

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, February 08, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- February 11: Initial jobless claims (weekly)
- February 12
 - Retail sales (Jan)
 - UoM consumer sentiment (Feb, p)

EUROZONE

- February 12: GDP (Q4, A)

GREECE

- February 9: Industrial Production Index (Dec)
- February 10: Building Activity (Dec)
- February 11
 - Eurogroup
 - U/E (Nov)
- February 12: GDP (Q415)

CYPRUS

- February 11: Eurogroup/Ecofin (discussion about programme end in March)
- February 12: GDP (Q4, p)

SEE

BULGARIA

- February 8
 - Industrial production (Dec)
 - Retail sales (Dec)
- February 9: Trade balance (Dec)
- February 13: GDP (Q4, p)

ROMANIA

- February 8
 - Net wages (Dec)
 - 5.8% 2027 T-Bonds auction
- February 9: Trade balance (Dec)
- February 11: 3.5% 2022 T-Bonds auction
- February 12
 - Industrial production (Dec)
 - GDP (Q4, A)
 - CAD (Dec)

SERBIA

- February 11: MPC meeting

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD was modestly firmer in European trade on Monday, especially against commodity-related currencies, following Friday's positive US non-farm payrolls report. Even though the headline rose by less than anticipated in January, the unemployment rate unexpectedly fell to a fresh multi-year low while average hourly earnings remained in an upward trend, suggesting that the prospect of a Fed rate hike at the upcoming monetary policy meeting in March, cannot be ruled out completely.

GREECE: The first round of official talks between the Greek authorities and the EC/ECB/IMF/ESM mission heads in the context of the 1st programme review concluded on Friday. According to Greece's Minister of Finance Euclid Tsakalotos, there was an agreement between the two sides on the "basis structure" of the planned social security pension and income tax reform adding that more progress is needed "on technical and political level". According to the government official, the mission heads will hopefully return in a reasonable time frame and both sides focus their efforts on completing the review by February 26-28.

SOUTH EASTERN EUROPE

BULGARIA: The domestic stock market ended little changed on a weekly basis on Friday, with trade volumes remaining thin as the positive impact from better than expected 2015 corporate results ran out of steam. At the same time, the local currency denominated government bonds also closed little changed and Eurobonds were well supported at the beginning of the week though lost some ground later on.

ROMANIA: The RON depreciation trend evidenced over the past couple of months reversed last week as worries over the region subsided, with the EUR/RON dropping from a 4.4600 Monday open (and week's high) to a week's low of 4.4920 on Friday's close. The Central Bank's (NBR) meeting on Friday had no market impact as the decision to stay put on its monetary policy has been widely priced in by financial markets.

SERBIA: The EUR/RSD slid to 122.25/45 on Friday's close ending the week modestly lower and well below a 123.40/60 1-year high hit a few sessions earlier.

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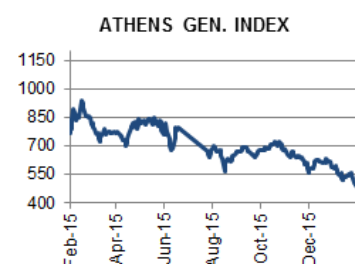
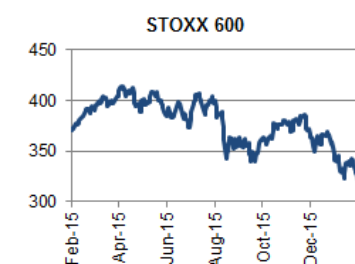
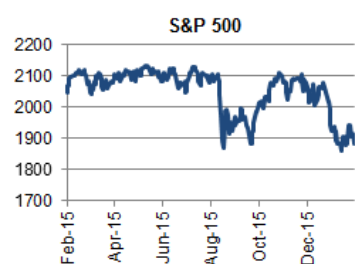
Latest world economic & market developments

GLOBAL MARKETS

The USD was modestly firmer in European trade on Monday, especially against commodity-related currencies, following Friday's positive US non-farm payrolls report. The headline rose by a lower than expected 151k in January but this was partly due to unusually mild winter weather and comes following a hefty 262k rise in the prior month. Furthermore, some payback in employment gains as the economy is approaching full employment seems inevitable while even after taking the weaker-than-expected January figure into account, non-farm payrolls have increased by 200k on average over the last six months. On a more positive tone, the unemployment rate unexpectedly fell from 5.0% to 4.9%, the lowest since early 2008 while average hourly earnings rose by 0.5% mom producing a year-on-year growth rate of 2.5%, close to December's post-recession peak of 2.7%YoY. Overall, the US employment report suggests that the prospect of a Fed rate hike at the upcoming monetary policy meeting in March cannot be ruled out completely. Nevertheless, for the Fed to eventually push interest rates higher just a month later, further improvement in the US economic momentum and global financial markets is seen as highly necessary. With the US January's non-farm payrolls report out of the way, market focus now turns to FOMC chair Janet Yellen who is scheduled to deliver her semi-annual monetary policy report on Wednesday and Thursday. On the data front, focus will be on US January's retail sales and the advance print of Q4 GDP for the euro area, both due on Friday.

GREECE

The first round of official talks between the Greek authorities and the EC/ECB/IMF/ESM mission heads in the context of the 1st programme review concluded on Friday. The mission heads departed from Athens on the same day and are reportedly expected to return by February 15th, at the earliest. In the meantime, discussions on all open issues will continue between the Greek authorities and the Athens-based technical teams representing official creditors. According to Greece's Minister of Finance Euclid Tsakalotos, there was an agreement between the two sides on the "basis structure" of the planned social security pension and income tax reform adding that more progress is needed "on technical and political level". According to the government official, the mission heads will hopefully return within a reasonable time frame and both sides currently focus their efforts on completing the review by February 26-28. A formal decision on the exact timing of the mission heads' return will be reached at the February 11th Eurogroup after assessing how close the two sides are on reaching a staff level agreement on the required conditionality. Meanwhile, EU Commission Vice President Valdis Dombrovskis was quoted saying in a press conference on Friday that discussions between official creditors and Greece "are constructive" and that a second round of talks will commence soon.



Source: Reuters, Bloomberg, Eurobank Research

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BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	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	1.5	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

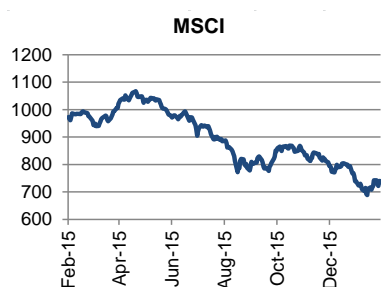
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.6	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.50	4.50	4.50

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

L-T ccy	Credit Ratings		
	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 stock market ended little changed on a weekly basis on Friday, with trade volumes remaining thin as the positive impact from better than expected 2015 corporate results ran out of steam. In more detail, the main benchmark SOFIX index advanced by 0.4% to 450.07 points, while weekly turnover fell to a one-month low of € 0.54mn. At the same time, local currency denominated government bonds also closed little changed with some downside adjustment in paper of mid-tenure. Separately, Eurobonds were well supported at the beginning of the week though lost some ground later on. Market participants are currently in a wait-and-see mode ahead of the next treasury auction scheduled on February 15th for BGN 200mn in 3-year notes.

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ROMANIA

The RON depreciation trend evidenced over the past couple of months reversed last week as worries over the region subsided, with the EUR/RON dropping from a 4.4600 Monday open (and week's high) to a week low of 4.4920 on Friday's close. The Central Bank's (NBR) meeting on Friday had no market impact as the decision to stay put on its monetary policy has been widely priced in by financial markets. The short term RON rates remained around all-time lows, with the 1-month rate at 0.30% and the 12-month at 0.65%, as monetary statistics showed banks' average placements at the NBR's overnight facility rising to a whopping RON20bn in January. Heavy off-shore buying also pushed RON government bond yields lower. The yield curve undertook some bullish flattening last week, with the 12-month rate moving 5bps lower to 0.55%, the 3Y some 7bps lower to 1.55% and the 10Y dropping 15bps to 3.25%.

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SERBIA

The EUR/RSD slid to 122.25/45 on Friday's close ending the week modestly lower and well below a 123.40/60 1-year high hit a few sessions earlier. Further downside pressures on the pair are likely in the coming sessions as the Public Debt Administration prepares for the biggest 3-year dinar-denominated auction so far. As it has already been stated, Serbia plans to issue RSD 110bn (~€0.9bn) of benchmark bonds on February 18th to qualify for inclusion in a global index tracking local currency securities (GBIEMCOR). However, the government may decide against selling the entire issue in one tranche given that 1Q funding needs do not require it. External developments also argue in favour of some dinar appreciation in the coming weeks, especially in view of scaled back expectations for the Fed's rate tightening path in 2016.

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February 8, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	289	-2	-14
1-week	3.00	-1	-19
1-month	3.20	-3	-31
3-month	3.40	-6	-43
6-month	3.60	-4	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.47	-3	-20
5Y RSD	5.07	0	-6
7Y RSD	7.78	0	9

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.07	0	-9
USD Nov-24	6.40	-1	-1

CDS

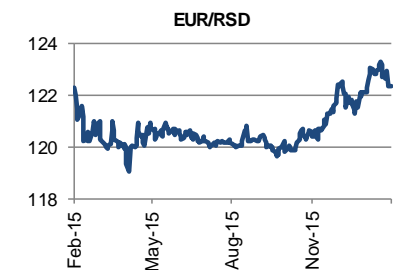
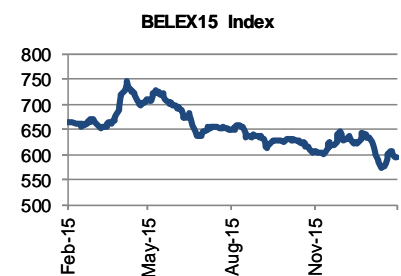
	Last	ΔDbps	ΔYTD bps
5-year	288	0	13
10-year	334	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	596.2	0.25%	-7.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.30	0.21%	-0.59%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.38	-1	-15
1-month	0.52	0	-17
3-month	0.79	-3	-23
6-month	1.05	0	-29
12-month	1.2	-3	-32

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.54	0	-39
5Y RON	2.36	-1	-44
10Y RON	3.24	0	-54

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.45	-2	-12
USD Jan-24	3.52	-7	-26

CDS

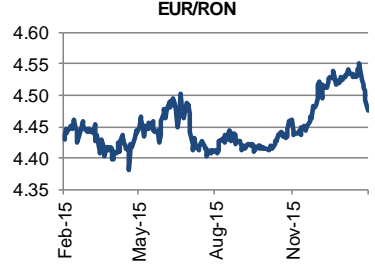
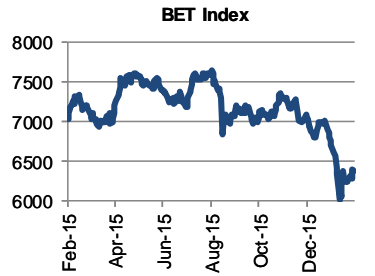
	Last	ΔDbps	ΔYTD bps
5-year	127	1	-6
10-year	171	1	-1

STOCKS

	Last	ΔD	ΔYTD
BET	6332.0	-0.76%	-9.60%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4753	0.43%	0.86%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	0	-9
1-month	-0.05	0	-21
3-month	0.06	0	-20
6-month	0.24	0	-29
12-month	0.59	0	-38

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	#N/A N/A	#N/A N/A	-16
5Y BGN	0.20	0	-17
10Y BGN	1.78	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.06	-5	-1
EUR Sep-24	2.38	7	-4

CDS

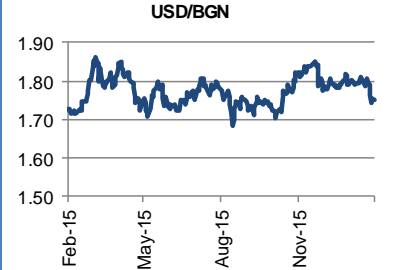
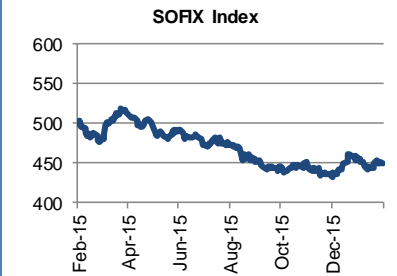
	Last	ΔDbps	ΔYTD bps
5-year	173	5	2
10-year	221	7	5

STOCKS

	Last	ΔD	ΔYTD
SOFIX	449.1	-0.21%	-2.55%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7497	0.30%	2.89%



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

Data updated as of 11:450 EET

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