

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, March 15, 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 17: 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: As was widely expected, the BoJ kept its monetary policy unchanged at its meeting earlier today but offered a gloomier assessment on the domestic economy and warned on waning inflation expectations. Against this background, the majority of global equity markets were weaker while the JPY moved higher. The FOMC's two-day policy meeting which concludes on Wednesday takes centre stage this week.

GREECE: Discussions between the ECB/IMF/EC/ESM mission heads and the Greek authorities in the context of the 1st programme review will continue today with the agenda focusing on energy-related issues, tax evasion, the new Privatization Fund and the management of NPLs. According to the local press, the aim of all involved parts in official discussions is an agreement in principal on the conditionality attached to the review to be reached by the end of this week when official creditors are expected to depart from Athens ahead of the Catholic Easter that falls on March 27th.

SOUTH EASTERN EUROPE

BULGARIA: Consumer prices re-entered a deflationary path in February, with inflation coming in at -0.3% MoM/-0.5% YoY down from +0.0% MoM/+0.0% YoY in January and 0.0% MoM/-0.4% YoY in December.

ROMANIA: The EUR/RON remained bound within a tight trading range of 4.4560-4.4680 last week, while ample liquidity kept money market rates near recent low levels and RON-denominated government bonds staged a recovery after the previous week's selloff.

SERBIA: The EUR/RSD remained bound within 123.20-123.60 last week, standing close to an all-time peak of near 123.70 hit in late February.

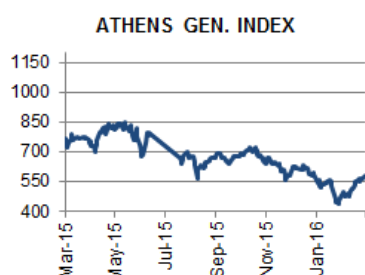
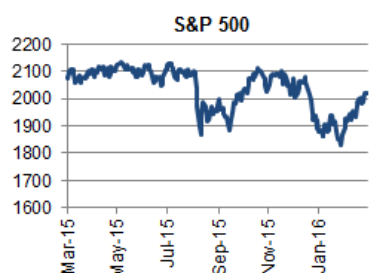
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Latest world economic & market developments

GLOBAL MARKETS

As was widely expected, the BoJ kept its monetary policy unchanged at its meeting earlier today but offered a gloomier assessment on the domestic economy and warned on waning inflation expectations. Furthermore, the BoJ decided to exempt money reserve funds from the negative rates policy and reiterated in the accompanying statement that it will adopt additional easing measures if it is judged necessary for achieving its price stability target. The BoJ's gloomier economic assessment dented investors' appetite for risk taking with the FTSEurofirst 300 hovering around 1,345 points at the time of writing, around 1% lower compared to a two month closing peak recorded in the prior session. In FX markets, in JPY was firmer favored by today's lackluster performance in the majority of global equity markets as well as the BoJ's decision to stay put on interest rates. The USD/JPY was hovering around 113.10/15 in European trade at the time of writing, having retreated from levels close to 114.00 in the prior session while investors' cautiousness ahead of the conclusion of the FOMC's monetary policy meeting on Wednesday, also had an impact. In view of persisting concerns about the global growth outlook, the FOMC is expected to stand put on interest rates at its meeting this week. Yet, with the US economy remaining on a recovery trend and recent data pointing to an increase in core inflation, the FOMC is expected to signal that the prospect of further rate hikes in the coming months remains on the agenda.



Source: Reuters, Bloomberg, Eurobank Research

GREECE

Discussions between the ECB/IMF/EC/ESM mission heads and the Greek authorities in the context of the 1st programme review will continue today with the agenda focusing on energy-related issues, tax evasion, the new Privatization Fund and the management of NPLs. With respect to the latter, Greece's Minister of Economy, Development and Tourism Giorgos Stathakis reiterated that the government has proposed certain NPL categories to be excluded from the scope of permitted sales to non-banking institutions including consumer loans up to €20k, loans granted to SMEs up to €500k and loans granted to freelancers up to €250k. With regard to loans collateralized with Greek State guarantees or the debtor's primary residence, the government aims for them to be fully exempted for a period of three years. On their side, official creditors have reportedly adopted a more liberalized stance insisting on the repurchase of all NPL portfolios arguing that any protection should apply only to the socially and financially vulnerable groups. According to the local press, the aim of all involved parts in official discussions is an agreement in principal on the conditionality attached to the review to be reached by the end of this week when official creditors are expected to depart from Athens ahead of the Catholic Easter that falls on March 27th. As per the same sources, the Greek government intends a multi-bill incorporating the required legislation related to the social security pension reform and the overhaul of the income tax code to be approved by the Hellenic Parliament by March 25th, ahead of the IMF's 2016 Spring meeting on April 15-17 where Greece's debt relief issue is likely to be included in the agenda. Assuming that a final agreement will be pending by then, official creditors are reportedly expected to return in early April with an intention to complete the review ahead of the April 22nd Eurogroup. According to Euro Working Group President, Thomas Wieser, official talks on debt relief for Greece will begin sometime in April and an agreement is expected to be reached in May.

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March 15, 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

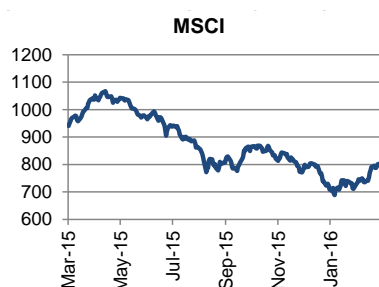
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	Credit Ratings		
	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

BULGARIA

The domestic equity market ended little changed last week in thin trade. In more detail, the main SOFIX index stood modestly higher at 445.51 points on Friday compared to the prior week's settlement, consolidating near its 6-month support level of 440. A similar picture was evidenced in the local sovereign bond market, as investors are in wait-and-see mode ahead of the forthcoming Eurobond issuance rumored to be held on March 21-25. In this environment, local currency denominated bond yields closed little changed on a weekly basis on Friday. Meanwhile, the long-end of the Eurobond yield curve undertook some modest adjustment down by 4-6 bps since last Friday. The aforementioned new Eurobond issue is reportedly expected to total €2bn. The funds generated are likely to be earmarked for the repayment of about €450mn of maturing debt in 2016, finance the budget deficit and maintain an adequate level of fiscal reserves as a liquidity buffer.

On the data front, consumer prices re-entered a deflationary path in February. Inflation came at -0.3% MoM/-0.5% YoY in February down from +0.0% MoM/+0.0% YoY in January and 0.0% MoM/-0.4% YoY in December. As a result, the average annual inflation in the past twelve months came out flat again. The largest decline both on a monthly and an annual basis was recorded in the group of transportation. Driven by lower world energy prices, transportation prices plunged by -3.2% MoM/-5.5% YoY in February down from -1.7% MoM/-2.7% YoY in January and +1.1% MoM/-7.6% YoY in December. The category of clothing and footwear recorded a hefty decline as well (+1.5% MoM/-2.8% YoY in February down from +1.7% MoM/-2.1% YoY in January) most probably driven by seasonal retail store discounts. The food component of the CPI, the one with the highest share in the consumer basket, re-entered negative territory after six months driven by lower prices for meat and vegetables on an annual basis, coming at +0.4% MoM/-0.2% YoY in February down from +0.8% MoM/+0.5% YoY in January vs. -0.5% MoM/+0.5% YoY in December.

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ROMANIA

The EUR/RON remained bound within a tight trading range of 4.4560-4.4680 last week, hovering around the wider 4.4530-4.4850 range witnessed since mid-February. Meanwhile, the money market remained very liquid, with the short term RON rates stuck close to their all-time lows. The implied 1W rate remains around 0.20%, while the 3M RON rate rose slightly over the week from 0.60% to 0.65% on Friday's close. And the 12M rate was little changed at 0.75%. Elsewhere, RON-denominated government bonds staged a recovery after the previous week's selloff, supported by better off-shore demand. The 12M yield remained around 0.65%. However, the 3Y reached 1.85% by the week's close compared to 1.93% on the previous Friday. The 5Y yield dropped 12 bps to 2.60% and the 10Y some 8 bps to 3.32%.

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SERBIA

The EUR/RSD remained bound within the 123.20-123.60 trading range last week, standing close to an all-time peak of near 123.70 hit in late February. Albeit further upside is possible in the coming days, renewed Central Bank interventions will likely keep the cross anchored between 123.30-123.60. The NBS will probably try to sooth fluctuations in FX markets ahead of the upcoming snap general elections. Hence we anticipate any downside pressures on the dinar to prove rather limited.

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March 15, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	283	-2	-20
1-week	2.94	-2	-25
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	3.46	-3	-21
5Y RSD	5.22	0	9
7Y RSD	7.64	0	-6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.99	0	-17
USD Nov-24	6.18	0	-23

CDS

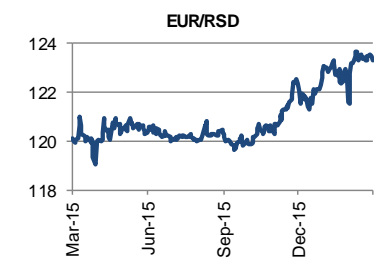
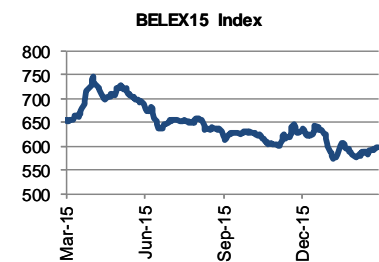
	Last	ΔDbps	ΔYTD bps
5-year	270	-18	-5
10-year	326	-8	-13

STOCKS

	Last	ΔD	ΔYTD
BELEX15	598.0	0.02%	-7.16%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.26	0.10%	-1.36%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.39	0	-14
1-month	0.55	1	-14
3-month	0.79	1	-23
6-month	1.04	1	-30
12-month	1.21	1	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.80	-1	-13
5Y RON	2.59	-1	-21
10Y RON	3.29	0	-49

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.45	#N/A	N/A
USD Jan-24	3.42	12	-36

CDS

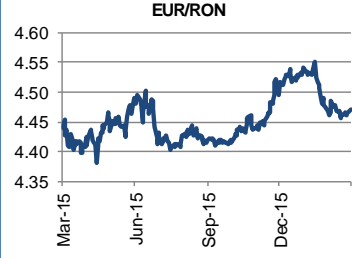
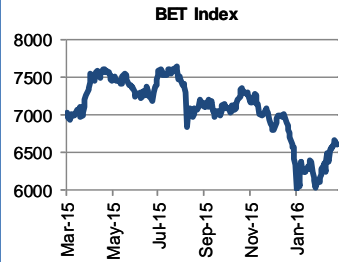
	Last	ΔDbps	ΔYTD bps
5-year	120	0	-13
10-year	165	0	-6

STOCKS

	Last	ΔD	ΔYTD
BET	6612.8	-0.55%	-5.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4702	-0.09%	0.98%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.12	0	-27
3-month	0.00	0	-26
6-month	0.19	0	-33
12-month	0.56	1	-42

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.36	0	-24
5Y BGN	1.08	-1	-19
10Y BGN	2.63	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.05	-80	-2
EUR Sep-24	2.44	10	2

CDS

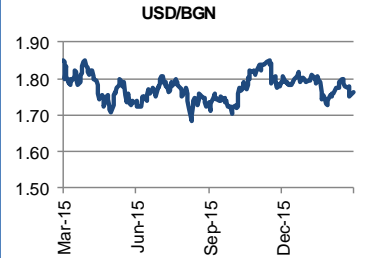
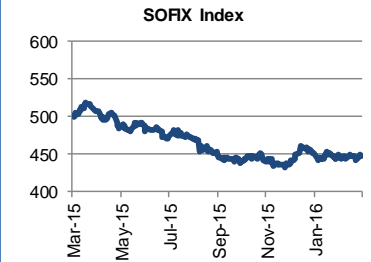
	Last	ΔDbps	ΔYTD bps
5-year	163	-1	-9
10-year	210	-1	-6

STOCKS

	Last	ΔD	ΔYTD
SOFIX	447.7	-0.17%	-2.87%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7637	-0.11%	2.08%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:30 EET

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