sidelines of the IMF Spring Meeting at which FX market moves are likely to feature high on the agenda. The USD/JPY was hovering around 109.35/40 at the time of writing, having further recovered from a 17-month low of 107.60 earlier this week. Bank of Japan Governor Haruhiko Kuroda was quoted saying that the JPY's recent "excessive" rise has been corrected somewhat in the past few days, using a strong language to warn traders against pushing the currency higher. Meanwhile the EUR/JPY was standing close to 1.1260/55, not far from multi-session lows of 1.1230 marked in the prior sessions following a six-month peak of 1.1465 a couple of sessions earlier. Subdued US inflation data, were shrugged off by FX market participants. CPI rose by a lower than expected 0.1%MoM taking the annual rate to 0.9%YoY compared to 1.0%YoY in the prior market and market consensus of 1.1%YoY, as higher oil prices were partially offset by a drop in the cost of food. Looking at today's calendar, focus is on a string of US data including March industrial output, April University of Michigan consumer sentiment and April Empire manufacturing index which have the potential to halt the USD's latest upside correction if they yield negative surprises.

GREECE

Speaking in a press conference yesterday ahead of the commencement of the IMF/World Bank Spring Meeting today, IMF Managing Director Christine Lagarde expressed her skepticism over whether the fiscal target for a general government primary surplus of 3.5%-of-GDP in 2018 embedded in Greece's new bailout programme is feasible. She stressed that it will take a "heroic effort" by Greece for the target to be met adding that sustaining such a high primary surplus target is not realistic. She reiterated the Fund's position that the Greek programme needs to be based on two pillars: reforms and debt relief. The IMF Managing Director clarified that debt relief does not necessary mean a haircut noting that the Fund is open to an extension of Greek debt maturities, deferring payments and reduced interest rates. She made clear that the IMF will remain involved in Greece's new bailout programme adding however though that the form of participation may vary depending on the commitments undertaken by Greece and European partners. Speaking on the sidelines of the IMF/World Bank Spring Meeting, Eurogroup President Jeroen Dijsselbloem insisted that Greece should stick to the fiscal target for a 3.5%-of-GDP primary surplus in 2018 stressing that this assumption was "one of the anchors" of the agreement signed last summer. However, he appeared to concur with the IMF Managing Director that maintaining such fiscal targets well into the future may be rather demanding. According to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in March for the ninth month in a row coming in at €101.42bn, the lowest since January 2015 and €2.8bn lower compared to the prior month. ECB funding dropped by c. €1.0bn at €35.25bn while funding from ELA fell by €1.8bn at €66.2bn

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April 15, 2016

Latest world economic & market developments in the CESEE region

ROMANIA

In the On April 13th, the parliament of Romania adopted with an overwhelming majority (270 MPs in favor-1 MPs against) the debt discharge law (“datio in solutum”). The debt discharge law enables the borrower to walk away from the contractual agreement with the bank by transferring the ownership of the mortgage used as collateral in order to fully settle his liability. The law went through several amendments in different stages of the law making process. The final version of the law applies for both new and old consumer mortgage loans while a ceiling of €250,000 has been set at the initial size of loan value at the time of origination. The government subsidized program for the “Prima Casta” (First Home) was eventually excluded from the jurisdiction of the final version of the law. Finally, the approved law doesn’t include a debt service to income threshold against Central Bank recommendations.

The new law-if implemented in this version- is expected to have a negative impact on the banking sector performance. The new law has raised a lot of concerns to market participants, regulators, banks, rating agencies and the European Commission. According to the latest NBR financial stability report issued only a few days earlier, the law generates systemic risk, puts a drag on payment discipline and ultimately creates moral hazard. The NBR assessment estimates banking sector losses at RON2.8bn under the assumption of a lower loan cap at €150,000 envisaged in a previous draft of the law. More importantly, the bill threatens to derail the stabilization process of the real estate market as it will put more pressure on prices and increase the required by the banks down-payment for real estate assets. Last but not least, it will provide a disincentive for banks to extend new lending to the consumer mortgage segment thus holding back the ongoing local currency credit recovery. From a sovereign rating point of view, the adopted bill is also negative and comes on top of the accumulated fiscal and external outlook risks. Even though there is limited risk of an imminent downgrade, it will certainly weigh on the ratings agencies decision making in next autumn. Both S&P and FITCH in their respective assessments (on March 23rd and April 8th) have already cited the retroactive implementation of the relevant legislation as a key risk to financing conditions and banking sector performance.

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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

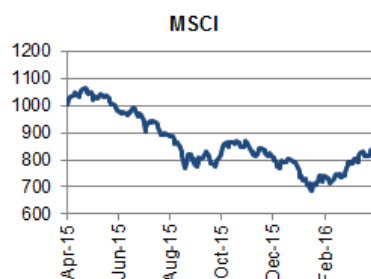
ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* 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

April 15, 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	2082.78	0.0%	1.9%	EUR/USD	1.126	-0.1%	3.7%	UST - 10yr	1.77	-2	-50	GOLD	1230	0.2%	15.9%
Nikkei 225	16848.03	-0.4%	-11.5%	GBP/USD	1.4142	-0.1%	-4.0%	Bund-10yr	0.14	-2	-49	BRENT CRUDE	43	-1.0%	16.4%
STOXX 600	342.31	-0.5%	-6.4%	USD/JPY	109.4	0.0%	9.7%	JGB - 10yr	-0.12	-2	-38	LMEX	2297	-0.2%	4.3%

CESEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	287	0	-16
1-week	2.98	1	-21
1-month	3.12	0	-39
3-month	3.28	-2	-55
6-month	3.56	0	-47

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.43	6	-16
5Y RSD	5.29	0	16
7Y RSD	7.06	0	-63

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.01	-1	-15
USD Nov-24	6.23	0	-18

CDS

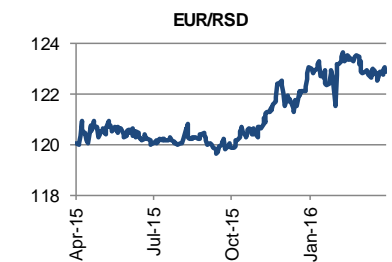
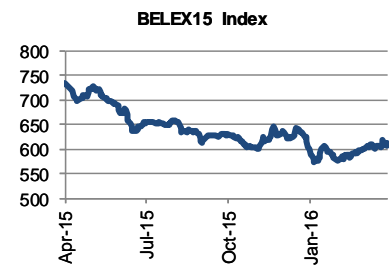
	Last	ΔDbps	ΔYTD bps
5-year	267	5	-7
10-year	306	0	-33

STOCKS

	Last	ΔD	ΔYTD
BELEX15	613.2	0.22%	-4.79%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.87	0.06%	-1.05%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	1	-10
1-month	0.58	1	-11
3-month	0.77	0	-25
6-month	1.02	0	-32
12-month	1.19	0	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.78	0	-15
5Y RON	2.61	2	-19
10Y RON	3.47	2	-31

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.35	#N/A	N/A
USD Jan-24	3.35	1	-43

CDS

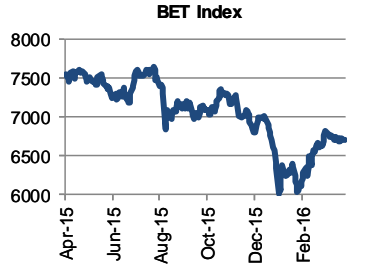
	Last	ΔDbps	ΔYTD bps
5-year	130	0	-3
10-year	174	0	3

STOCKS

	Last	ΔD	ΔYTD
BET	6718.7	-0.12%	-4.08%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4734	0.00%	0.91%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.35	-36	-36
1-month	-0.17	0	-32
3-month	-0.05	0	-31
6-month	0.10	0	-43
12-month	0.43	0	-55

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.37	1	-23
5Y BGN	1.00	-6	-28
10Y BGN	2.55	0	-11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.11	-5	4
EUR Sep-24	2.27	35	-15

CDS

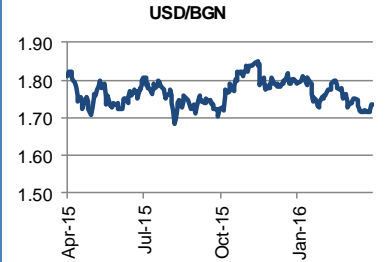
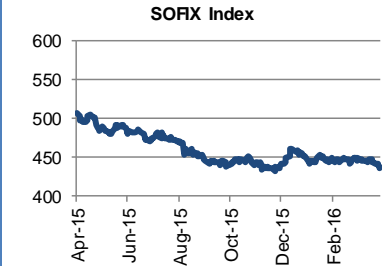
	Last	ΔDbps	ΔYTD bps
5-year	163	0	-9
10-year	209	0	-7

STOCKS

	Last	ΔD	ΔYTD
SOFIX	435.9	0.07%	-5.42%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7369	-0.06%	3.65%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
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April 15, 2016

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