

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- April 5: ISM index (non-manufacturing) (Mar)
- April 6: FOMC minutes from the March 15-16 policy meeting
- April 7: Initial jobless claims

EUROZONE

- April 5: PMI manufacturing (Mar. f.)
- April 7: ECB releases minutes on monetary policy considerations as of March 10

GREECE

- April 4: Official discussions resume in the context of the 1st programme review between the mission heads and the Greek authorities
- April 7
 - Euro Working Group convenes
 - Labour force survey (Jan.)
 - Commercial transactions (Feb. prov.)

SEE

BULGARIA

- April 8
 - Retail Sales (Feb)
 - Industrial Production (Feb)
- April 9: Unemployment Rate (March)

ROMANIA

- April 4: Producer's Price Index (Feb)
- April 5: Retail Sales (Feb)
- April 6: Net Wages (Feb)
- April 8: GDP (SA, Q4)

SERBIA

- April 7
 - NBS policy meeting
 - Producer's Price Index (Feb)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major bond markets firmed and the JPY moved higher across the board on Wednesday on renewed market concerns about the growth prospects of the world economy. For the remainder of the day, focus is on the minutes of the March 15-16 FOMC meeting, when the monetary policy committee revised downward the projected number of rate hikes for this year from four to two.

GREECE: Speaking to reporters yesterday, ESM General Director Klaus Regling was quoted saying that a staff level agreement on the conditionality underlying the 1st review could be reached by the end of April ahead of the Orthodox Easter. He reiterated that official discussions on debt relief could start upon successful completion of the review noting that there are currently several options on the table for a deal. Meanwhile, speaking to reporters after her meeting with IMF Managing Director Christine Lagarde, German Chancellor Angela Merkel stressed that Germany wants the IMF to remain part of Greece's new bailout programme and ruled out a debt haircut on the basis that "this is legally not possible in the euro zone". The government reportedly presented to official creditors a new package of proposed measures worth 1%-of-GDP to partially cover a projected general government fiscal deficit of 3%-of-GDP in the period between 2016 and 2018.

SOUTH EASTERN EUROPE

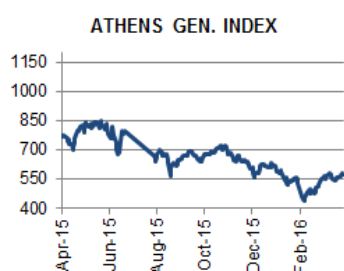
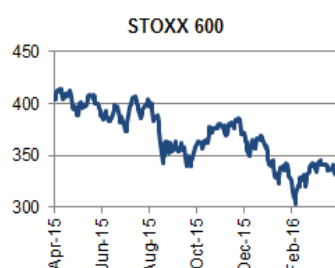
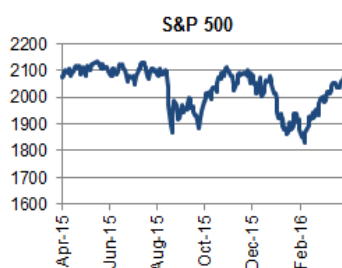
ROMANIA: Retail sales showed no signs of cooling off in the second month of the year, pointing to strong domestic demand dynamics.

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April 6, 2016

BULGARIA



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market
developments

GLOBAL MARKETS

The majority of European equity markets were modestly firmer in early trade on Wednesday supported by higher oil prices amid market optimism that an agreement for an output freeze could be reached at the OPEC and non-OPEC members' meeting on April 17th. Brent crude oil was standing close to \$38.60/barrel at the time of writing, c. 2% higher compared to Tuesday's settlement albeit still below levels near \$41.80/barrel recorded near a couple of weeks earlier. Yet, market sentiment towards risky assets remains cautious amid concerns about the growth prospects of the world economy in the wake of a fresh string of weak data around the globe. US trade deficit widened 2.6% in February to \$47.1bn as exports advanced by 1.0%, a slower pace of increase compared to 1.3% in imports, pointing to a negative drag on Q1 growth from net exports. Elsewhere, Markit's final March composite PMI for the euro area was revised lower to 53.1 from a flash estimate of 53.7, near a 13-month low of 53.0 marked in the prior month. Reflecting the cautious tone in equity markets, major bond markets firmed with the 10-yr Treasury yield hovering around 1.73% at the time of writing, not far from 1.72% Tuesday's multi-week closing low. In FX markets, investors' cautious stance enhanced the safe-haven appeal of the JPY with the USD/JPY hovering around 110.40/45 in European trade, within distance from a fresh year-to-date low of 109.94 marked at some point in the prior session. Comments by Japan's Prime Minister Shinzo Abe that countries should avoid seeking to weaken their currencies via "arbitrary intervention" also favored the JPY's current positive momentum. For the remainder of the day, focus is on the minutes of the March 15-16 FOMC meeting, when the monetary policy committee revised downward the projected number of rate hikes for this year from four to two.

GREECE

Official discussions between the Greek government and official creditors in the context of the 1st programme review are ongoing. The government reportedly presented to official creditors a new package of proposed measures worth 1%-of-GDP to partially cover a projected general government fiscal deficit of 3%-of-GDP in the period between 2016 and 2018. As per the same sources, measures incorporated in the said package include, among others: (i) the imposition of a levy on cable TV; (ii) an increase in the tax on mobile telephony; (iii) a new scheme for the calculation of the road tax; (iv) certain amendments to the implementation framework of the Unified Property Tax (ENFIA) aiming to increase projected annual revenues above their current level of €2.65bn/annum; (v) an increase in the special consumption tax on fuel, natural gas, tobacco and alcoholic beverages; and (vi) reduced defense expenses. Reportedly, the two sides have agreed the remaining 2%-of-GDP fiscal shortfall to be equi-proportionally covered via the social security pension reform and a planned overhaul of the income tax code. Speaking to reporters yesterday, ESM General Director Klaus Regling was quoted saying that a staff level agreement on the conditionality underlying the 1st review could be reached by the end of April ahead of the Orthodox Easter. He reiterated that official discussions on debt relief could start upon successful completion of the review noting that there are currently several options on the table for a deal. Meanwhile, speaking to reporters after her meeting with IMF Managing Director Christine Lagarde, German Chancellor Angela Merkel stressed that Germany wants the IMF to remain part of Greece's new bailout programme and ruled out a debt haircut on the basis that "this is legally not possible in the euro zone". She added that official discussions on the programme review are "on the right track" but more work is needed. On her part, the IMF General Director reiterated her call for debt relief for Greece and stressed the fund's commitment to continue helping Greece.

April 6, 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

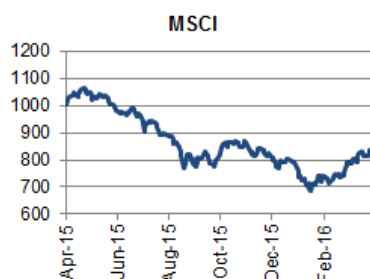
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Credit Ratings

L-T ccy	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

ROMANIA

On a seasonally and working day adjusted basis, retail sales accelerated further by +1.9% MoM/+18.4% YoY in February up from +1.5% MoM/+15.4% YoY in January compared to +0.7% MoM/+14.2% YoY in December. A large part of the increase is explained by the explosive rise of the food-related items (+0.6% MoM/+26.3% YoY in February up from +1.4% MoM/+26.1% YoY in January up from +0.7% MoM/+26.4% YoY in December) as a result of the deep VAT rate cut on food items effective since last June (from 24% to 9%) and their large share in the consumption basket (28%).

The 4ppts headline VAT rate cut (from 24% to 20%) effective since the beginning of the year has started to reflect upon the non-food items and fuel sales. Non-food items jumped to +2.7% MoM/+17% YoY in February, the highest expansion rate in years, up from 0.3% MoM/+10.9% YoY in January compared to -0.1% MoM/+11.4% YoY in December. Fuel sales accelerated by +4.1% MoM /+9.7% YoY in February up from +7.1% MoM /+5.8% YoY in January. Overall, the robust performance of retail sales is a very good proxy of domestic demand remaining strong at the onset of 2016, offsetting any external sector weakness. Although retail trade confidence data came out a bit lower in March after the jump recorded in February (Retail trade: 6.4 in January-12.9 in February-8.6 in March), those still point to spending intentions remaining strong.

Romania is anticipated to stand of the pack for yet another year growing at 4.1% in 2016, up from 3.7% in 2015. However, growth dynamics are largely driven by domestic demand and financed by the expansionary fiscal policy at the expense of pushing government finances off consolidation track against repeated IMF and EU advice.

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April 6, 2016

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	2045.17	-1.0%	0.1%	EUR/USD	1.1356	-0.2%	4.6%	UST - 10yr	1.73	1	-54	GOLD	1227	-0.4%	15.6%
Nikkei 225	15715.36	-0.1%	-17.4%	GBP/USD	1.4139	-0.2%	-4.1%	Bund-10yr	0.10	0	-53	BRENT CRUDE	39	1.8%	3.4%
STOXX 600	328.15	-1.9%	-10.3%	USD/JPY	110.4	0.0%	8.8%	JGB - 10yr	-0.06	0	-32	LMEX	2247	-0.4%	2.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	287	1	-16
1-week	2.98	1	-21
1-month	3.12	2	-39
3-month	3.28	0	-55
6-month	3.54	0	-49

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.44	-3	-12
5Y RSD	5.29	-1	17
7Y RSD	7.18	0	-51

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.13	0	-3
USD Nov-24	6.23	0	-18

CDS

	Last	ΔDbps	ΔYTD bps
5-year	263	3	-11
10-year	306	0	-33

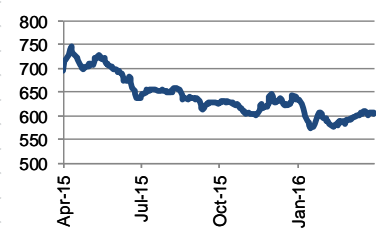
STOCKS

	Last	ΔD	ΔYTD
BELEX15	604.8	-0.51%	-6.11%

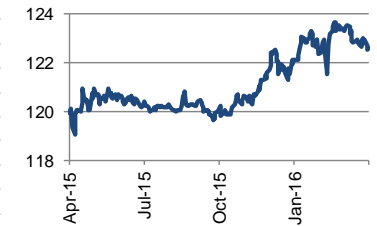
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.55	-0.05%	-0.79%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	0	-11
1-month	0.57	0	-12
3-month	0.77	0	-25
6-month	1.02	0	-32
12-month	1.19	0	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.76	0	-17
5Y RON	2.57	0	-23
10Y RON	3.33	0	-45

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	#N/A	N/A
USD Jan-24	3.33	2	-45

CDS

	Last	ΔDbps	ΔYTD bps
5-year	119	2	-15
10-year	162	2	-10

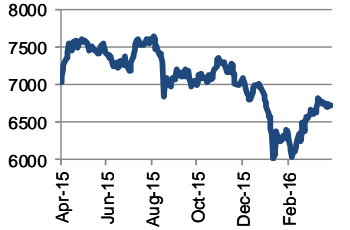
STOCKS

	Last	ΔD	ΔYTD
BET	6679.0	-0.79%	-4.64%

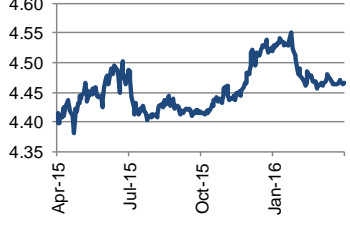
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4651	-0.03%	1.10%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	0
1-month	-0.15	0	-30
3-month	-0.03	0	-29
6-month	0.12	0	-41
12-month	0.43	0	-54

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	0	-19
5Y BGN	0.97	-10	-22
10Y BGN	2.63	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.05	0	-1
EUR Sep-24	2.35	0	-7

CDS

	Last	ΔDbps	ΔYTD bps
5-year	168	3	-4
10-year	214	3	-2

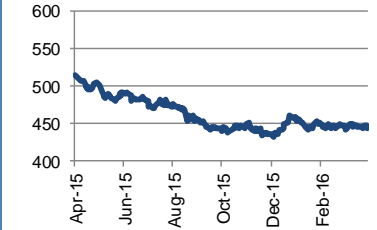
STOCKS

	Last	ΔD	ΔYTD
SOFIX	443.5	-0.76%	-3.79%

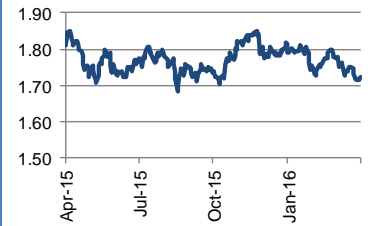
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7223	-0.26%	4.53%

SOFIX Index



USD/BGN



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

Data updated as of 10:00 EEST, April 6, 2016

April 6, 2016

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