

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- April 5: ISM index (non-manufacturing) (Mar)
- April 6: FOMC minutes from the March 15-16 policy meeting
- April 7: Initial jobless claims

EUROZONE

- April 5: PMI manufacturing (Mar. f.)
- April 7: ECB releases minutes on monetary policy considerations as of March 10

GREECE

- April 4: Official discussions resume in the context of the 1st programme review between the mission heads and the Greek authorities
- April 7
 - Euro Working Group convenes
 - Labour force survey (Jan.)
 - Commercial transactions (Feb. prov.)

SEE

BULGARIA

- April 8
 - Retail Sales (Feb)
 - Industrial Production (Feb)
- April 9: Unemployment Rate (March)

ROMANIA

- April 4: Producer's Price Index (Feb)
- April 5: Retail Sales (Feb)
- April 6: Net Wages (Feb)
- April 8: GDP (SA, Q4)

SERBIA

- April 7
 - NBS policy meeting
 - Producer's Price Index (Feb)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The US dollar was weaker across the board and US Treasuries gained some ground following the minutes of the FOMC March policy meeting, which were broadly consistent with the post-meeting official statement and Chair Janet Yellen's recent remarks before the New York Club.

GREECE: Official discussions between the Greek government and official creditors on the 1st programme review are ongoing with an intention to reach an agreement in principle on the required conditionality on Sunday, April 10th, a couple of days before the ECB/ESM/EC/IMF mission heads depart from Athens to attend the IMF 2016 Spring Meeting that commences on April 15th. Speaking to reporters late yesterday after a meeting with official creditors, Greece's Minister of Finance Euclid Tsakalotos expressed his optimism that on Sunday afternoon official creditors and the Greek government will complete a draft agreement document that could form the base for the commencement of official discussions on debt relief at the upcoming IMF meeting.

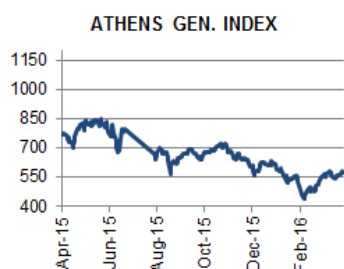
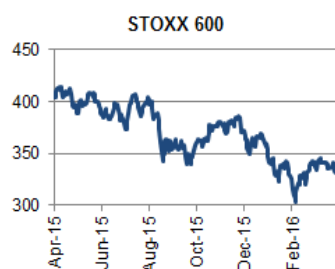
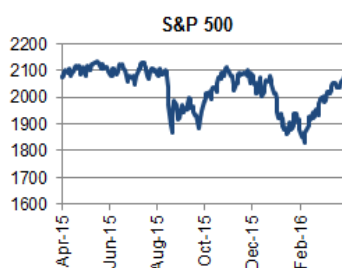
SOUTH EASTERN EUROPE

ROMANIA: Nominal wage growth gained further speed in February.

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BULGARIA



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

The US dollar was weaker across the board and US Treasuries gained some ground following the minutes of the FOMC March policy meeting, which were broadly consistent with the post-meeting official statement and Chair Janet Yellen's recent remarks before the New York Club. In more detail, the minutes confirmed that the Fed is not likely to raise interest rates any time soon in view of "appreciable downside risks" from global economic and financial developments as well as uncertainty over whether the recent increase in US inflation will be sustained. The USD's renewed weakness was more pronounced against the JPY hitting a 17-month low near 108.50 earlier today in spite of verbal warnings from Japanese officials. Market scepticism over whether Japanese authorities are actually determined to intervene in FX markets to halt the pace of the JPY's appreciation ahead of the G7 Summit that Japan is hosting in late May, may also had an impact. Elsewhere, the EUR/USD was hovering around 1.1385/88 at the time of writing, not far from a 5½ month peak of 1.1453 marked earlier in the session. The USD's weakness favored oil prices with Brent crude standing slightly above \$40/barrel in European trade, 0.6% higher compared to the settlement in the prior session and levels around \$37.30/barrel tested at some point earlier this week. Looking at today's calendar, the focus in the euro area is on the minutes of the March ECB meeting while in the US weekly jobless claims report takes centre stage.

GREECE

Official discussions between the Greek government and official creditors on the 1st programme review are ongoing with an intention to reach an agreement in principle on the required conditionality on Sunday, April 10th, a couple of days before the ECB/ESM/EC/IMF mission heads depart from Athens to attend the IMF 2016 Spring Meeting that commences on April 15th. According to the local press, the two sides have reached an agreement on most items of the planned social security pension reform and the overhaul of the income tax code but some differences remain on other prior actions, including the establishment of the new Privatization Fund and the NPL resolution framework. Speaking to reporters late yesterday after a meeting with official creditors, Greece's Minister of Finance Euclid Tsakalotos expressed his optimism that on Sunday afternoon official creditors and the Greek government will complete a draft agreement document that could form the base for the commencement of official discussions on debt relief at the upcoming IMF meeting. Reportedly, that document could take the form of an official announcement recording the progress made in official negotiations on the review so far or an agreement in principle. According to the Greek Minister of Finance, European creditors and the IMF will sign separate documents "that will be similar but not identical". Reportedly, the IMF's document will express reservations about the fulfillment of the agreed target for a primary surplus of 3.5%-of-GDP by 2018 given the measures that will be included in that interim agreement. Greece's Minister of Finance clarified that the draft agreement document will not allow the release of an ESM loan tranche without the clarification of the IMF's role in the new programme and the approval of the agreement by the Eurogroup and the European Commission. The draft agreement document will be reportedly submitted to euro area finance ministers who are scheduled to convene on April 22nd.

April 7, 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	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

ROMANIA

Nominal wage growth gained further speed by 1ppt on an annual basis in February. Net wages came at +0.4% MoM/+12.7% YoY in February up from -8.1% MoM/+11.7% YoY in January down from +10.2% MoM /+13.3% YoY in last December. If the negative inflation stemming from the headline and VAT food stuff rate cuts is factored in, real wages growth accelerated further to +15.3% YoY in February up from +13.9% YoY in January compared to +14.2% YoY in December. The reading is still the highest in EU-28 and a new post-crisis high for the standards of Romania. A generous wage increase approved by the parliament for all other unions of the broad public sector- effective from December except for the education and the health sectors which have already received 15% and 25% increases respectively is the main driver behind wage acceleration. In addition, the government announced its intention to increase wages of lower-paid public sector employees on average by 5% effective from August. The move would have an impact of RON0.5bn in 2016 and further RON1.5bn in 2017, without exceeding the 3% threshold in the consolidated deficit according to the government plans.

The expansion in public sector wages has also spillovers in the private sector wage formation. Even though private sector wage dynamics are still struggling to follow those of the public sector, they have exceeded double digits again (+10.3% YoY in February compared to +9.4% YoY in January down from +10.7% YoY in last December). Looking ahead, the implementation of a 19% hike in the minimum wage effective from next May will continue to put further upward pressure to the average wage in the near term. Robust real wage growth in private and public sector in tandem with improving sentiment and labor market tightening conditions have been fueling a consumption spending boom throughout 2015, a trend which most probably continue throughout 2016. On the downside, double digit wage formation entails negative implications for the price competitiveness of the tradables sector which has started to reflect on the net exports side and effectively will be RON negative.

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April 7, 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	2066.66	1.1%	1.1%	EUR/USD	1.137	-0.3%	4.7%	UST - 10yr	1.74	-2	-53	GOLD	1228	0.5%	15.7%
Nikkei 225	15749.84	0.2%	-17.3%	GBP/USD	1.4076	-0.3%	-4.5%	Bund-10yr	0.11	-1	-52	BRENT CRUDE	40	0.6%	7.5%
STOXX 600	331.19	0.2%	-9.5%	USD/JPY	108.61	1.1%	10.5%	JGB - 10yr	-0.05	1	-32	LMEX	2252	0.2%	2.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	286	-1	-17
1-week	2.97	-1	-22
1-month	3.10	-2	-41
3-month	3.28	0	-55
6-month	3.54	0	-49

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.37	-10	-13
5Y RSD	5.25	-5	12
7Y RSD	7.18	0	-51

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.09	-2	-8
USD Nov-24	6.23	0	-18

CDS

	Last	ΔDbps	ΔYTD bps
5-year	260	-3	-14
10-year	307	1	-32

STOCKS

	Last	ΔD	ΔYTD
BELEX15	618.2	1.76%	-4.03%

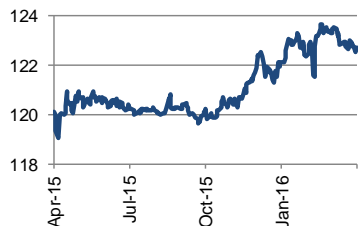
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.66	-0.01%	-0.88%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	0	-10
1-month	0.59	-2	-10
3-month	0.77	-1	-25
6-month	1.04	0	-30
12-month	1.19	-1	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.75	-1	-18
5Y RON	2.56	0	-24
10Y RON	3.35	1	-43

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	#N/A	N/A
USD Jan-24	3.32	-1	-46

CDS

	Last	ΔDbps	ΔYTD bps
5-year	120	2	-13
10-year	163	2	-8

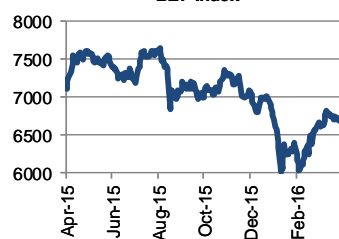
STOCKS

	Last	ΔD	ΔYTD
BET	6721.2	0.42%	-4.04%

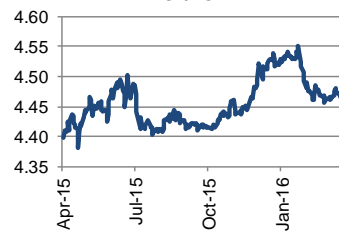
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4671	0.03%	1.05%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	0
1-month	-0.15	0	-30
3-month	-0.03	0	-29
6-month	0.12	0	-41
12-month	0.43	0	-54

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	0	-20
5Y BGN	1.07	-1	-20
10Y BGN	2.57	0	-9

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.10	-14	3
EUR Sep-24	2.36	0	-6

CDS

	Last	ΔDbps	ΔYTD bps
5-year	170	3	-2
10-year	217	3	1

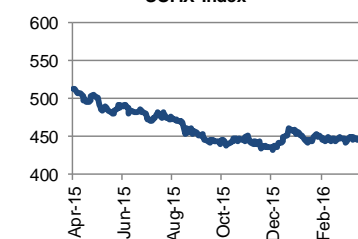
STOCKS

	Last	ΔD	ΔYTD
SOFIX	442.1	-0.26%	-4.09%

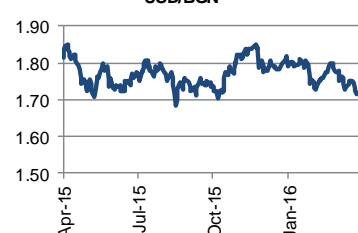
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7202	-0.24%	4.66%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:00 EEST, April 7, 2016

April 7, 2016

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