

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- March 23: Existing home sales (Feb)
- March 24
  - CPI (Feb)
  - New home sales (Feb)
- March 25: Durable goods orders (Feb)
- March 26: Initial jobless claims (Mar 21)
- March 27: GDP (Q4, 3<sup>rd</sup>)

##### EUROZONE

- March 23: ECB's Draghi speaks
- March 24: PMI manufacturing (Mar)

##### CYPRUS

- March 26: CAD (Q414)
- March 27
  - Labour force surv. (Q4)
  - Retail trade (Jan)

##### GREECE

- March 23: Current account balance (Jan)
- March 26: Deposits (Jan)

##### SEE

##### BULGARIA

- March 23: 3.1% 2025 T-Bonds auction
- March 27: Gross external debt (Jan)

##### SERBIA

- March 23: 5-year EUR T-Notes auction
- March 24: 7-year RSD T-bonds auction
- March 25:
  - Gross wages (Feb)
  - 2-year floating RSD T-Notes auction
- March 20: CAD (Dec)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** In FX markets, the USD moved lower for the second consecutive trading day. Although the FOMC dropped the “patient” guidance from its post-meeting policy statement, comments by Chairman Janet Yellen at the ensuing press conference suggested that the Central Bank will not rush to embark on a rate tightening cycle. However, with the monetary policy divergence remaining a key theme in FX markets, any further USD depreciation in the coming sessions will likely be limited.

**GREECE:** Greece's Prime Minister Alexis Tsipras is scheduled to meet German Chancellor Angela Merkel today in Berlin with a joint press conference to follow at 19:00CET. According to reports, the main issues of discussion will include, among other, bilateral relations and a draft of a fully costed list of reforms the Greek government is reportedly expected to submit in the days ahead to the Institutions with a view to have it swiftly approved by euro area finance ministers.

**CYPRUS:** According to first GDP estimates for 2014 released on Friday, the full-year output contraction was contained at 2.3% from 5.4% in 2013. The reading came out much lower than envisaged in both the initial and the revised programme forecasts (-3.9% in the initial programme drafted back in May 2013 and -4.8% in the latest review in February 2014 respectively).

### SOUTH EASTERN EUROPE

**ROMANIA:** Continuous government bond selling ahead of the FOMC, particularly in maturities above 5-years, pushed the long end of the curve around 10bps higher on a weekly basis, while paper of lower maturity proved more resilient.

**SERBIA:** The EUR/RSD closed modestly higher on a weekly basis at 120.00/20 as the pair's downside - amid strong interest towards RSD denominated T-bills and T-bonds - was capped by renewed Central Bank interventions in the FX markets.

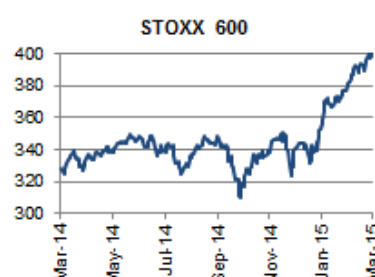
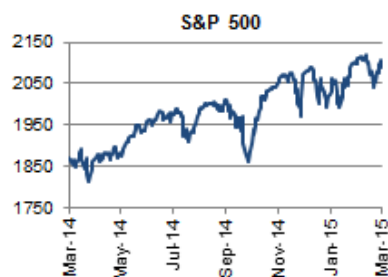
**CESEE MARKETS:** Most **emerging market assets** staged a relief rally last week, in response to a more dovish than expected FOMC tone which suggested that the Fed may be less aggressive in its upcoming rate-tightening cycle, anticipated to incept later this year.

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## Latest world economic & market developments

### GLOBAL MARKETS



Bucking the positive trend in Asia today, Major European bourses were weaker in early trade on Monday on profit taking following recent hefty gains recorded after the launch of the ECB's expanded asset purchase programme and the more dovish than expected tone of last week's FOMC monetary policy statement. In FX markets, the USD moved lower for the second consecutive trading day. Although the FOMC dropped the "patient" guidance from its post-meeting policy statement, comments by Chairman Janet Yellen at the ensuing press conference suggested that the Central Bank will not rush to embark on a rate tightening cycle. However, with the monetary policy divergence remaining a key theme in FX markets, any further USD depreciation in the coming sessions will likely be limited. Looking at this week's calendar focus is on US February CPI data on Tuesday while, in the euro area, market attention is on manufacturing flash PMIs on Tuesday and the German IFO report on Wednesday both for the month of March. Meanwhile, ECB President Mario Draghi testifies today before lawmakers at the EU Parliament.

### GREECE

Greece's Prime Minister Alexis Tsipras is scheduled to meet German Chancellor Angela Merkel today in Berlin with a joint press conference to follow at 19:00CET. According to reports, the main issues of discussion will include, among other, bilateral relations and a draft of a fully costed list of reforms the Greek government is reportedly expected to submit in the days ahead to the Institutions with a view to have it swiftly approved by euro area finance ministers. As stated by Eurogroup President Jeroen Dijsselboem in the sidelines of last week's EU Summit, euro area finance ministers could meet soon (reportedly by March 30) to examine the possibility of allowing a partial release of the €7.2bn pending loan tranche to Greece, provided that the Greek side presents a comprehensive list of reforms that is positively assessed by the Institutions. According to press reports, this early disbursement could amount to €1.9bn and include the profits accrued to the Eurosystem's ANFA and SMF portfolios of Greek debt. As per the same sources, the said list would envisage, among others: (i) higher VAT rates on tobacco products and some alcoholic beverages; and (ii) higher tax rates for high income earners; and (iii) implementation of certain privatization projects.

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### CYPRUS

According to first GDP estimates for 2014 released on Friday, the full-year output contraction was contained at 2.3% from 5.4% in 2013. The reading came out much lower than envisaged in both the initial and the revised programme forecasts (-3.9% in the initial programme drafted back in May 2013 and -4.8% in the latest review in February 2014 respectively). The outperformance of private consumption (+0.4% in 2014 vs. -6.0% in 2013) was the main driver behind the aforementioned improvement, proving a +0.3ppts contribution in 2014 growth vs. -4.0ppts in 2013. Investments remained almost flat (+0.2% in 2014) after the sharp contraction in the previous two years (-30.0% in 2013 and -15.6% in 2012 respectively) thanks to the positive contribution of inventories (+2.7ppts). On the flipside, a sharp rebound in imports (+8.1% in 2014 up from -13.6% in 2013) and a smaller concomitant recovery in exports (+3.0% in 2014 vs. -2.6% in 2013) resulted in net exports subtracting 1.0ppts from growth in 2014 in a reversal of a positive 4.7ppts contribution in the prior year. Looking ahead, the official programme envisages a switch to a positive real GDP growth rate in 2015 (+0.4% according to the last review). In our view, the risk of flat growth or even a marginally negative performance this year is looming, primarily in view of negative spillovers from the unfolding recession in Russia and the ongoing Russia-Ukraine conflict.

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CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.3	0.4
HICP (pa, yoy %)	0.4	-0.3	0.7
Budget Balance/GDP	-4.7	0.4	-1.2
Current Account/GDP	-1.9	-1.1	-0.8

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

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

### ROMANIA

ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.25	2.00

\* on a cash basis

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

The Fed meeting was the dominating theme in RON, as well as in global, markets last week. Continuous bond selling ahead of the FOMC, particularly in maturities above 5-years, pushed the long end of the curve around 10bps higher on a weekly basis, augmenting losses recorded in February and the first part of March. In more detail, the 10-year yield reached a 1½-month high of around 3.35% on Wednesday's close, compared to 3.10% on the previous Friday and a record low of 2.60% hit in early February. On the flipside, short term money market rates remained at their recent relatively low levels, close to the deposit facility of 0.25%. Meanwhile, paper of under 5-years maturity was more resilient as this segment is mostly held by domestic investors and is better supported by low money market rates. With the prospect of sooner than previously anticipated higher US rates having largely been mitigated and a light issuance calendar featuring only T-Bills, the bond market is likely to consolidate around recent levels this week. Yet, short term RON rates may face some short-lived upward pressures in view of the inception of the new reserve period.

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### SERBIA

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-1.8	-0.5
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-6.5	-7.1	-5.5
Current Account/GDP	-6.1	-6.1	-6.0
EUR/RSD (eop)	114.60	120.96	125.00
	2014	current	2015f
Policy Rate (eop)	8.00	7.50	7.50

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

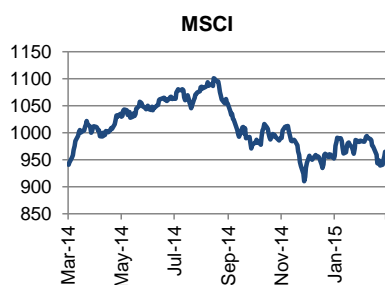
The EUR/RSD closed modestly higher on a weekly basis at 120.00/20 as the pair's downside - amid strong interest towards RSD denominated T-bills and T-bonds - was capped by renewed Central Bank interventions in the FX markets. Throughout the course of last week, the National Bank of Serbia (NBS) intervened three times. Renewed NBS action appears to be keeping traders away from taking up fresh short EUR/RSD positions. Barring any further NBS action, the pair's technical picture suggests that immediate support currently stands at 119.90 ahead of the more crucial 118.00 level. On the data front, the current account deficit narrowed by 30%YoY to € 276mn in December 2014, bringing the shortfall for the whole of the year to €1,985mn, equivalent to 6.0% of GDP. The latter figure is nearly in line with a 6.1% of GDP gap recorded in 2013.

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### CESEE MARKETS

Most **emerging market assets** staged a relief rally last week, in response to a more dovish that expected FOMC tone which suggested that the Fed may be less aggressive in its upcoming rate-tightening cycle, anticipated to incept later this year. In **FX markets**, the Turkish lira posed as the region's top performer hitting a 2-week high near 2.56/USD late last week. The currency received additional support from the CBT's cautious tone and broadly anticipated decision to stay put on interest rates at its MPC meeting last Tuesday. That said, renewed lira weakness in the coming sessions can not be ruled out entirely, especially if upcoming US data surprises to the upside. Renewed tensions between President Tayyip Erdogan and the Central Bank may also resurface, while the prospect of further CBT rate cuts ahead also bodes ill for the currency. With this week's **global and regional calendars** appearing to be rather thin, focus lies primarily on Tuesday's MPC meeting in Hungary, where the market's consensus is for a 20bps key policy rate cut to a new record low of 1.90%. In support of the aforementioned, risks to the domestic growth outlook linger, while deflation pressures persisted for the sixth month running in February, with annual CPI of -1.0% remaining within distance from a lifetime trough of -1.4% marked in the prior month and well below a medium-term official target of +3.0%.

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L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	B+	B-

March 23, 2015

**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	2108.13	0.9%	2.4%	EUR/USD	1.077	1.0%	-11.0%	UST - 10yr	1.94	-3	-23	GOLD	1182	0.9%	-0.3%
Nikkei 225	19560.22	0.4%	12.1%	GBP/USD	1.4882	0.9%	-4.5%	Bund-10yr	0.18	-1	-36	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	403.93	0.8%	17.9%	USD/JPY	120.54	0.2%	-0.7%	JGB - 10yr	0.33	-1	0	LMEX	2713	2.3%	-6.9%

**SEE MARKETS**

**SERBIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
BELIBOR	on	0	-322
T/N	7.29	-3	-272
1-week	7.84	-6	-221
1-month	8.34	-11	-151
3-month	8.53	-12	-126
6-month			

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.41	#N/A N/A	36
5Y RSD	10.15	-1	-3
7Y RSD	11.27	-1	2

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.61	-1	-65
USD Nov-24	6.43	0	-16

**CDS**

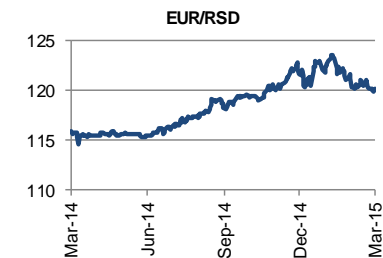
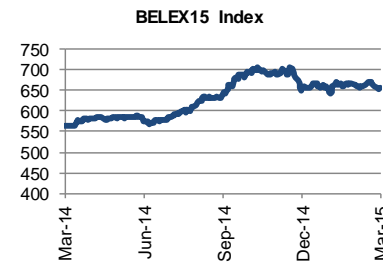
	Last	ΔDbps	ΔYTD bps
5-year	235	-36	-55
10-year	263	-34	-93

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	654.4	-0.02%	-1.90%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	119.96	-0.09%	1.16%



**ROMANIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
ROBOR	0/N	0.58	2
O/N	0.81	0	-10
1-month	1.31	0	-39
3-month	1.56	1	-45
6-month	1.62	1	-40
12-month			

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	2.07	-1	-24
5Y RON	2.35	-2	-36
10Y RON	3.20	-2	-46

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.30	2	-43
USD Aug-23	3.34	-5	-27

**CDS**

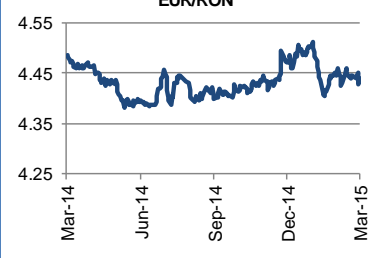
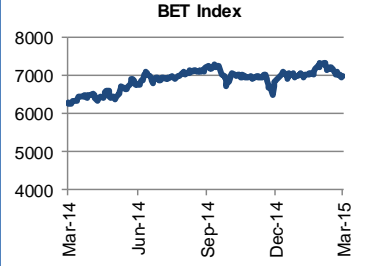
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-33
10-year	153	0	-33

**STOCKS**

	Last	ΔD	ΔYTD
BET	6979.1	0.03%	-1.47%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4389	-0.29%	1.00%



**BULGARIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
SOFIBOR	0.01	0	-1
LEONIA	0.16	0	-6
1-month	0.36	0	-7
3-month	0.70	0	-9
6-month	1.31	-1	-20
12-month			

**BG Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y BGN	0.39	-6	-65
5Y BGN	0.65	-4	-79
10Y BGN	1.82	0	-93

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.74	-28	-42
EUR Sep-24	2.33	-10	-54

**CDS**

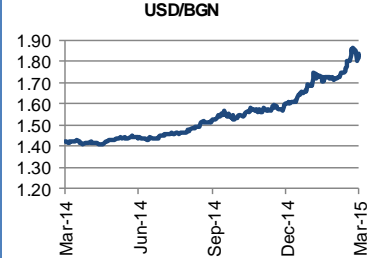
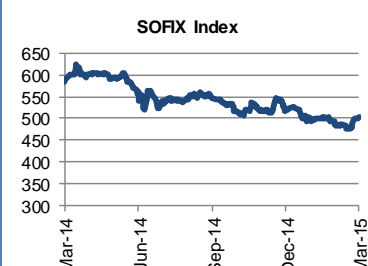
	Last	ΔDbps	ΔYTD bps
5-year	164	-1	-27
10-year	211	-1	-30

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	504.2	0.83%	-3.42%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8161	1.04%	-10.99%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 17:30 EET of previous session

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