

March 9, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- March 2
 - Personal income/spending (Jan)
 - PCE core (Jan)
 - ISM manufacturing (Feb)
- March 4
 - ADP employment (Feb)
 - ISM non-manufacturing (Feb)
- March 5
 - Initial jobless claims (Feb. 28)
 - Factory orders (Jan)
 - CPI (Jan)
- March 6
 - NFP (Feb)
 - U/E rate (Feb)
 - Average hourly earnings (Feb)
 - Trade balance (Jan)

EUROZONE

- March 2
 - PMI manufacturing (Feb)
 - HICP (Feb, flash)
- March 4: PMI services (Feb, f)
- March 5: ECB meeting
- March 6: GDP (Q4, 2014, p)

SEE

SERBIA

- March 2: Retail sales (Jan)

ROMANIA

- March 3: Retail sales (Jan)
- March 5: 5.95% 2021 T-bonds sales
- March 5: GDP (Q414, p)

BULGARIA

- March 6
 - GDP (Q414, f)
 - International reserves (Feb)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Tracking losses in the majority of Asian equity markets today, major European bourses were weaker in early trade on Monday on the view that the Fed may embark on a tightening cycle earlier than expected in the wake of the upbeat US February's employment report.

GREECE: In an effort to persuade his euro area counterparts to give the green light for an early (partial) disbursement of the pending loan tranche of €7.2bn, Greece's Minister of Finance Yanis Varoufakis will present at today's Eurogroup a package of reforms aiming to: (i) activate a Fiscal Council to monitor, among other, the government's fiscal policy; (ii) improve the Budget's Organic Law and preparation process; (iii) establish a new inspection body to assist in the fight against VAT evasion; (iv) improve collection of tax arrears and social security contributions; (v) adopt immediate measures to address the domestic humanitarian crisis; (vi) boost budget revenue through a new licensing framework for online gaming services; and (vii) overhaul the provision of public services so as to reduce bureaucracy and improve the domestic business environment.

SOUTH EASTERN EUROPE

SERBIA: State-owned *Telekom Srbija* said on Friday that Lazard Freres SAS was the sole bidder for the advisory role in the company's privatization.

ROMANIA: Focus today is on the MoF's primary market auction for RON 500mn of Jun 2019 T-bonds.

BULGARIA: According to the latest NSI data, the modest rebound in economic activity continued in 2014, with real GDP growth coming in at 1.7% from 1.1% in 2013.

CESEE MARKETS: In line with the trend in major Asian and European stock markets, the majority of **EM stock markets** kicked off the week on a negative footing, weighed down by speculation that the Fed may start hiking interest rates earlier than previously expected after recently released upbeat labour data from the US. On the flipside, **CEE currencies** broadly advanced in view of today's launch of the ECB's QE programme. In the **local rates markets**, government bonds were mixed after coming under pressure last week in the wake of the US NFP report and the Polish MPC meeting where the Central Bank signaled the end of the current monetary easing cycle.

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Latest world economic & market developments

GLOBAL MARKETS

Tracking losses in the majority of Asian equity markets today, major European bourses were weaker in early trade on Monday on the view that the Fed may embark on a tightening cycle earlier than expected in the wake of the upbeat US February's employment report. In more detail, according to data released on Friday, US non-farm payrolls rose by a higher-than-expected 295k in February, making the 12th straight month that employment gains have been above 200k. Adding to the positive tone of the report, the unemployment rate dropped to 5.5% in February, the lowest level since May 2008, against expectations for a fall to 5.6% from 5.7% in the prior month. In response to the firmer-than-expected US employment report, US Treasuries weakened while the USD moved higher. Looking at this week's calendar, the main data releases include US February's retail sales report on Thursday ahead of China's CPI for February on Tuesday.

GREECE

In an effort to persuade his euro area counterparts to give the green light for an early (partial) disbursement of the pending loan tranche of €7.2bn, Greece's Minister of Finance Yanis Varoufakis will present at today's Eurogroup a package of reforms aiming to; (i) activate a Fiscal Council to monitor, among other, the government's fiscal policy; (ii) improve the Budget's Organic Law and preparation process; (iii) establish a new inspection body to assist in the fight against VAT evasion; (iv) improve collection of tax arrears and social security contributions; (v) adopt immediate measures to address the domestic humanitarian crisis; (vi) boost budget revenue through a new licensing framework for online gaming services; and (vii) overhaul the provision of public services so as reduce bureaucracy and improve the domestic business environment. In a letter sent to the domestic authorities in response to the reform outline he received ahead of today's Eurogroup, President Jeroen Dijsselbloem said that further discussions on the proposed measures will have to take place in Brussels with the institutions while the technical work required in the course of the present arrangement's review has to be done in Athens.

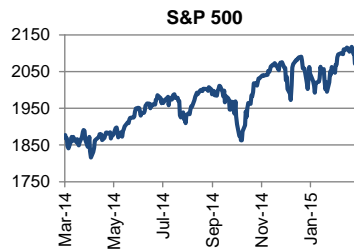
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Latest developments in the CESEE region

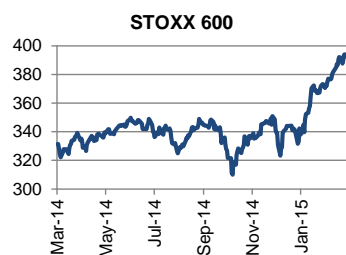
CESEE markets

In line with the trend in major Asian and European stock markets, the majority of **EM stock markets** kicked off the week on a negative footing, weighed down by speculation that the Fed may start hiking interest rates earlier than previously expected after recently released upbeat labour data from the US. On the flipside, **CEE currencies** broadly advanced in view of today's launch of the ECB's QE programme. The Turkish lira outperformed its regional peers having firmed in excess of 2% against the US dollar from Friday's record lows near 2.6460, after the Central Bank announced a reduction of its 1-week FX deposit interest rates. In the **local rates markets**, government bonds were mixed after coming under pressure last week in the wake of the US NFP report and the Polish MPC meeting where the Central Bank signaled the end of the current monetary easing cycle. Against this backdrop, longer-term Polish yields rose further earlier today with the corresponding 10-year yield rising ca12bps on the day to stand at 2.472% at the time of writing. Looking ahead, inflation data releases from several countries in the region, as well as Serbia's MPC meeting take centre stage this week.

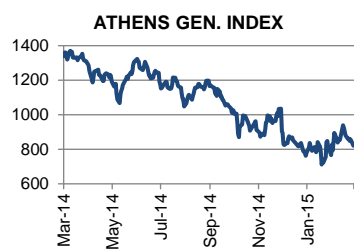
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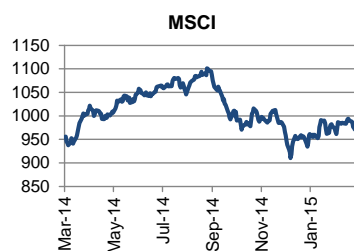
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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: 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	8.00	7.50

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

SERBIA

(Belgrade, 6/3/2015, 16:40 CET): **Latest Political & Macro Developments:** State-owned Telekom Srbija said on Friday that Lazard Freres SAS was the sole bidder for the advisory role in the company's privatization. It added that it would reply to Lazard's bid within a legal timeframe. **Market Developments:** The EUR/RSD closed modestly lower on Friday near a session trough of 120.50/70, in thin trade volumes. Looking ahead, we expect the EUR/RSD to continue hovering within its recent trading range of 119.90-121.00, over the next couple of sessions, ahead of February's CPI and MPC meeting on Thursday. In line with the market's median forecast we anticipate a 25bps cut in the NBS key policy rate to 7.75% this week, as the recent IMF agreement opened the door for Central Bank monetary easing after three months of stable interest rates. Also in support of our view, inflation stands persistently below the target tolerance band of $4 \pm 1.5\%$ over recent months (HICP slid to a record low of 0.1%YoY in January) and domestic demand dynamics remain weak. Despite those factors arguing in favor of sizeable rate-cuts ahead, the NBS is likely to continue easing monetary conditions in a cautious pace this year as it anticipates annual inflation to return within the target tolerance band around mid-year, due to the slowly waning impact of temporary disinflationary factors, while fiscal consolidation as well as external risks linger. Furthermore, the high level of Euroization in the domestic economy impedes the functioning of the monetary policy transmission mechanism.

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ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP	-2.3	-2.2	-2.2
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.25	2.00

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

ROMANIA

(Bucharest, 9/3/2015, 09:10 EET): **Market Developments:** The EUR/RON remained range-bound within 4.4385/4.4500 on Friday. In money markets, short term rates stood close to the deposit facility of 0.25% while government bonds came under pressure in the wake of the upbeat US NFP data which pushed the corresponding yield curve around 10bps higher across the board. Focus today is on the MoF's primary market auction for RON 500mn of Jun 2019 T-bonds. Given Friday's sell-off, demand is likely to be lukewarm, with the average accepted yield expected to come in at around 2.25-35% according to the market's median forecast.

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BULGARIA

(Sofia, 6/3/2015, 17:30 EET): **Latest Political & Macro Developments:** According to the latest NSI data, the modest rebound in economic activity continued in 2014, with real GDP growth coming in at 1.7% from 1.1% in 2013. In more detail, final consumption was the main driver of growth rebounding by 2.4%YoY after contracting by 1.3%YoY in the prior year, supported by solid gains in both private (+2.4%YoY) and government spending (+5.8%YoY). Gross fixed capital formation improved (+2.8% in 2014 vs. -0.1% in 2013), though remaining still far from its pre-global-financial-crisis performance. On the flipside, exports' growth slowed to 2.2% in 2014 from 9.2% in 2013, weighed down by the slow recovery in Bulgaria's main trade partner, the Eurozone, underperforming a concomitant increase of 3.8% in imports. In other news, Prime Minister Boyko Borissov proposed incumbent Deputy Prime Minister Rumiana Bachvarova to replace outgoing interior minister Veselin Vuchkov after his resignation last week. Meanwhile, the head of State Agency for National Security (DANS) Vladimir Pisanchev and Interior Ministry's chief secretary Svetlozar Lazarov also resigned on Friday, following Borissov's solicitation.

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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

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	2071.26	-1.4%	0.6%	EUR/USD	1.0879	0.3%	-10.1%	UST - 10yr	2.22	-2	5	GOLD	1175	0.7%	-0.8%
Nikkei 225	18790.55	-1.0%	7.7%	GBP/USD	1.5115	0.5%	-3.0%	Bund-10yr	0.34	-6	-20	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	392.12	-0.5%	14.5%	USD/JPY	120.88	0.0%	-1.0%	JGB - 10yr	0.44	4	11	LMEX	2710	-1.0%	-7.0%

SEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR	on	-49	-89
T/N			
1-week	9.36	-46	-65
1-month	9.67	-39	-38
3-month	9.90	-39	5
6-month	9.97	-41	18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.26	2	22
5Y RSD	9.89	0	-29
7Y RSD	11.27	0	3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.54	3	-72
USD Nov-24	6.41	0	-18

CDS

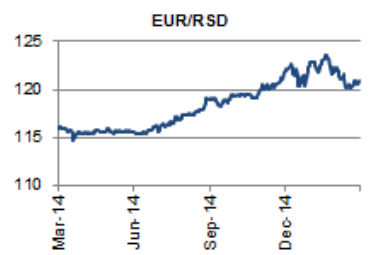
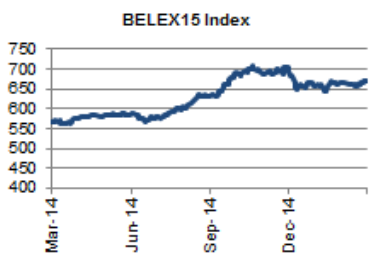
	Last	ΔDbps	ΔYTD bps
5-year	266	0	-24
10-year	294	0	-62

STOCKS

	Last	ΔD	ΔYTD
BELEX15	670.6	-0.21%	0.53%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.89	-0.23%	0.38%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR	0.61	-1	4
O/N			
1-month	0.73	-2	-18
3-month	1.34	0	-36
6-month	1.58	1	-43
12-month	1.64	0	-38

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.05	6	-26
5Y RON	2.30	10	-41
10Y RON	3.08	8	-58

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.38	6	-35
USD Aug-23	3.48	8	-14

CDS

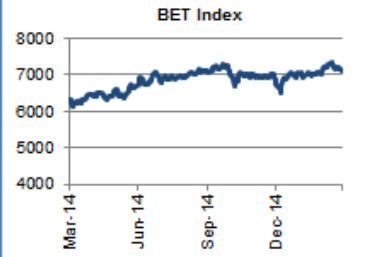
	Last	ΔDbps	ΔYTD bps
5-year	105	1	-38
10-year	148	1	-39

STOCKS

	Last	ΔD	ΔYTD
BET	7122.5	-0.46%	0.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4443	0.02%	0.88%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR	0.01	0	-1
LEONIA			
1-month	0.17	0	-5
3-month	0.37	0	-6
6-month	0.73	0	-6
12-month	1.32	-6	-18

BG Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	-2	-63
5Y BGN	0.68	-2	-77
10Y BGN	1.89	0	-86

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.64	0	-52
EUR Sep-24	2.23	33	-64

CDS

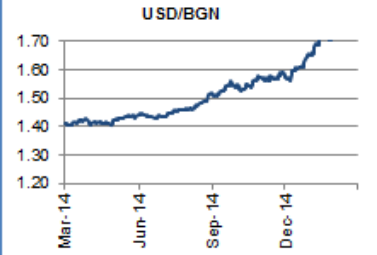
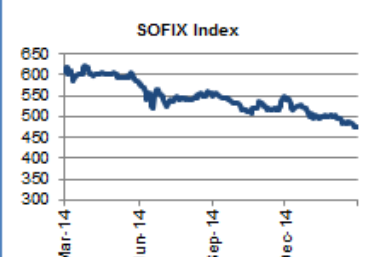
	Last	ΔDbps	ΔYTD bps
5-year	173	2	-18
10-year	222	2	-19

STOCKS

	Last	ΔD	ΔYTD
SOFIX	476.4	0.01%	-8.75%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7976	0.34%	-10.07%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 12:50 EET

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