



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, March 21, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- March 21
 - Existing home sales (Feb)
- March 23
 - New home sales (Feb)
- March 24
 - Durable goods orders (Feb)
 - Jobless claims (weekly)
- March 25: GDP (Q4, 3rd est)

EUROZONE

- March 23: Consumer confidence (Mar, p)
- March 24: PMI manufacturing/ services (Mar)

GREECE

- March 22: CAD (Jan)

SEE

BULGARIA

- March 25: Gross external debt (Jan)

ROMANIA

- March 24: 4.75% 2025 T-bonds auction

SERBIA

- March 22: EUR 2.5% T-bonds auction
- March 24: EUR 2-year T-bonds auction
- March 25: Real gross wages (Feb)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian equity markets traded mixed on Monday, while most European equity indices reversed earlier losses, as potential merger-and-acquisition activity helped chemical stocks to more than offset falling mining equity. In FX markets, the British pound was losing ca. 0.4% against the dollar and the euro at the time of writing after a senior member of the ruling Conservative resigned on Friday ahead of June's referendum on Britain's European Union membership. The data calendar is relatively light this week, though US existing and new home sales (February) due on Monday and Wednesday, respectively, will be worth watching. Furthermore, US durable orders (February) on Thursday and the third estimate for Q4 15 GDP on Good Friday may also lure market attention. On the euro area data front, consumer confidence (March, preliminary) on Wednesday and PMI manufacturing and services indices (March) will likely be closely scrutinized by market participants.

GREECE: The mission heads of the EC/ECB/ESM/IMF departed from Athens this weekend for the Catholic Easter but consultations will reportedly continue until Thursday between Greek officials and the institutions' technical teams. According to press reports, the mission has been productive and significant progress has been achieved with regard to income tax reform, whereas progress has also been made on fundamental elements of the pensions' reform. The mission heads will likely return to Athens on April 2nd.

SOUTH EASTERN EUROPE

BULGARIA: The domestic equity market remained in a consolidation mode last week, with trading volumes being relatively subdued. Meanwhile, MinFin surprised with the earlier than expected Eurobond placement on Monday, taking advantage of the favorable market conditions following further ECB easing.

ROMANIA: Romanian financial markets ended little changed last week, despite global volatility related to the Fed meeting and domestic discussions over the controversial "give in payment" law for mortgages planned by Parliament.

SERBIA: The EUR/RSD closed modestly lower on a weekly basis on Friday as renewed Central Bank interventions in the FX markets in order to halt the domestic currency's recent downside momentum, weak EUR demand and scaled back expectations for the FED's rate tightening path favoured the dinar.

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Latest world economic & market developments

GLOBAL MARKETS

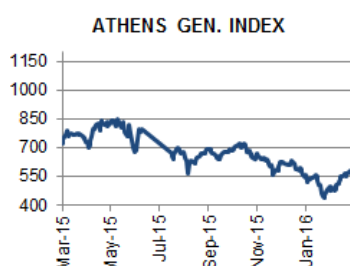
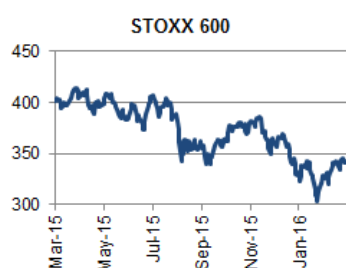
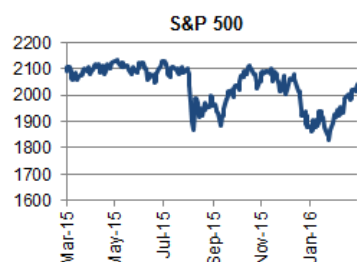
Asian equity markets traded mixed on Monday, with China's Shanghai Composite Index rising 2.2% after policy makers loosened controls on funding to brokerages for margin trading. Elsewhere, most European equity indices reversed earlier losses, as potential merger-and-acquisition activity helped chemical stocks to more than offset falling mining equity. In FX markets, the British pound was losing ca. 0.4% against the dollar and the euro at the time of writing after a senior member of the ruling Conservative resigned on Friday ahead of June's referendum on Britain's European Union membership. Against this backdrop, the GBP/USD was trading around 1.4404/05 in European trade, retreating from a one-month high of 1.4514 reached on Friday. Meanwhile, the DXY dollar index was little changed at 95.045 compared to the prior session's settlement, within distance from a five-month low of 94.578 hit on at some point on Friday. Market focus today will probably centre on Atlanta President Dennis Lockhart who speaks on the US economy. The data calendar is relatively light this week, though US existing and new home sales (February) due on Monday and Wednesday, respectively, will be worth watching. Furthermore, US durable orders (February) on Thursday and the third estimate for Q4 15 GDP on Good Friday may also lure market attention. On the euro area data front, consumer confidence (March, preliminary) on Wednesday and PMI manufacturing and services indices (March) will likely be closely scrutinized by market participants.

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GREECE

With regard to the 1st programme review, the mission heads of the EC/ECB/ESM/IMF departed from Athens this weekend for the Catholic Easter but consultations will reportedly continue until Thursday between Greek officials and the institutions' technical teams. According to press reports, the mission has been productive and significant progress has been achieved with regard to income tax reform, whereas progress has also been made on fundamental elements of the pensions' reform. Still the required finalization of the NPL resolution framework is reportedly considered as one of the major stumbling blocks for the conclusion of the review together with the measures aiming to close the fiscal gap for 2017-2018. The mission heads will likely return to Athens on April 2nd to resume talks in order to complete the review as soon as possible. According to the Minister of Labour, Social Insurance and Social Solidarity Mr. Georgios Katrougalos, the government's goal is to bridge the differences with the creditors on all pending issues by April 11th, when the next Euro Working Group is scheduled to convene. Meanwhile, the Chair of the Hellenic Bank Association Mrs. Louka Katseli, emphasized in an interview that Greek banks have a strong capital basis with the relevant capital coverage ratio at 18%, higher than the average of the largest EU banking institutions, which stands at 16,7%. She also stressed that the resolution of the NPLs issue constitutes a priority for the banking sector and all involved parties, i.e. the banks, the Bank of Greece and the government are undertaking initiatives in order to address it. On the refugee crisis, EU and Turkey finalized an agreement on March 18th with the aim to halt the influx of refugees from Turkey to Europe. The agreement entered into force on March 20th and its success rests on the implementation details. The inflow of refugees continued over the weekend albeit at a slower pace.

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Source: Reuters, Bloomberg, Eurobank Research

March 21, 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

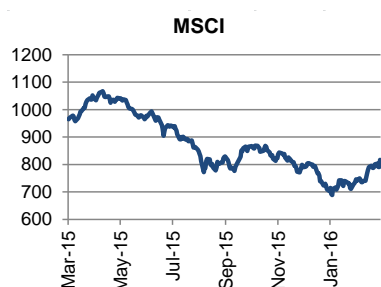
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	B1	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 remained in a consolidation mode last week, with trading volumes being relatively subdued. In more detail, the main SOFIX index remained bound in a tight range, closing 0.25% higher at 446.63 points. Meanwhile, MinFin surprised with earlier than expected Eurobond placement on Monday, taking advantage of the favorable market conditions following further ECB easing. The government placed €1.994bn in dual-tranche bond of 7 years (€1.144bn) and 12 years (€0.85bn). Reflecting strong investor interest the bid/cover ratio came in at 1.8. The tranches were priced in at 185bp (or 2.156% yield) and 235bp (or 3.179% yield) over mid-swaps, respectively. Proceeds will be used to repay about €450mn of maturing debt in 2016, finance budget deficit for €900mn and maintain an adequate level of fiscal reserves as a liquidity buffer. The new issues were well supported on secondary market with yields decreasing by 10-15bps over the week. As expected, investors remained on the sidelines for BGN-denominated bonds with the corresponding yield curve adjusting slightly to the upside.

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ROMANIA

Romanian markets ended last week little changed, despite global volatility related to the Fed meeting and domestic discussions over the controversial "give in payment" law for mortgages planned by Parliament. The EUR/RON remained in a tight range between 4.4640/4.4830, closing the week around 4.4720, not too far from the previous Friday's settlement of 4.4660. Meanwhile, short-term RON rates, for maturities of up to 1W, remained stuck close to the deposit facility of 0.25%. The 3M RON rate remained unchanged at 0.65%, while the 12M rate rose by 5bps to 0.80%. RON government bonds closed little changed over the week, with the 12M yield at 0.65%, the 3Y at 1.85% and the 10Y at 3.32%.

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SERBIA

Vindicating our expectations for dinar strengthening, the EUR/RSD closed modestly lower on a weekly basis on Friday. Renewed Central Bank interventions in the FX markets in order to halt the domestic currency's recent downside momentum, weak EUR demand and scaled back expectations for the FED's rate tightening path all favoured the dinar. That said, further RSD gains are likely to prove limited in the coming weeks as the Central Bank will likely intervene in the FX markets to cushion any significant fluctuations on the EUR/RSD. Moreover, after a surprise cut of 25 bps in the key policy rate last month, the National Bank of Serbia stayed put on its monetary policy in March. At present, the Central Bank appears to be more focused on keeping the cross stable than targeting the desirable inflation. After all, they have spent €520mn so far this year of FX reserves to keep dinar relatively stable.

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March 21, 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	284	1	-19
1-week	2.96	1	-23
1-month	3.12	0	-39
3-month	3.30	0	-53
6-month	3.50	-1	-53

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.32	#N/A	N/A
5Y RSD	5.30	0	17
7Y RSD	7.65	1	-4

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.00	0	-17
USD Nov-24	6.19	0	-23

CDS

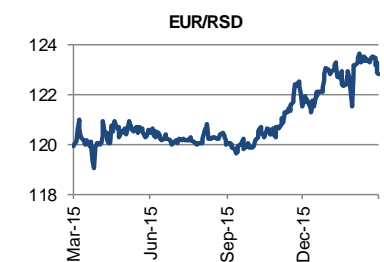
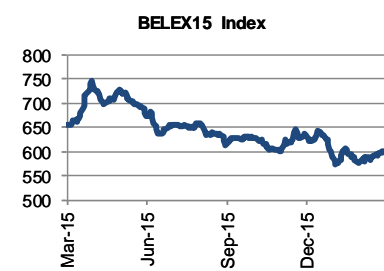
	Last	ΔDbps	ΔYTD bps
5-year	267	-21	-7
10-year	334	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	602.0	0.23%	-6.53%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.75	0.11%	-0.95%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	-1	-13
1-month	0.56	0	-13
3-month	0.79	0	-23
6-month	1.04	-1	-30
12-month	1.21	0	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.80	0	-13
5Y RON	2.58	0	-22
10Y RON	3.30	1	-48

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.45	#N/A	N/A
USD Jan-24	3.35	1	-43

CDS

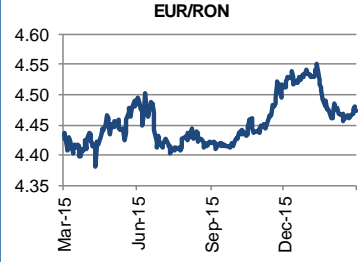
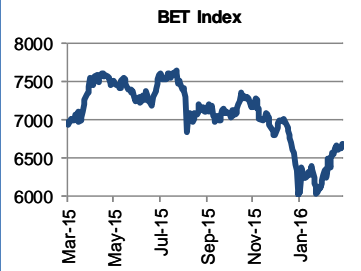
	Last	ΔDbps	ΔYTD bps
5-year	119	-2	-14
10-year	164	-2	-7

STOCKS

	Last	ΔD	ΔYTD
BET	6825.7	1.05%	-2.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.474	0.05%	0.89%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.13	0	-28
3-month	-0.01	0	-27
6-month	0.16	-1	-37
12-month	0.54	-2	-43

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.38	0	-22
5Y BGN	1.01	-16	-26
10Y BGN	2.63	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.27	-28	20
EUR Sep-24	2.39	-15	-3

CDS

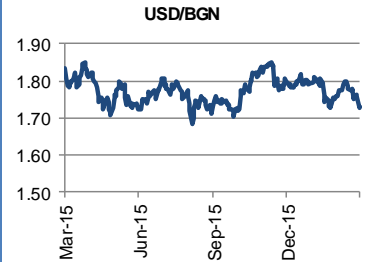
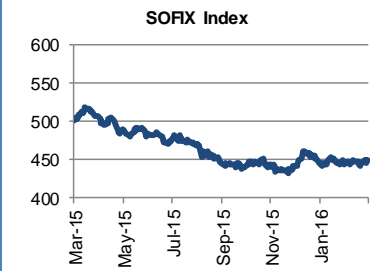
	Last	ΔDbps	ΔYTD bps
5-year	160	-4	-12
10-year	208	-3	-8

STOCKS

	Last	ΔD	ΔYTD
SOFIX	448.2	0.51%	-2.76%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7328	-0.28%	3.90%



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

Data updated as of 17:50 EET of previous session

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