



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, March 28, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- March 28: Personal income & spending (Feb)
- March 29
 - Case Shiller house price index (Jan)
 - Conference Board consumer confidence (Mar)
- March 30: ADP employment report (Mar)
- March 31
 - Jobless claims (weekly)
 - Chicago PMI (Mar)
- April 1
 - Non-farm payrolls (Mar)
 - ISM index manuf. (Mar)

EUROZONE

- March 29: M3 money supply (Feb)
- March 30: Economic sentiment indicator (Mar)
- March 31: CPI (Mar, prel.)
- April 1: PMI manuf. (Mar,f.)

GREECE

- March 31: Turnover index in retail trade (Jan)

SEE

BULGARIA

- March 31-April 1: Budget balance (Feb)

ROMANIA

- March 28: 3.25% 2021 T-Bonds auction
- March 31: MPC meeting
- April 1: International Reserves (Mar)

SERBIA

- March 31
 - Trade Balance (Feb)
 - Retail sales (Feb)
 - Industrial output (Feb)
 - Current account balance (Jan)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of European bourses were standing in negative territory in early trading on Monday following recent hawkish comments from a number of FOMC officials suggesting that the Fed could consider, under certain conditions, raising interest rates as soon as April. Elsewhere, US Treasuries moved lower while the USD retained a firm tone.

GREECE: According to local press reports, high-level officials from the French finance ministry have stated that European creditors may appear more conciliatory with regard to their demands in the context of the 1st programme review, taking into consideration the increased difficulties Greece faces due to the refugee crisis. The IMF, however, is expected to keep its tough position on a number of issues, which reportedly, may result in the completion of the review without the IMF's endorsement. With regard to the current state of negotiations in the context of the 1st programme review the resolution of NPLs appears to be the most difficult issue.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD was little changed last week consolidating within 122.75/95 while any attempt breaking above 123.00 was neutralized by interventions from the National Bank of Serbia in the FX markets aimed at halting any further depreciation pressures on the dinar.

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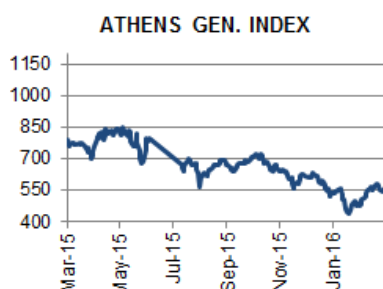
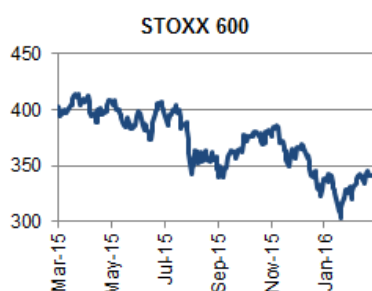
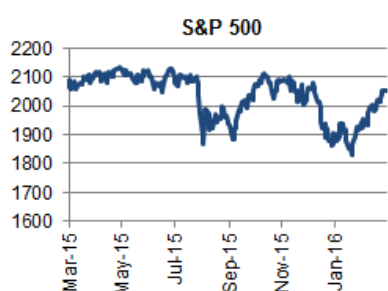
March 28, 2016

Latest world economic & market developments

GLOBAL MARKETS

The majority of European bourses were standing in negative territory in early trading on Monday following recent hawkish comments from a number of FOMC officials suggesting that the Fed could consider, under certain conditions, raising interest rates as soon as April. Renewed geopolitical jitters following the suicide bomb in Lahore, Pakistan, also had an impact. Elsewhere, US Treasuries moved lower pressured by the likelihood of a Fed rate hike earlier than currently expected. In addition, US Q4 GDP was revised to a higher than expected 1.4%QoQ annualized from 0.7%QoQ annualized previously, mainly due to stronger than initially estimated consumer spending. Short-dated sovereign paper underperformed with the 2-yr bond yield hovering around a one-week high of 0.8732% in European trade at the time of writing, albeit on limited investor participation in the first session after the Catholic Easter. In FX markets, the USD retained a firm tone with the DXY index hovering around 96.218 at the time of writing, close to a two-week high of 96.399 hit earlier in the day. Elsewhere, the GBP remained under pressure amid lingering uncertainty about the outcome of the impending referendum on the UK's EU membership on June 23rd. The GBP/USD was standing close to 1.4170/75 at the time of writing, not far from a multi-session low of 1.4055 hit late last week following a spike at one-month highs of 1.4514 a few sessions earlier. Looking at this week's US calendar, focus is on the core personal consumption expenditure price index (PCE) later today ahead of Friday's manufacturing PMI and the key non-farm payrolls report. In the Euro zone, Thursday's preliminary inflation data and the final PMI manufacturing report the following day, also lure market attention. Furthermore, FOMC Chair Janet Yellen is scheduled to speak on Tuesday and New York Fed President William Dudley on Thursday.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to local press reports, high-level officials from the French finance ministry have stated that European creditors may appear more conciliatory with regard to their demands in the context of the 1st programme review, taking into consideration the increased difficulties Greece faces due to the refugee crisis. The IMF, however, is expected to keep its tough position on a number of issues, which reportedly, may result in the completion of the review without the IMF's endorsement. Nevertheless, this alternative may cause difficulties in the disbursement of the next ESM loan tranche, as a number of euro area countries may object to this without the participation of the IMF in the financing of the programme. With respect to debt relief, it is yet unclear whether the completion of the review is not only a necessary but also a sufficient condition for the relevant official negotiations to commence, with a number of European officials stating that this discussion is not urgent. As far as the current state of negotiations in the context of the 1st programme review is concerned, according to press reports the resolution of NPLs appears to be the most difficult issue with the institutions insisting on liberalising the sale of all loans excluding only those cases where the borrowers belong to socially vulnerable groups and whose primary residence is of very low objective value. The Greek side, however, wishes to extend for three years the protection for loans that have the first residence of the borrower as collateral, be they mortgages, consumer or corporate loans, as well as SMEs loans up to 500k euro.

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March 28, 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

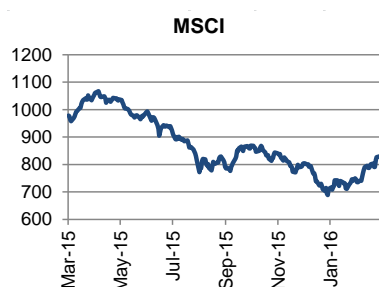
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

Latest world economic & market developments in the CESEE region

SERBIA

The EUR/RSD was little changed last week consolidating within 122.75/95 while any attempt breaking above 123.00 was neutralized by interventions from the National Bank of Serbia in the FX markets aimed at halting any further depreciation pressures on the dinar. During the course of last week, the Central Bank sold EUR45 mn. Moody's raised the outlook of Serbia's sovereign credit rating from stable to positive citing the implementation of structural and fiscal reforms, including the enacted set of laws in 2015, as part of the IMF loan arrangement. Yet, in spite of this positive development, foreign investors' interest for local dinar denominated treasuries and bonds was subdued.

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March 28, 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	2035.94	0.0%	-0.4%	EUR/USD	1.1169	0.0%	2.9%	UST - 10yr	1.91	1	-36	GOLD	1217	0.1%	14.7%
Nikkei 225	17134.37	0.8%	-10.0%	GBP/USD	1.4177	0.3%	-3.8%	Bund-10yr	0.18	0	-45	BRENT CRUDE	41	1.0%	9.6%
STOXX 600	335.10	-1.5%	-8.4%	USD/JPY	113.52	-0.4%	5.8%	JGB - 10yr	-0.08	1	-35	LMEX	2289	-0.4%	3.9%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	285	2	-18
1-week	2.96	0	-23
1-month	3.11	-1	-40
3-month	3.31	2	-52
6-month	3.56	6	-47

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.43	-1	-24
5Y RSD	5.30	0	17
7Y RSD	7.20	0	-49

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.12	-1	-4
USD Nov-24	6.20	1	-21

CDS

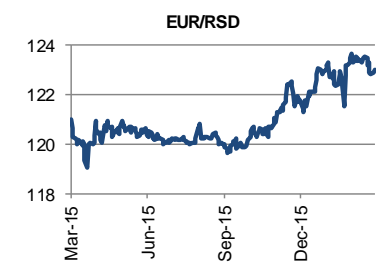
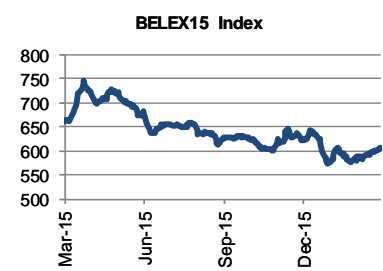
	Last	ΔDbps	ΔYTD bps
5-year	290	30	15
10-year	333	-1	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	605.3	-0.58%	-6.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.76	0.06%	-0.96%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.42	0	-11
1-month	0.57	0	-12
3-month	0.78	0	-24
6-month	1.02	0	-32
12-month	1.19	0	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.80	0	-13
5Y RON	2.62	1	-18
10Y RON	3.37	0	-41

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	0	-17
USD Jan-24	3.37	0	-41

CDS

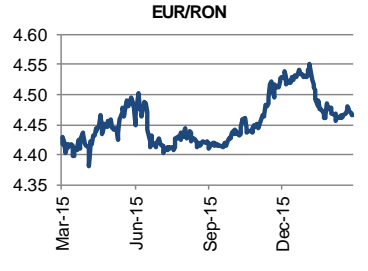
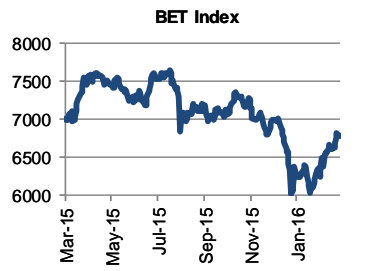
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-18
10-year	163	1	-9

STOCKS

	Last	ΔD	ΔYTD
BET	6764.0	0.13%	-3.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4608	0.07%	1.19%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.00	0	-1
1-month	-0.14	-1	-29
3-month	-0.02	0	-29
6-month	0.12	-1	-41
12-month	0.43	0	-54

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.38	-3	-23
5Y BGN	1.04	-7	-23
10Y BGN	2.62	0	-3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.05	0	-1
EUR Sep-24	2.37	15	-5

CDS

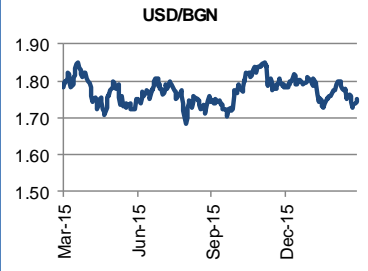
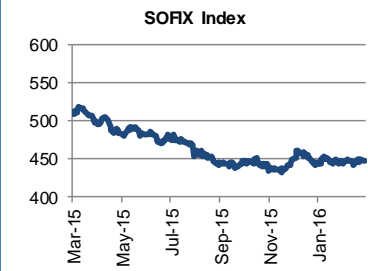
	Last	ΔDbps	ΔYTD bps
5-year	168	2	-3
10-year	218	0	1

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.3	-0.34%	-3.60%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7513	0.02%	2.80%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
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March 28, 2016

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