

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, March 17, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- March 15
  - Empire State Index (Mar)
  - Retail sales (Feb)
  - NAHB Housing index (Mar)
- March 16
  - CPI (Feb)
  - Housing starts (Feb)
  - Housing permits (Feb)
  - Industrial production (Feb)
  - FOMC meeting
- March 17
  - Philly Fed (Mar)
  - Jobless claims (weekly)
- March 18: UoM sentiment (Mar, p)

#### EUROZONE

- March 14: Industrial production (Jan)
- March 17: HICP (Feb, final)

#### GREECE

- March 17: Labour Force Survey (Q4-2015)

#### CYPRUS

- March 18: Moody's and S&P credit rating reviews

#### SEE

##### BULGARIA

- March 14: CPI (Feb)
- March 14-16: U/E rate (Feb)
- March 17: CAD (Jan)

##### ROMANIA

- March 14
  - Industrial output (Jan)
  - RON 400mn 3.5% 2022 T-bonds auction
- March 15: CAD (Jan)
- March 17: 2.25% 2020 T-bonds auction

##### SERBIA

- March 15: Trade balance (Jan)
- March 17: MPC meeting
- March 18: Moody's credit rating review

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** In line with market expectations, the Fed stayed put on interest rates at its two-day policy meeting that concluded late yesterday. Yet, the overall tone of the accompanying statement was more dovish than expected while the FOMC participants' assessment of appropriate monetary policy suggested a more gradual than previously expected pace of rate tightening ahead.

**GREECE:** Official discussions between the Greek government and the mission heads in the context of the 1<sup>st</sup> programme review will continue today with the agenda focusing on the planned income tax code reform and the overhaul of the social security pension system. Speaking to reporters yesterday, government spokeswoman Olga Gerovasili said that a staff level agreement on the conditionality attached to the review could be reached by March 25<sup>th</sup> and reiterated that the government remains committed to avoid any further cuts in main pensions.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Most emerging market assets rallied in morning European trade on Thursday after the Fed adopted a more dovish than anticipated tone at its monetary policy meeting yesterday, signaling a less aggressive than previously envisioned rate-tightening path ahead. Meanwhile, global oil prices extended the prior session's hefty gains, providing further support to sentiment towards risky assets.

#### DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

## Latest world economic & market developments

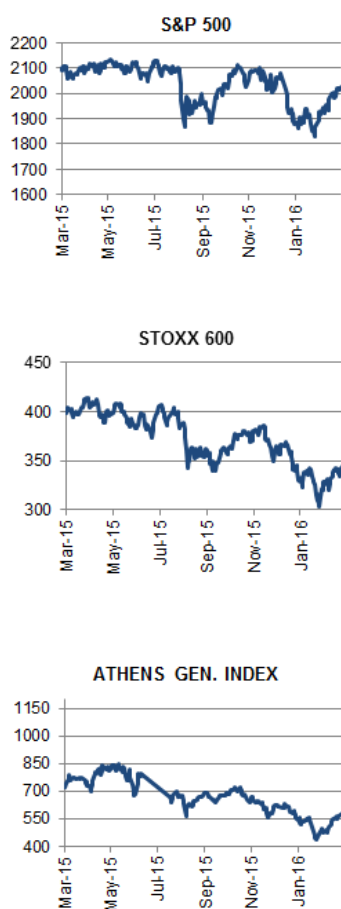
### GLOBAL MARKETS

In line with market expectations, the Fed stayed put on interest rates at its two-day meeting that concluded late yesterday. Yet, the overall tone of the accompanying statement was more dovish than expected with the FOMC highlighting that “global economic and financial developments continue to pose risks” whereas the January statement said that “the Committee is closely monitoring global economic and financial developments and is assessing their implications for the labor market and inflation, and for the balance of risks to the outlook”. In addition, while the statement reiterated that further gradual increases in the federal funds rate will be warranted, the FOMC participants’ assessment of appropriate monetary policy suggested a more gradual than previously expected pace of rate tightening ahead. Indicatively, the median dot for year-end 2016 was lowered by 50bps to 0.9% from 1.4% previously implying two rate hikes down from four projected in December. Reacting to the above, global equity markets were firmer on Thursday and US Treasuries gained with short-dated notes outperforming shrugging off firmer than expected US CPI inflation data. In FX markets, the US dollar moved lower with the DXY index standing close to 95.029 points at the time of writing, within distance from a multi-month low of 95.016 points marked earlier in the day. Elsewhere, the NZD was among the main outperformers on data showing that the domestic economy expanded by a higher-than-expected 0.9%QoQ in Q4 2015. Looking at the day ahead, focus is on the BoE monetary policy meeting and the press conference that will follow. On the data front, major releases include the US’ initial jobless claims data and the Philly Fed’s manufacturing survey.

### GREECE

Official discussions between the Greek government and the mission heads in the context of the 1<sup>st</sup> programme review will continue today with the agenda focusing on the planned income tax code reform and the overhaul of the social security pension system. According to the local press, the tax free threshold is one of the main stumbling blocks in official discussion regarding the planned income tax code reform. As per the same sources, the Greek side insists on a threshold at €9,500 while official creditors argue for a lower one at €7,000-€8,000. As regards, the planned overhaul of the social security pension reform, a divergence of views continues to exist with respect to the replacement rates, the level of the state guaranteed pension and the government’s proposal for a 1.5% increase in social security contributions as a means to avert a further cut in main pensions. Reportedly, the planned overhaul of the social security pension system and the income tax code reform are projected to yield 2.0%-of-GDP in FY-2016 cumulatively (1%-of-GDP each) to partially cover a fiscal gap of 3.0%-of-GDP for the period FY-2016 and FY-2018. Speaking to reporters yesterday, government spokeswoman Olga Gerovasili said that a staff level agreement on the conditionality attached to the review could be reached by March 25<sup>th</sup> and reiterated that the government remains committed to avoid any further cuts in main pensions. In other news, a 2-day EU-Turkey summit on migration commences today in Brussels. Meanwhile, Panos Kammenos, Minister of National Defense and President of junior coalition partner Independent Greeks has requested the resignation of Alternate Minister of Migration Policy Yiannis Mouzalas following controversial remarks regarding the Former Yugoslav Republic of Macedonia FYROM during a local TV interview earlier this week. In a press briefing the government spokeswoman said that a decision on the issue will be taken after the conclusion of the EU Summit.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)



Source: Reuters, Bloomberg, Eurobank Research

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

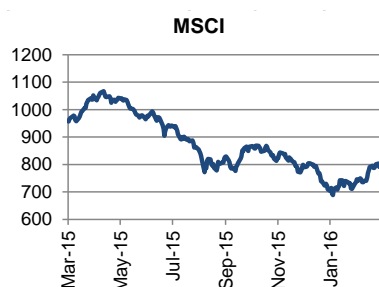
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicators	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	B3	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National  
Authorities, Eurobank Research

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

### CESEE MARKETS

Most **emerging market assets** rallied in morning European trade on Thursday after the Fed adopted a more dovish than anticipated tone at its monetary policy meeting yesterday, signaling a less aggressive than previously envisioned rate-tightening path ahead. Meanwhile, global oil prices extended the prior session's hefty gains, providing further support to sentiment towards risky assets. In this context, the MSCI Emerging Markets index firmed by 2.2% earlier today compared to the prior session's settlement, having fully erased earlier year-to-date losses. In the CESEE region, Hungary's BUX led the winners' pack with a 2.0% rally that led the index to its highest level in eight years, while Turkey's BIST100 trailed behind with gains to the tune of 1.6% at the time of writing.

A similar picture was evidenced in **emerging currency and bond markets** amid improved risk appetite. In the CESEE space, the Turkish lira firmed to a 4-month peak of 2.8400/USD in European trade on Thursday. Meanwhile, the Hungarian forint, the Polish zloty and the Romanian leu recovered ground from yesterday's multi-session lows against the euro hit amid persistently accommodative Central Bank monetary policies against a backdrop of benign inflation pressures. In more detail, the EUR/HUF hovered around levels of 310.35 at the time of writing having recoiled from a 1-month high of 312.11 on Wednesday. Similarly, the EUR/PLN eased as far as 4.2700 in early European trade from a 3-session peak of 4.3123, while the EUR/RON pulled back from a 1-month high of 4.4810 to levels near 4.4700. In the **local rates markets**, 10-year Polish benchmark government bond yields slid by 10bps to 2.828%, while that of Turkish paper fell by 24bps to 9.80%.

Looking into **today's calendar**, the 2020 T-bond auction in Romania and the MPC meeting in Serbia take centre stage. On the latter, we reiterate that we anticipate the Central Bank to hold its horses and maintain the key policy rate at the current record low level of 4.25% ahead of the upcoming snap general elections scheduled for April 24<sup>th</sup>.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

## 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	2027.22	0.6%	-0.8%	EUR/USD	1.1335	0.9%	4.4%	UST - 10yr	1.86	-5	-41	GOLD	1270	0.6%	19.7%
Nikkei 225	16936.38	-0.2%	-11.0%	GBP/USD	1.4357	0.7%	-2.6%	Bund-10yr	0.25	-7	-38	BRENT CRUDE	41	1.6%	9.9%
STOXX 600	336.17	-1.4%	-8.1%	USD/JPY	111.19	1.2%	8.0%	JGB - 10yr	-0.04	4	-31	LMEX	2288	-0.3%	3.8%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	284	1	-19
1-week	2.96	2	-23
1-month	3.12	0	-39
3-month	3.30	0	-53
6-month	3.50	0	-53

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.36	-8	-31
5Y RSD	5.29	-1	16
7Y RSD	7.64	0	-6

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.97	-3	-19
USD Nov-24	6.18	-1	-24

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	288	19	14
10-year	334	0	-5

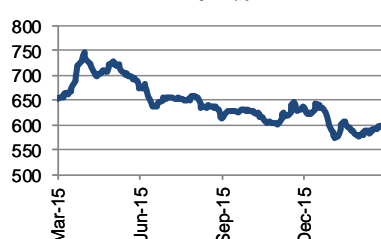
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	599.7	-0.25%	-6.90%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.25	-0.01%	-1.35%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.41	0	-12
1-month	0.56	0	-13
3-month	0.79	0	-23
6-month	1.05	1	-29
12-month	1.21	-1	-31

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.80	0	-13
5Y RON	2.58	-2	-22
10Y RON	3.29	-2	-49

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.45	#N/A	-12
USD Jan-24	3.32	-9	-46

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	121	-1	-12
10-year	166	-1	-5

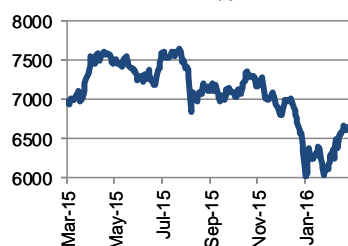
## STOCKS

	Last	ΔD	ΔYTD
BET	6778.5	1.37%	-3.22%

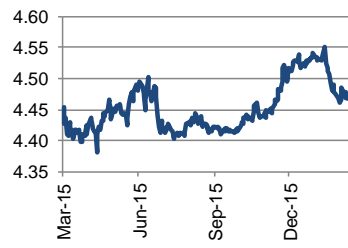
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4763	0.09%	0.84%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.12	-1	-28
3-month	0.00	-1	-26
6-month	0.17	-4	-36
12-month	0.55	-9	-42

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.38	2	-22
5Y BGN	1.19	11	-8
10Y BGN	2.64	0	-1

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.06	5	-1
EUR Sep-24	2.39	-3	-3

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	164	-1	-7
10-year	211	-1	-5

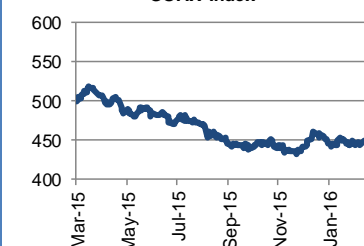
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.8	-0.29%	-3.06%

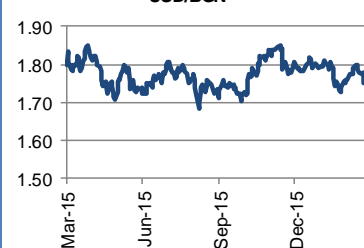
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7253	1.00%	4.35%

SOFIX Index



USD/BGN



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

Data updated as of 12:40 EET

## Contributors

**Paraskevi Petropoulou**  
G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3337305  
[IGKIONIS@eurobank.gr](mailto:IGKIONIS@eurobank.gr)

**Anna Dimitriadou (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Stylianios G. Gogos (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3371226  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Olga Kosma: Economic Analyst**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr), +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr), +30 210 33 71 228

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](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

