



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, March 30, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Mar 28
  - Case Shiller house price index (Jan)
  - CB consumer sentiment (Mar)
- Mar 29: Pending home sales (Feb)
- Mar 30
  - Initial jobless claims (weekly)
  - GDP (3<sup>rd</sup> est)
- Mar 31
  - Personal income/spending (Feb)
  - Core PCE price index (Feb)
  - Chicago PMI (Mar)
  - UoM Consumer sentiment (Mar)

##### EUROZONE

- Mar 27: DE: Ifo business climate (Mar)

##### UK

- Mar 29: Government to trigger Brexit Article 50

##### GREECE

- Mar 31: Retail sales (Jan)

##### SEE

##### BULGARIA

- Mar 28: Gross external debt (Dec)
- Mar 31: Budget balance (Feb)

##### ROMANIA

- Mar 27: T-bonds auction
- Mar 31: ILO U/E rate (Feb)

##### SERBIA

- Mar 30: 3.50% 2018 T-Bonds sale
- Mar 31
  - Industrial production (Feb)
  - Retail sales (Feb)
  - Trade balance (Feb)
  - Current account (Jan)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GREECE:** The Greek government and the institutions are reportedly close to an agreement in the context of the 2<sup>nd</sup> programme review. Today's Euroworking Group (EWG) is expected to discuss the progress made and could potentially give the green light for the return of the institutions' mission heads to Athens for the conclusion of the staff-level agreement. Meanwhile, with regard to the proposed legal framework for the out-of-court workout (OCW), the Hellenic Bank Association (HBA) has voiced out some serious concerns claiming that as things stand the new legislation might end up harbouring strategic defaulters.

### SOUTH EASTERN EUROPE

**ROMANIA:** The consolidated government balance in cash terms switched to a deficit of RON2.6bn in February down from a surplus of RON3.0bn in January.

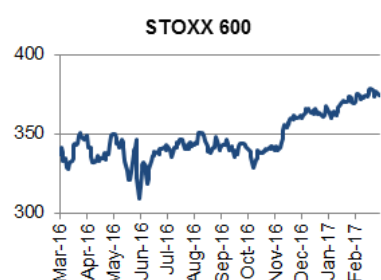
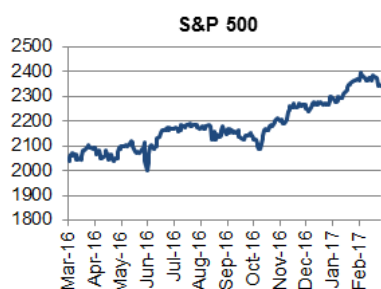
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## Latest world economic & market developments

### GREECE

The Greek government and the institutions are reportedly close to an agreement in the context of the 2<sup>nd</sup> programme review. Today's Euroworking Group (EWG) is expected to discuss the progress made and could potentially give the green light for the return of the institutions' mission heads to Athens for the conclusion of the staff-level agreement. According to press reports, the Greek FinMin proposed on Monday some minor changes to the final deal including: 1) to reduce rather than to abolish the personal difference in pensions, 2) if the institutions insist on the abolishment of the personal difference, then the Greek government requests that this be done gradually (in 2 or 3 years) instead of one-off. On labour reform, the institutions have reportedly consented to keeping the minimum collective dismissals framework as is (i.e. at 5% of employees per month for companies with more than 150 employees) and not removing the current prohibition on lock-outs. It should, however, be noted that based on Greek case-law, employers have the right to not pay non-striking employees if the latter cannot tend to their duties due to a strike in their enterprise. Nevertheless, other the institutions insist on not reinstating the previous regime regarding collective agreements and on changing certain provisions of the industrial action framework. Meanwhile, with regard to the proposed legal framework for the out-of-court workout (OCW), the Hellenic Bank Association (HBA) has voiced out some serious concerns claiming that as things stand the new legislation might end up harbouring strategic defaulters. In more detail, the HBA reportedly proposes the following changes to the under consultation bill: 1) set the debt limit for eligibility to the new framework at €50.000 instead of €20.000; 2) restrict the eligibility solely to debt from commercial activity (e.g. not mortgages); 3) the legislation of objective and technical criteria with regard to the criminal responsibility of the banking or other executives that will handle out-of-court settlements; 4) the activation of the new law only once the electronic platform for the submission of the applications and the supporting documents has been set-up; and 5) the abolishment of any court proceeding for the ratification of any written statement regarding the OWC.



Source: Reuters, Bloomberg, Eurobank Research

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## Latest economic & market developments in the CESEE region

### ROMANIA

The consolidated government balance in cash terms switched to a deficit of RON2.6bn in February down from a surplus of RON3.0bn in January. Overall, the consolidated government surplus narrowed down to a negligible 0.05% of projected GDP in the first two months of the year, half than that registered in the same period last year. Even though their performance improved in February (+4.5% YoY), total revenues were still down by -1.4% YoY in Jan-Feb compared to the FY target of +13.9% YoY, a trend which may continue as further tax cuts have come into force since the beginning of the year.

On the other hand, total expenditure expanded by 3.5% YoY—below the FY target of 15.2% YoY. Nevertheless, spending in the areas of wages has started to accelerate as of February (+13.3% YoY in 2M-2017) as the budget implementation incorporated the ruling coalition's electoral program for further generous hikes. All other spending items, procurement for goods & services, interest and capital expenditure declined by -5.1%, -4.1% and -16.3% respectively in the same period.

Market focus has shifted to the budget execution downside risks given the overly optimistic assumptions it is based upon and may put the government on a collision course with EU institutions. This year's budget is built upon the macroeconomic assumptions of a +5.2% rate of GDP growth, a +1.4% average inflation, a nominal GDP of RON 815.2bn, a 4.3% employment increase, a fiscal deficit target of 2.96% of GDP in cash basis terms or 2.99% in ESA2010 terms in 2017.

Assuming no policy change, the projected fiscal deficit is expected to swell well above the 3% of GDP threshold in 2017. According to the latest IMF forecast, the fiscal deficit is expected to increase to 3.7% of GDP in 2017 and further up to 3.9% in 2018. Thus, the incoming government may be inclined to adopt a more conservative fiscal stance in H2 that may have a negative impact on this year's growth dynamics. In that case, the Ministry of Finance has pledged to contain expenditures which experience has shown that it usually results in the under execution of the public investments program (4.2% of GDP in 2017) at the expense of infrastructure.

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BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

CYPRUS: Indicators	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

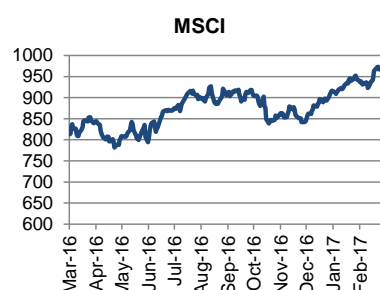
ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.9	1.2	2.1
Budget Balance/GDP	-3.7	-1.4	-1.3
Current Account/GDP	-4.7	-4.0	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2016	current	2017
Policy Rate (eop)	4.00	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

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### 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	2361.13	0.1%	5.5%	EUR/USD	1.0738	-0.3%	2.1%	UST - 10yr	2.38	1	-6	GOLD	1250	-0.3%	8.5%
Nikkei 225	19063.22	-0.8%	-0.3%	GBP/USD	1.244	0.1%	0.7%	Bund-10yr	0.33	-2	12	BRENT CRUDE	52	-0.5%	-8.2%
STOXX 600	378.92	0.1%	4.8%	USD/JPY	111.2	-0.1%	5.2%	JGB - 10yr	0.07	1	2	LMEX	2887	0.7%	8.5%

### CESEE MARKETS

#### SERBIA

##### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-1
1-week	3.15	-1	-2
1-month	3.34	-1	-1
3-month	3.51	-2	4
6-month	3.71	-1	5

##### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.98	-2	-10
5Y RSD	5.34	0	-1
7Y RSD	5.64	0	1

##### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.82	-3	-50
USD Nov-24	6.54	2	12

##### CDS

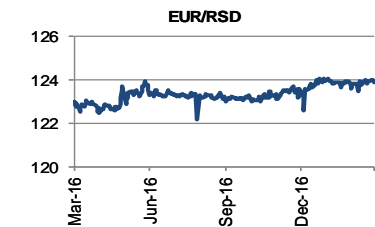
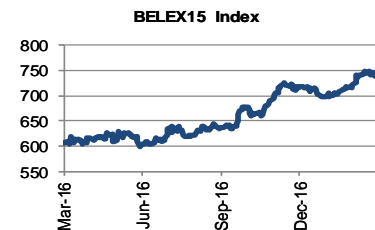
	Last	ΔDbps	ΔYTD bps
5-year	191	0	-17
10-year	232	0	-23

##### STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.6	-0.93%	1.85%

##### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.93	-0.02%	-0.38%



#### ROMANIA

##### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	7	-4
1-month	0.62	1	-14
3-month	0.85	1	-5
6-month	1.07	-1	-4
12-month	1.25	-1	0

##### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.59	1	-3
5Y RON	2.52	0	0
10Y RON	3.59	0	-6

##### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.98	-6	-16
USD Jan-24	3.44	0	-42

##### CDS

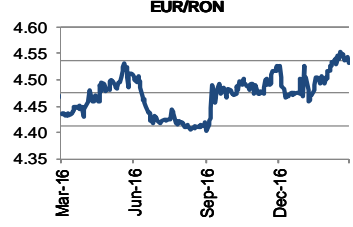
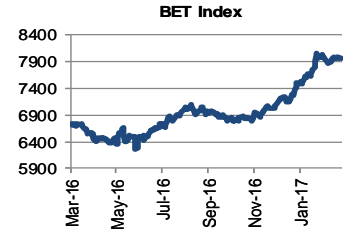
	Last	ΔDbps	ΔYTD bps
5-year	101	-1	-9
10-year	145	-1	-7

##### STOCKS

	Last	ΔD	ΔYTD
BET	7989.3	0.59%	12.76%

##### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5448	0.27%	-0.13%



#### BULGARIA

##### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-40
1-month	-0.17	0	0
3-month	-0.08	1	-2
6-month	0.04	0	-4
12-month	0.39	0	-1

##### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.09	0	-7
5Y BGN	0.39	-3	-11
10Y BGN	1.67	0	-24

##### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.61	5	-29
EUR Sep-24	1.41	16	-27

##### CDS

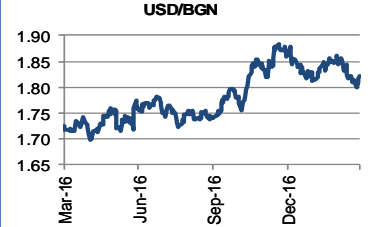
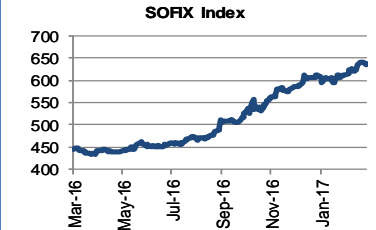
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-37
10-year	154	0	-40

##### STOCKS

	Last	ΔD	ΔYTD
SOFIX	633.5	0.03%	8.03%

##### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8215	-0.26%	2.03%



March 30, 2017

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