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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Monday, February 01, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- February 1
  - Personal income (Dec)
  - Personal spending (Dec)
  - Core PCE deflator (Dec)
  - ISM manufacturing (Jan)
- February 3
  - ADP employment (Dec)
  - ISM non-manufacturing (Jan)
- February 4
  - Jobless claims (Jan 24)
  - Industrial orders (Dec)
- February 5
  - NFP payrolls (Jan)
  - U/E rate (Jan)

EUROZONE

- February 1: PMI manufacturing (Jan, f)
- February 3: PMI services (Jan, f)

GREECE

- February 1
  - PMI manufacturing (Jan)
  - Official discussions in the context of the 1st programme review commence
- February 5: Commercial Transactions (p, Dec)

SEE

BULGARIA

- February 5: Moody's sovereign credit rating review

ROMANIA

- February 1
  - T-bonds auction
  - Intern/l reserves (Jan)
- February 2: ILO U/E rate (Dec)
- February 3: Retail sales (Dec)
- February 5: MPC meeting

SERBIA

- February 1
  - GDP (Q4, 2015, p)
  - 1.5% 2018 EUR T-bonds auction

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of European bourses were weaker in early trade on Monday pressured by lingering worries over the growth prospects of China. Yet, losses were limited so far amid increased expectations for further ECB policy stimulus following the unexpected move by the BoJ late last week to introduce a negative interest rate for the first time ever. In FX market, the JPY remained under pressure amid expectations for additional BoJ easing later this year. On the data front, focus this week is on the US' January non-farm payrolls report due for release on Friday.

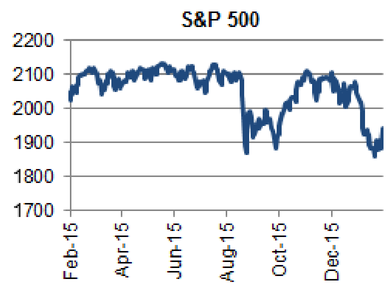
GREECE: The ECB/EC/IMF/ESM mission heads arrived in Athens over the weekend and they are reportedly expected to commence today official discussions with domestic authorities in the context of the 1st programme review. Reportedly, the review will be carried out in two phases. The first one is expected to last for 7-10 days and during this period the two sides will attempt to reach an agreement on which issues will be finally attached to the successful completion of the review. The mission heads will reportedly depart thereafter and will return for the completion of the review as soon as they are of the view that they are close to a compromise with Greek authorities on the agreed prior actions.

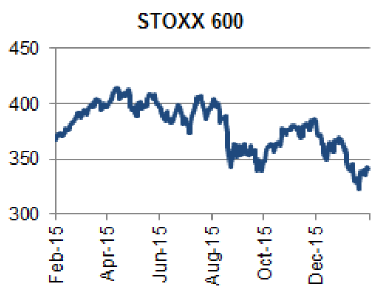
SOUTH EASTERN EUROPE

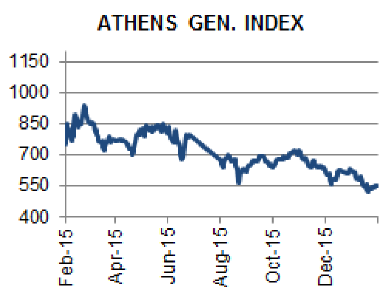
BULGARIA: The domestic equity market continued to consolidate at current levels last week, with some signs of a more substantial recovery evidenced only on Friday. Meanwhile, the sovereign yield curve remained nearly unchanged as interest was refocused on the primary market. On the other hand, Eurobonds appeared well supported over the last few days.

SERBIA: The dinar remained under pressure against the euro last week, with the EUR/RSD having reached a 1-year high at 123.30/50 at some point earlier in the week.

Latest world economic & market developments







Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

The majority of European bourses were modestly weaker in early trade on Monday pressured by lingering worries over the growth prospects of China. Official data released earlier today revealed that China's manufacturing PMI contracted in January for the sixth month in a row coming in at a lower-than-expected 49.4, the weakest in near 3 ½ years. Yet, losses of major European bourses were limited so far amid increased expectations for further ECB policy stimulus following the unexpected move by the BoJ late last week to introduce a negative interest rate for the first time ever. Modestly higher oil prices may also had an impact. The Brent crude oil price was hovering around $35.12 per barrel at the time of writing, the highest in near four weeks. In FX markets, the JPY remained under pressure amid expectations for additional BoJ monetary policy easing later this year. The USD/JPY was hovering around 121.25/30 in European trade at the time of writing, not far from a multi-week peak of 121.70 hit on Friday soon after the BoJ policy announcement. Technically, strong resistance lies at 123.60 (Dec. 18 peak), a level that could be potentially tested on a multi-session/week basis assuming that upcoming US data and global financial developments reinforce expectations for a more aggressive than current expected pace of Fed rate tightening in the months ahead. On the data front, focus this week is on the US' January non-farm payrolls report due on Friday while the BoE monetary policy meeting and the updated BoE Inflation Report, both scheduled for Thursday, also lure market attention.

GREECE

The ECB/EC/IMF/ESM mission heads arrived in Athens over the weekend and they are reportedly expected to commence today official discussions with domestic authorities in the context of the 1st programme review. As per the same sources, the first meeting is scheduled to take place at 17:00 Athens time with Minister of Finance Euclid Tsakalotos. Reportedly, the review will be carried out in two phases. The first one is reportedly expected to last for 7-10 days and during this period the two sides will attempt to reach an agreement on the issues that will be finally attached to the successful completion of the review. The mission heads will reportedly depart thereafter and will return for the completion of the review once they believe that they are close to a compromise with Greek authorities on the agreed prior actions. Reportedly, as things stand at this point, the main sticking point is the planned overhaul of the social security system. The Greek government has drawn a red line on any further cut in pensions and has proposed instead an increase in social security contributions to secure annual savings of 1%-of-GDP, as the MoU envisions. As per the same sources, the IMF has rejected that plan and has proposed instead an average cut of 15% in pensions. Reportedly, the size of any projected fiscal gap in years 2016, 2017 and 2018, is also expected to be a sticking point in official discussions. The Greek side reportedly argues that a general government primary surplus of 0.4%-of-GDP was reached in 2015, outperforming the official target for a shortfall of 0.25%-of-GDP while this year's target for a surplus of 0.50%-of-GDP will be fully met. As per the same sources, official creditors anticipate a fiscal gap of 0.5-1%-of-GDP for 2016 and up to 3.5%-of-GDP cumulatively by FY-2018 demanding the adoption of additional measures - beyond those already agreed under the existing MoU- so as to secure fulfillment of the agreed fiscal targets. According to the most recent Bank of Greece data, euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) rose in December by €2.5bn on a monthly basis coming in at a seven-month high of €123.4bn.

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BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	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	2.5	1.4
EUR/BGN (eop)		1.9558	
	2014	current	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

CYPRUS: Indicators	2014e	2015f	2016f
Real GDP growth %	-2.3	1.2	1.6
HICP (pa, yoy %)	-0.3	-2.1	-0.4
Budget Balance/GDP*	-0.2	-1.3	0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

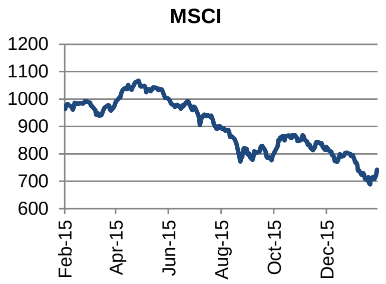
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.5	4.1
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	1.0	2.0
CPI (pa, yoy %)	2.1	1.7	3.5
Budget Balance/GDP	-6.7	-3.5	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	122.00	124.00
	2014	current	2015f
Policy Rate (eop)	8.00	4.50	4.50

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	B3	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

BULGARIA

The domestic equity market continued to consolidate at current levels last week, with some signs of a more substantial recovery evidenced only on Friday. In more detail, the main SOFIX index added 0.9% to end at 448.44 points. Meanwhile, the sovereign yield curve remained nearly unchanged as interest was refocused on the primary market. On the latter, the Ministry of Finance successfully placed BGN 200mn in 10.5-year bonds on Monday at an average accepted yield of 2.58% and a bid/cover ratio of 1.13. Banks remained the major buyers with an 82.45% share of the auction, followed by pension funds with 8.05%. The MinFin currently plans just one auction in February, on the 15th of the month, for BGN 200mn in 3-year notes. On the other hand, Eurobonds were relatively well supported.

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SERBIA

The dinar remained under pressure against the euro last week, with the EUR/RSD having reached a 1-year high at 123.30/50 at some point. As a result, the National Bank of Serbia (NBS) intervened anew in the FX markets in order to halt the currency's depreciation momentum. According to our estimate, the NBS sold €80mn just on Friday, an amount substantially above the average of past daily interventions, assisting the EUR/RSD to pull back from recent highs to 122.60/80 by the end of the week. With ample EUR liquidity currently in the FX markets, further EUR/RSD correction in the coming days seems to be on the cards.

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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	1940.24	2.5%	-5.1%	EUR/USD	1.0859	0.2%	0.0%	UST - 10yr	1.93	1	-33	GOLD	1123	0.4%	5.8%
Nikkei 225	17865.23	2.0%	-6.1%	GBP/USD	1.4278	0.2%	-3.1%	Bund-10yr	0.33	0	-30	BRENT CRUDE	36	-0.9%	-4.3%
STOXX 600	340.55	-0.5%	-6.9%	USD/JPY	121.24	-0.1%	-1.0%	JGB - 10yr	0.06	-5	-21	LMEX	2168	1.1%	-1.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	290	0	-13
1-week	3.01	0	-18
1-month	3.22	-3	-29
3-month	3.44	-2	-39
6-month	3.62	-3	-41

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.50	-2	-7
5Y RSD	5.11	0	0
7Y RSD	7.82	0	12

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.08	-3	-8
USD Nov-24	6.42	0	1

CDS

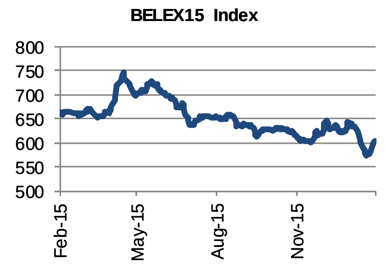
	Last	ΔDbps	ΔYTD bps
5-year	288	0	13
10-year	334	0	-5

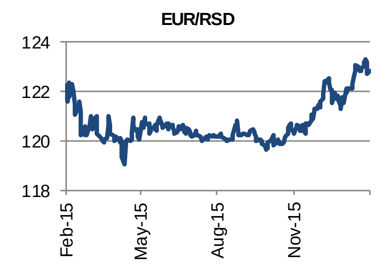
STOCKS

	Last	ΔD	ΔYTD
BELEX15	603.3	0.27%	-6.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.84	-0.11%	-1.02%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.41	1	-12
1-month	0.52	-1	-17
3-month	0.85	0	-17
6-month	1.16	3	-18
12-month	1.35	3	-17

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.62	-3	-31
5Y RON	2.43	-4	-37
10Y RON	3.39	-4	-39

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.47	-1	-10
USD Jan-24	3.62	-6	-17

CDS

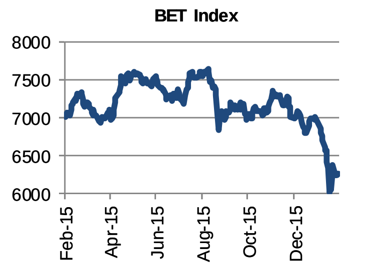
	Last	ΔDbps	ΔYTD bps
5-year	125	0	-8
10-year	169	0	-2

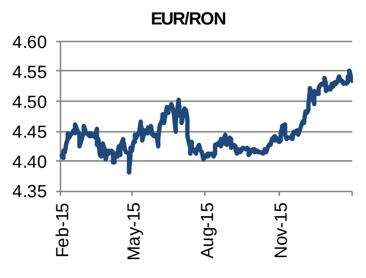
STOCKS

	Last	ΔD	ΔYTD
BET	6287.0	0.29%	-10.24%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5335	0.26%	-0.43%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.06	2	-7
1-month	-0.05	-1	-21
3-month	0.04	-4	-22
6-month	0.25	-4	-27
12-month	0.63	-10	-34

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.16	#N/A N/A	-16
5Y BGN	0.21	1	-16
10Y BGN	1.83	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.08	-9	1
EUR Sep-24	2.34	17	-8

CDS

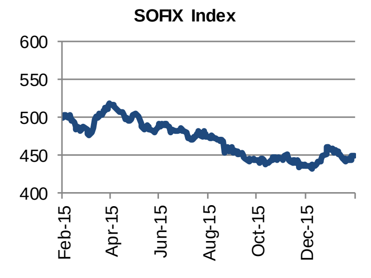
	Last	ΔDbps	ΔYTD bps
5-year	167	2	-4
10-year	213	5	-3

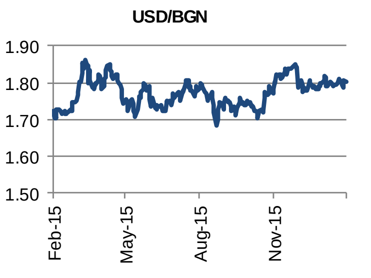
STOCKS

	Last	ΔD	ΔYTD
SOFIX	449.7	0.27%	-2.44%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8011	0.24%	-0.04%





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

Data updated as of 12:25 EET

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