

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 13, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- March 12
 - Retail sales (Feb)
 - Initial jobless claims (Mar. 6)
- March 13
 - UoM consumer confidence (Mar, p)

EUROZONE

- March 9: ECB launches QE programme
- March 9-10: Eurogroup/ECOFIN meetings

SEE

SERBIA

- March 12
 - HICP (Feb)
 - MPC meeting

ROMANIA

- March 9: RON 500mn 4.75% 2019 T-bonds auction
- March 10
 - Industrial sales (Jan)
 - Wages (Jan)
 - CPI (Feb)
- March 11: Industrial output (Jan)
- March 12
 - Trade balance (Jan)
 - 4.75% 2025 T-bonds auction

BULGARIA

- March 9
 - Industrial output (Jan)
 - Retail sales (Jan)
- March 9 – 13: U/E rate (Feb)
- March 12: Trade balance (Jan)
- March 13: CPI (Feb)
-

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major Asian bourses firmed and the USD moved lower in European trade on Friday following y-day's weaker-than-expected US data. On the data front, US UM consumer sentiment for February and US February's PPI lure market attention today ahead of the eagerly awaited FOMC policy meeting next week (March 17-18).

GREECE: In an emergency meeting that took place y-day via teleconference, the ECB renewed its approval for the provision of the ELA facility to Greek banks and increased the ELA ceiling by €500mn to €69.4bn. In other news, speaking in the joint press conference following his meeting with OECD Secretary General Angel Gurría, Prime Minister Alexis Tsipras announced that Greece signed a cooperation deal with the OECD in the form of know-how related to the planning and implementation of a series of reforms. Meanwhile, the technical teams of the institutions reportedly arrived in Athens y-day and talks with domestic authorities are expected to commence today.

SOUTH EASTERN EUROPE

SERBIA: After staying put on interest rates since November last year, the Central Bank (NBS) lowered its key policy rate by 50bps to 7.50% at its MPC meeting on Thursday, in line with a market consensus.

BULGARIA: According to preliminary data by NSI, Bulgaria's foreign trade deficit narrowed by 51.1%YoY to BGN 0.4bn. The aforementioned improvement came on the back of an 8.9%YoY increase in exports vs. a 4.2%YoY drop in imports.

CESEE MARKETS: The majority of **emerging stock markets** posted modest losses earlier today and **CESEE currencies** broadly recoiled, as investors eagerly await next week's FOMC meeting for any clues on the timing of interest rate hikes. In the **local rates markets**, government bonds gave back some of yesterday's gains recorded after the Central Bank of Serbia cut its key policy rate.

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Latest world economic & market developments

GLOBAL MARKETS

Major Asian bourses firmed and the USD moved lower in European trade on Friday following y-day's weaker-than-expected US data. Specifically, US retail sales declined in February for the third month in a row mainly due to adverse weather conditions dropping by 0.6% mom following a fall of 0.8% mom in the prior month and a 0.9% mom decline in December, the highest in a year. The EUR/USD was hovering around 1.0625/30 at the time of writing, having recovered from a 12-year trough of 1.0494 hit in the prior session also supported by a modest uptick in Bund yields. On the data front, US UM consumer sentiment for February and US February's PPI lure market attention today ahead of the eagerly awaited FOMC policy meeting next week (March 17-18).

GREECE

According to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem edged up in February for the fifth month in a row following a sharp drop in bank deposits over the last few months, tighter access to interbank markets and the ECB's decision earlier this year to lift the eligibility waiver on debt issued or guaranteed by the Hellenic Republic. Total Eurosystem funding stood at a one-year high of €104.25bn in February, from €87.48bn in the prior month and €56.04bn in December 2014. ECB funding came in at €38.61bn compared to €82.25bn in January while funding through the ELA facility increased to €65.64, up by €60.41bn compared to the prior month. In an emergency meeting that took place y-day via teleconference, the ECB renewed its approval for the provision of the ELA facility to Greek banks and increased the ELA ceiling by €500mn to €69.4bn. In other news, speaking in the joint press conference following his meeting with OECD Secretary General Angel Gurría, Prime Minister Alexis Tsipras announced that Greece signed a cooperation deal with the OECD in the form of know-how related to the planning and implementation of a series of reforms aiming to, among other, reduce red tape, boost job creation and improve efficiency in public administration. Meanwhile, the technical teams of the institutions reportedly arrived in Athens y-day and talks with domestic authorities are expected to commence today. As per the same sources, the execution of the State budget and financing needs are expected to dominate discussions while the following days, the focus will shift to structural reforms and domestic banks' non-performing loans.

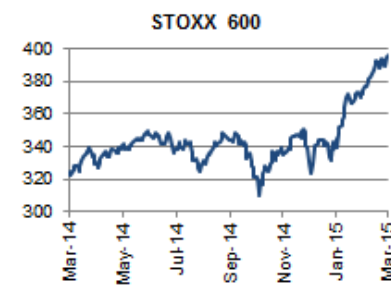
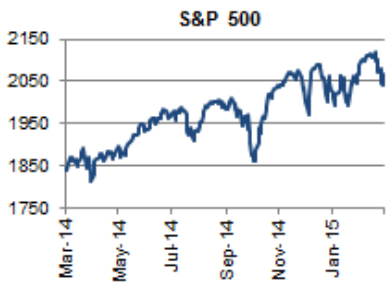
ppetropoulou@eurobank.gr

Latest developments in the CESEE region

CESEE markets

The majority of **emerging stock markets** posted modest losses earlier today and **CESEE currencies** broadly recoiled, as investors eagerly await next week's FOMC meeting for any clues on the timing of interest rate hikes. Indicatively, the MSCI Emerging Markets Index stood in a negative territory (-0.2%) at the time of writing, poised to end the week with losses to the tune of ca 2.5% on expectations that the Fed may embark on a monetary tightening cycle sooner than expected. In the **local rates markets**, government bonds gave back some of yesterday's gains recorded after the Central Bank of Serbia cut its key policy rate. The move also supported expectations that Central Banks in Hungary and Romania will deliver further monetary easing at their upcoming MPC meetings later this month as inflation remains well below official targets in both countries.

gphoka@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Global Markets Research

L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	B+	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-1.8	-0.5
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-6.5	-7.1	-5.5
Current Account/GDP	-6.1	-6.1	-4.6
EUR/RSD (eop)	114.60	120.96	125.00
	2014	current	2015f
Policy Rate (eop)	8.00	7.50	7.50

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

(Belgrade, 12/3/2015, 16:00 CET): **Latest Political & Macro Developments:** After staying put on interest rates since November last year, the Central Bank (NBS) lowered its key policy rate by 50bps to 7.50% at its MPC meeting on Thursday, in line with a market consensus. The accompanying statement read that the decision was based on the “consistent implementation of fiscal consolidation and structural reforms” domestically. It also cited the recently approved IMF deal and the launch of the ECB’s QE programme which have supported investor sentiment towards the country’s government securities. NBS also noted that consumer inflation began to rise towards the official target tolerance band of $4\pm 1.5\%$ in February. According to data released on Thursday, HICP inched up to 0.8%YoY from a record low of 0.1%YoY a month earlier amid weak domestic demand dynamics, favorable base effects and low global oil prices. Another rate cut this year can not be ruled out, especially if EUR/RSD downside pressures persist. However, the room for such action appears to be rather limited as the Central Bank anticipates annual inflation to return within the target tolerance band around mid-year on the back of the NBS monetary policy easing, upcoming administered price hikes and the waning impact of temporary disinflationary factors. It is also worth noting that, fiscal consolidation as well as external risks linger and the high level of Euroization impedes the functioning of the monetary policy transmission mechanism. **Market Developments:** The EUR/RSD closed modestly lower at 120.15/35 on Thursday, with the NBS rate cut appearing to have been largely priced in. Barring any new Central Bank interventions in the FX markets, further dinar appreciation seems to be on the cards in the coming days. In the event of NBS action, range trading within 120.00-121.00 is likely to prevail.

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

gphoka@eurobank.gr

BULGARIA

BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	0.8
CPI (pa, yoy %)	0.4	-1.5	0.1
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	2.1	2.2	1.8
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

(Sofia, 12/3/2015, 17:30 EET): **Latest Political & Macro Developments:** According to preliminary data by NSI, Bulgaria’s foreign trade deficit narrowed by 51.1%YoY to BGN 0.4bn. The aforementioned improvement came on the back of an 8.9%YoY increase in exports vs. a 4.2%YoY drop in imports. **Market Developments:** In line with the broadly positive trend in emerging markets, domestic bourses rose on Thursday, with the main SOFIX rising by 1.17% to 485.01 points, marking its largest daily gain in three months.

VBoteva@postbank.bg

gphoka@eurobank.gr

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-22	-238
1-week	8.12	-18	-189
1-month	8.90	-7	-115
3-month	9.29	-6	-56
6-month	9.40	-4	-39

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.22	-3	18
5Y RSD	10.18	0	0
7Y RSD	11.28	0	4

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.62	2	-64
USD Nov-24	6.43	0	-16

CDS

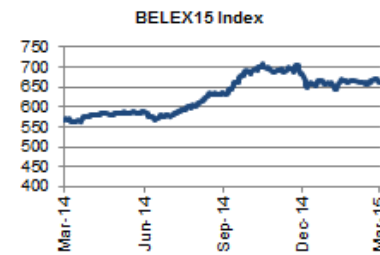
	Last	ΔDbps	ΔYTD bps
5-year	271	1	-19
10-year	297	2	-59

STOCKS

	Last	ΔD	ΔYTD
BELEX15	659.5	-0.21%	-1.13%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.09	0.16%	1.05%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	-1	1
1-month	0.75	1	-16
3-month	1.32	0	-38
6-month	1.56	-1	-45
12-month	1.64	0	-38

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.07	0	-24
5Y RON	2.31	0	-40
10Y RON	3.10	0	-56

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.32	3	-42
USD Aug-23	3.44	4	-18

CDS

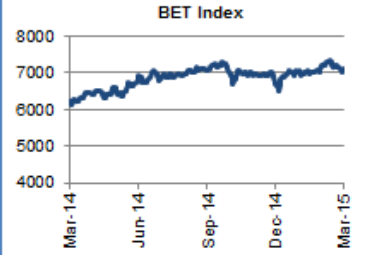
	Last	ΔDbps	ΔYTD bps
5-year	108	0	-35
10-year	151	-1	-36

STOCKS

	Last	ΔD	ΔYTD
BET	7077.5	-0.33%	-0.08%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4466	-0.13%	0.83%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-2
1-month	0.16	0	-5
3-month	0.36	0	-7
6-month	0.72	0	-7
12-month	1.37	1	-14

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.37	0	-67
5Y BGN	0.65	0	-79
10Y BGN	1.88	0	-87

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.62	-4	-53
EUR Sep-24	2.24	-9	-63

CDS

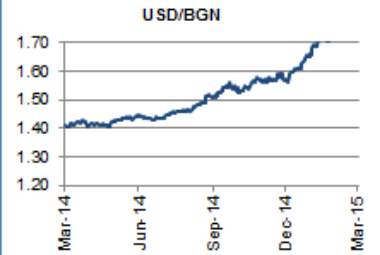
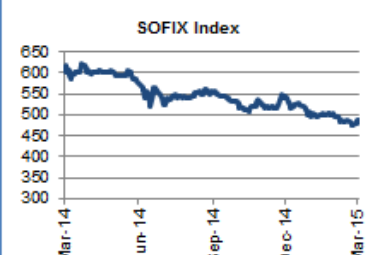
	Last	ΔDbps	ΔYTD bps
5-year	177	-2	-14
10-year	224	-3	-17

STOCKS

	Last	ΔD	ΔYTD
SOFIX	488.3	0.68%	-6.48%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8443	-0.28%	-12.35%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:45 EET

Contributors

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491

vboteva@postbank.bg

Zoran Korac

FX dealer, Eurobank ad Beograd
+381 11 206 5821

zoran.korac@eurobank.rs

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias
+30 210 3718922

galatia.phoka@eurobank.gr

Bogdan Radulescu, CFA

Senior Trader, Bancpost
+40 21 3656291

bogdan.radulescu@bancpost.ro

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd
+381 11 30 27 533

ivan.radovic@eurobank.rs

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos:

Chief Market Economist

pmonokrousos@eurobank.gr, +30 210 37 18 903

Paraskevi Petropoulou: G10 Markets Analyst

ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst

gphoka@eurobank.gr, +30 210 37 18 922

Anna Dimitriadou: Economic Analyst

adimitriadou@eurobank.gr, +30 210 37 18 793

Global Markets Sales

Nikos Laios: Head of Treasury Sales

nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales

apathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales

yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales

astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales

gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Market International

vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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