

### 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 (Q4,14)
- 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:** The US currency regained some ground in European trade on Friday assisted by y-day's positive US data and hawkish comments by Federal Reserve Bank of Atlanta President Dennis Lockhart. Focus today is on FOMC Chairman Janet Yellen who is scheduled to deliver a speech at 20:45 CET.

**GREECE:** Greece is reportedly expected to submit on Monday a fully costed list of reforms with a view to have it swiftly approved by euro area finance ministers, in an effort to secure an early (partial) disbursement of the €7.2bn pending loan tranche. On the data front, the most recent Bank of Greece data revealed that euro-denominated deposits & reports of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) dropped in February for the fifth month in a row coming in at the lowest level since March 2005.

**CYPRUS:** According to the latest MFIs loans and deposits statistics released by the Central Bank of Cyprus yesterday, total deposits declined by 3.8%YoY in February to stand at €46.5bn. Meanwhile, total loans decreased by 1.2%YoY over the same month to amount to €64.6bn.

### SOUTH EASTERN EUROPE

**BULGARIA:** According to media reports quoting the Minister of Agriculture and Food Dessislava Taneva, over €1bn of EU funds out of a total of €2.3bn will be available for boosting competitiveness in the agricultural sector.

**ROMANIA:** The general consolidated budget ran a 0.33% of GDP cash-basis surplus over the first two months of the year vs. a shortfall of 0.46% of GDP recorded over the same period in 2014.

**SERBIA:** Speaking to reporters in Belgrade on Thursday, Prime Minister Aleksandar Vucic expressed belief that the Q1 budget deficit won't exceed RSD 27bn, an amount half the IMF-backed target of RSD 55.7bn for that period.

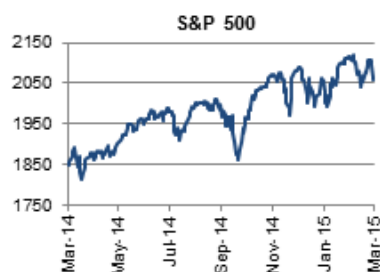
**CESEE MARKETS:** Tracking losses in global bourses on Thursday, **emerging stock markets** closed broadly lower amid increasing geopolitical tensions in the Middle East. Against a backdrop of deteriorating risk sentiment, **CEE currencies** and **government bonds** broadly weakened on Thursday.

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## Latest world economic & market developments

### GLOBAL MARKETS



In stark contrast to a recent flurry of weaker-than-expected US data related to the manufacturing activity, housing market, consumer spending and trade, data released y-day showed that initial jobless claims fell more than expected while Markit PMI index for the services sector rose in March to a six-month high. Furthermore, speaking in a conference y-day, Federal Reserve Bank of Atlanta President Dennis Lockhart was quoted as saying that the recent lull in US domestic activity is temporary and should not be perceived as a sign that the domestic economy is shifting to a lower pace of growth. Against this background, the US currency regained some ground with the DXY index hovering around 97.894 at the time of writing in European trade on Friday, having recovered from a multi-session trough of 96.170 touched at some point in the prior session. Focus today is on FOMC Chairman Janet Yellen who is scheduled to deliver a speech on "The New Normal for Monetary Policy" in San Francisco (20:45 CET) and has the potential to push the USD higher if she echoes recent comments by a number of FOMC members that the Central Bank is likely to hike interest rates later this year.

### GREECE

Greece is reportedly expected to submit on Monday a fully costed list of reforms with a view to have it swiftly approved by euro area finance ministers, in an effort to secure an early (partial) disbursement of the €7.2bn pending loan tranche. As per a number of local press reports, the said list envisages, among others, implementation of certain privatization projects and improvement of tax administration. According to the same sources, provided that the Greek side presents a comprehensive list of reforms that is positively assessed by the Institutions, euro area finance ministers could meet either on Tuesday or Wednesday. On the data front, the most recent Bank of Greece data revealed that euro-denominated deposits & reports of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) dropped in February for the fifth month in a row. Specifically, private sector deposits fell by c. €7.6bn coming in at €140.47bn, the lowest level since March 2005. Note that Greece's banking system deposit base has dropped by €24.3bn cumulatively from a 2 ½ year peak hit in October 2014. Separately, credit to domestic non-MFIs residents by domestic MFIs excluding the Bank of Greece, shrunk in February on an annual basis for the 45th consecutive month, having declined by €18% cumulatively from a peak of near €260bn hit in June 2010.

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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

### CYPRUS

According to the latest MFIs loans and deposits statistics released by the Central Bank of Cyprus yesterday, total deposits declined by 3.8%YoY in February to stand at €46.5bn. The breakdown of the data showed that domestic residents' deposits totaled €32.23bn, while those from euro-area and non-Eurozone residents amounted to € 2.12bn and €12.12bn, respectively. Additionally, total loans decreased by 1.2%YoY over the same month to amount to €64.6bn.

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

### BULGARIA

BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	0.8
CPI (pa, yoy %)	0.4	-1.5	0.1
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.0	1.8
EUR/BGN (eop)	1.9558		
	<b>current</b>	<b>2014</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

According to media reports quoting the Minister of Agriculture and Food Dessislava Taneva, over €1bn of EU funds out of the total of €2.3bn will be available for boosting competitiveness in the agricultural sector. According to the same reports, the rest of the funds will be allocated to agro-environmental payments, while an amount of ca €672mn will be earmarked for measures aimed at improving living conditions in rural or municipal areas.

### 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	
	<b>2014</b>	<b>current</b>	<b>2015f</b>
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 general consolidated budget ran a 0.33% of GDP cash-basis surplus over the first two months of the year. This compares with a shortfall of 0.46% of GDP recorded over the same period in 2014 and a target for a deficit of 1.8% of GDP envisioned for the whole of the year by the government. The breakdown of the January-February 2015 data showed that, total revenues increased by 10.9%YoY, while expenditure fell by 6.2%YoY.

### 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
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	7.50	7.50

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

Speaking to reporters in Belgrade on Thursday, Prime Minister Aleksandar Vucic expressed belief that the Q1 budget deficit won't exceed RSD 27bn, an amount half the IMF-backed target of RSD 55.7bn for that period. He added that, such a development may open the door for potential discussions with the Fund over a rise in wages and pensions this year. Nonetheless, the Prime Minister highlighted that the introduction of any such measures will depend on the Q1 budget performance and, if approved, will not be large and will come into effect gradually in order to contain the economic impact. Recall that, the IMF's Executive Board approved in late February a 3-year €1.2bn Stand-By Arrangement for Serbia, which the government has signaled it plans to treat as precautionary. Under the programme, the government has agreed to restore public finances and bring the augmented general government deficit to 5.9%-of-GDP this year from a multi-year peak of 7.5%-of-GDP in 2014, via, among other, pension and wage cuts which came into effect late last year.

### CESEE markets



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

Tracking losses in global bourses on Thursday, **emerging stock markets** closed broadly lower amid increasing geopolitical tensions in the Middle East. Indicatively, Ukraine's PFTS closed 2.1% lower leading the losses in the region and underperforming a 1.3% concomitant decrease in the MSCI Emerging Markets Index. On the flipside, Hungary's BUX bucked the negative trend in the region, advancing by 0.4% yesterday to stand 5% higher compared to its closing level on Friday, continuing to receive support from recent finance minister Mihaly Varga's comments suggesting that the government may review a special tax on telecom firms. Against a backdrop of deteriorating risk sentiment, **CEE currencies** and government bonds broadly weakened on Thursday. In FX markets, the Hungarian forint broadly underperformed its regional peers weighed further down by profit taking, with the EUR/HUF closing near 300 after pulling back from Wednesday's 14-month intraday highs of 297.60. In the local rates markets, Romanian **government bonds** failed to take immediate advantage of the government's announcement over tax reduction plans, expected contain inflation in the coming months. In view of the aforementioned news a recovery in Romanian paper over the next few sessions is on the cards, especially if the global risk sentiment improves.

Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Economic Analysis and Financial Markets Research

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March 27, 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	2058.16	-0.1%	0.0%	EUR/USD	1.0916	-0.5%	-9.8%	UST - 10yr	1.97	5	-20	GOLD	1206	0.9%	1.8%
Nikkei 225	19471.12	-1.4%	11.6%	GBP/USD	1.4853	-0.2%	-4.7%	Bund-10yr	0.21	-1	-33	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	394.52	-0.9%	15.2%	USD/JPY	119	0.4%	0.6%	JGB - 10yr	0.33	0	0	LMEX	2796	-0.6%	-4.1%

## SEE MARKETS

SERBIA				ROMANIA				BULGARIA							
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>							
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps				
T/N	on	-21	-356	O/N	2.02	126	145	LEONIA	0.01	0	-1				
1-week	7.10	-21	-291	1-month	1.41	55	50	1-month	0.16	0	-5				
1-month	7.80	-6	-225	3-month	1.4	11	-30	3-month	0.36	0	-7				
3-month	8.29	-5	-156	6-month	1.63	9	-38	6-month	0.70	0	-9				
6-month	8.63	0	-116	12-month	1.67	7	-35	12-month	1.31	0	-19				
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps				
3Y RSD	9.41	#N/A	N/A	37	3Y RON	2.09	6	-22	3Y BGN	0.52	-2	-52			
5Y RSD	10.14	0	-4	7Y RSD	10.80	-40	-45	5Y RON	2.35	5	-36	5Y BGN	0.82	-2	-62
7Y RSD	10.80	-40	-45	10Y RON	3.23	7	-43	10Y BGN	1.82	0	-93				
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps				
USD Nov-17	3.61	0	-65	EUR Sep-20	1.32	2	-41	EUR Jul-17	0.74	-4	-42				
USD Nov-24	6.43	0	-16	USD Aug-23	3.36	5	-26	EUR Sep-24	2.31	-3	-56				
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps				
5-year	235	-15	-55	5-year	106	-4	-37	5-year	160	-1	-31				
10-year	266	-15	-90	10-year	150	-4	-37	10-year	207	-1	-34				
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD				
BELEX15	665.6	0.67%	-0.21%	BET	7009.1	0.18%	-1.04%	SOFIX	508.7	0.20%	-2.57%				
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD				
EUR/RSD	120.65	0.29%	0.58%	EUR/RON	4.4301	-0.29%	1.21%	USD/BGN	1.7918	-0.49%	-9.78%				

BELEX15 Index		BET Index		SOFIX Index	

EUR/RSD		EUR/RON		USD/BGN	

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

Data updated as of 18:50 EET

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