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DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Friday, March 31, 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 (3rd 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

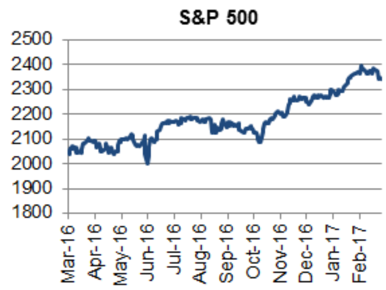
GREECE: According to press reports, government sources claim that the Euroworking Group (EWG) that convened yesterday decided the return of the institutions' mission heads to Greece, and the technical staff are expected to convene to make their decision on the timing of the return and proceed with an official announcement today. Sources from the European institutions and the IMF also reportedly confirm that their teams are "standby" to return to Athens even as soon as on Sunday. The Economic Sentiment Indicator for Greece for March 2017 recovered slightly coming in at 93.4 index units (i.u.), compared to 92.9 i.u. in the previous month on the back of improved confidence in services, retail trade and construction.

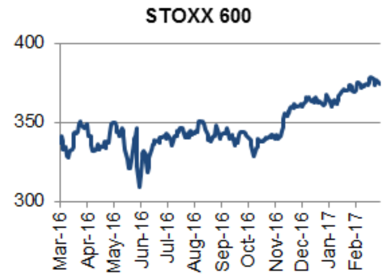
SOUTH EASTERN EUROPE

CYPRUS: The Economic Sentiment Indicator (ESI) reached a new multi-month high in March, an inch below its pre-Lehman peak.

ROMANIA: The Economic Sentiment Indicator (ESI) reached the highest level in the post Lehman Brothers period.

Latest world economic & market developments





Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to press reports, government sources claim that the Euroworking Group (EWG) that convened yesterday decided the return of the institutions' mission heads to Greece, and the technical staff are expected to convene to make their decision on the timing of the return and proceed with an official announcement today. Sources from the European institutions and the IMF also reportedly confirm that their teams are "standby" to return to Athens even as soon as on Sunday. The thorny issues that reportedly remain are: 1) the timing of the abolishment of the personal difference in pensions (the IMF insists that this be done one-off in 2019, purportedly on the grounds that the new government that may arise after the 2019 general elections might not implement this reform), and 2) the labour market reform (the IMF is said to insist on the issues of collective dismissals and lock-out). In any case, deliberations are understood to continue and it is not unlikely that there will be a "framework-agreement" by the 7 April Eurogroup. A staff-level agreement by then can also not be excluded provided that the mission heads do return to Athens promptly. If all goes as planned at the April 7 Eurogroup, the Greek side will then have to draft the relevant bills and have them voted in Parliament so that a "global agreement" may be reached at the May 22 Eurogroup. The duration of the preparatory and legislative process is expected to be between two to three weeks due to the considerable workload. An extraordinary Eurogroup (before the May 22 scheduled one) is also possible. Provided that all necessary bills have been voted by then, a "global agreement" may be sealed at the May 22 Eurogroup. The following may also happen then: 1) specification of the medium-term debt relief measures, 2) decision on the role of the IMF in the programme, and 3) approval for the disbursement of the next loan tranche which will then have to be ratified by a number of national parliaments. Eurogroup President Jeroen Dijsselbloem reportedly claimed that this tranche could come to c. €7bn, taking into consideration Greece's debt repayment obligations in the coming months (€0.6bn in June, €6.6bn in July, €0.4bn in August and €0.1bn in September). Meanwhile, during a briefing to the MPs of the junior coalition party ANEL, the Ministers of Finance and Labour estimated that the primary surplus target beyond 2018 will be kept at 3.5% for three years (i.e. from 2019 to 2021) while the matter may be re-examined after the German elections. On the data front, Eurostat released yesterday the Economic Sentiment Indicator (ESI) for March 2017 for the euro area and the EU. In Greece, the ESI recovered slightly coming in at 93.4 index units (i.u.), compared to 92.9 i.u. in the previous month. This was due to improved confidence in the services, retail trade and construction sectors, whereas expectations in industry and consumer confidence weakened.

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Latest economic & market developments in the CESEE region

CYPRUS

The Economic Sentiment Indicator (ESI) jumped by 2.5 points to 115.8 in March compared to 113.3 in February reaching a new multi- month high. The more pronounced improvement in expectations came from industry (by 6.9 points), and consumer sentiment (by 1.7 points). On the other hand, construction declined by 6.3 points and services edged down by 0.1 points. Including the latest reading, the ESI index stands an inch from its pre-Lehman peak at 117.3, which was recorded in August 2007 and has surpassed the previous multi month high at 114.8 recorded in August 2016.

All in all, the ESI stands above its long-term average and spurs optimism for the short-term economic activity prospects. The improvement recorded in the past three years – a total of 48.3 points since April 2013 – is the highest in EU-28 over the same period. Sentiment improvement is one of the key drivers of the consumption rebound taking place and feeds into output growth. After a three year recession in 2012-2014 and a cumulative drop of 10.5% of GDP, the economy expanded by +1.7% YoY in 2015, accelerated to +2.8% YoY in 2016 and is expected to further gain momentum to 3% in 2017. From a demand point of view, growth was broadly driven primarily by the ongoing rebound in private consumption, itself being driven by the improvement in economic sentiment, a flourishing tourism sector (tourist arrivals were up by 19.8% in FY2016) and the improvement in labor market conditions (the unemployment rate is down for a third consecutive year in a row from 15.0% in 2015 to 13.3% in 2016).

ROMANIA

The Economic Sentiment Indicator (ESI) expanded by 1.4 points further up to 105.4 in March against 104.0 in February vs. 103.8 in last December. Looking at the break down of the survey, the improvement in the headline index is driven by the strong gains in consumer confidence. The consumer confidence index surged to an all-time high, the highest since the beginning of the series in 2001. Gains in the sub-sectors of services and industry were modest. Overall, the March improved reading suggests that the February drop was temporary and largely caused by the political turmoil. The street protests and the domestic and international institutions public outcry forced the government to scrap its highly controversial judicial reform plan widely perceived as a setback to the anticorruption campaign. Finally, it implies that private consumption and subsequently GDP growth are set to remain relatively strong in Q1-2017. The decomposition of the GDP growth components of the previous quarter had raised concerns on the momentum of private consumption in the period ahead. Overall, real GDP expanded by 3.9% in 2015, 4.8% in 2016 outperforming regional peers for a fourth consecutive year, but is expected to decelerate to around 4% in 2017. It is common knowledge that growth is largely driven by private consumption, financed by an overly expansionary fiscal policy, and leads to a revival of macroeconomic imbalances. Hence, the economy is driven close to, if not above, its potential growth rate at the expense of pushing government finances off consolidation track and deteriorating the external position.

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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

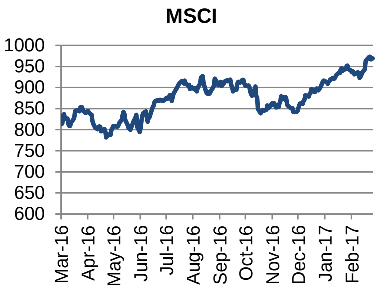
ROMANIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP *	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

GLOBAL MARKETS

Stock markets	*Last*	*ΔD*	*ΔYTD*	*FOREX*	*Last*	*ΔD*	*ΔYTD*	*Government Bonds (yields)*	*Last*	*ΔDbps*	*ΔYTD bps*	*Commodities*	*Last*	*ΔD*	*ΔYTD*
S&P 500	2368.06	0.3%	5.8%	EUR/USD	1.069	0.1%	1.6%	UST - 10yr	2.42	0	-3	GOLD	1243	0.0%	7.9%
Nikkei 225	18909.26	-0.8%	-1.1%	GBP/USD	1.2456	-0.1%	0.8%	Bund-10yr	0.34	0	13	BRENT CRUDE	53	-0.3%	-7.1%
STOXX 600	379.61	-0.2%	5.0%	USD/JPY	111.8	0.1%	4.7%	JGB - 10yr	0.07	0	2	LMEX	2905	0.6%	9.2%

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	5.00	0	-9
5Y RSD	5.34	0	-1
7Y RSD	5.64	0	1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.82	-2	-51
USD Nov-24	6.53	0	11

CDS

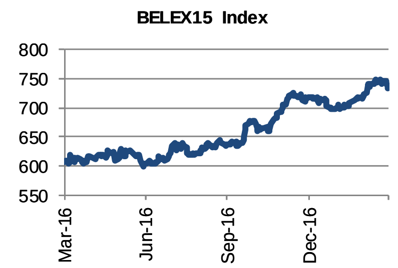
	Last	ΔDbps	ΔYTD bps
5-year	191	0	-17
10-year	232	0	-23

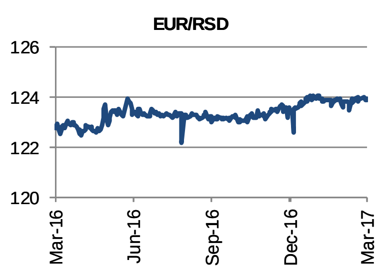
STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.6	-0.53%	2.26%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.91	0.01%	-0.36%





ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.59	-1	-3
5Y RON	2.52	0	0
10Y RON	3.57	0	-8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.98	0	-16
USD Jan-24	3.44	1	-42

CDS

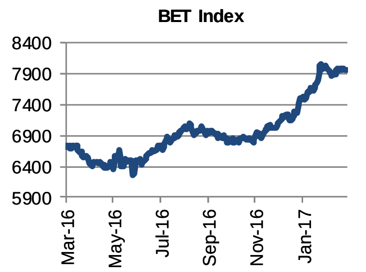
	Last	ΔDbps	ΔYTD bps
5-year	100	-1	-10
10-year	144	-2	-8

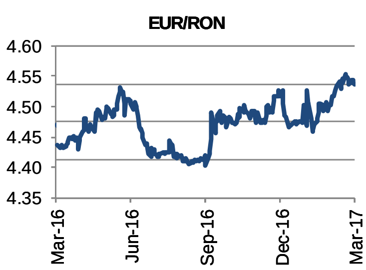
STOCKS

	Last	ΔD	ΔYTD
BET	8065.5	0.59%	13.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5487	0.08%	-0.21%





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	0.06	-1	-10
5Y BGN	0.39	0	-12
10Y BGN	1.72	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.66	0	-34
EUR Sep-24	1.41	0	-27

CDS

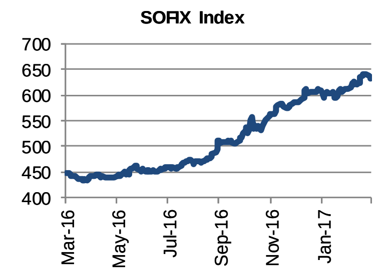
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-37
10-year	154	0	-40

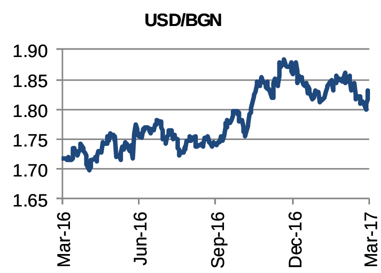
STOCKS

	Last	ΔD	ΔYTD
SOFIX	633.9	0.14%	8.10%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8298	0.15%	1.56%





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

Data updated as of 10:30 EEST

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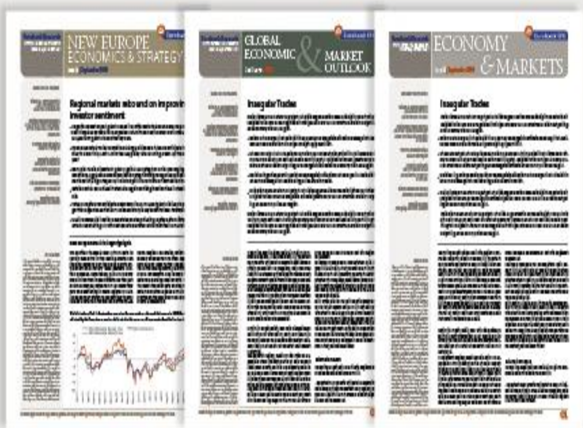

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