

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, April 15, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- April 16-17: G20 FinMin & Central Banks meeting
- April 17-19: IMF and World Bank spring meeting

US

- April 15
 - Empire State Index (Apr)
 - Industrial production (Mar)
 - NAHB Index (Apr)
- April 16
 - Initial jobless claims (Apr 11)
 - Housing starts (Mar)
 - Housing permits (Mar)
 - Philly Fed (Apr)
- April 17
 - CPI (Mar)
 - UoM cons conf (Apr)

EUROZONE

- April 15: ECB MPC meeting & press conference

SEE

BULGARIA

- April 15
 - CPI (Mar)
 - U/E rate (Mar)
- April 17: CAD (Feb)

ROMANIA

- April 16: RON 200mn T-Bonds auction

SERBIA

- April 15: CAD (Jan)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The ECB governing council convenes later today. With the Central Bank expected to stay put on its monetary policy, market focus will be on the post-meeting press conference where President Mario Draghi is anticipated to highlight that economic indicators for the euro area have generally surprised on the upside over the last few weeks while longer-term inflation expectations have stabilized, albeit at still low levels, largely thanks to the implementation of the QE program.

GREECE: According to a number of press reports, progress in negotiations between the Greek government and the Institutions is rather slow while both sides are still away from reaching a compromise on a number of pending issues, including, inter alia, the size of the projected fiscal gap in FY-2015, as well as social security and labor market reforms. As a result, an agreement is reportedly unlikely to be reached at the next Eurogroup on April 24.

CYPRUS: According to Eurostat data announced on Tuesday, industrial production in Cyprus fell for the 4th month running in January, marking a 2.3%YoY drop after a 2.2%YoY fall registered in December 2014.

SOUTH EASTERN EUROPE

BULGARIA: According to the latest inflation data released by the Statistical Office on Tuesday, HICP rose by 1.9%YoY in March vs. a gain of 0.8%YoY a month earlier, bouncing further above January's record low pace of increase of 0.1%YoY and marking the highest rate of advance since November 2014.

SERBIA: According to the latest inflation data released by the Statistical Office on Tuesday, HICP rose by 1.9%YoY in March vs. a gain of 0.8%YoY a month earlier, bouncing further above January's record low pace of increase of 0.1%YoY and marking the highest rate of advance since November 2014.

CESEE MARKETS: Most **emerging stock markets** extended Tuesday's losses in European trade today amid lingering concerns about the sustainability of the global economic recovery. Separately, **CESEE currencies** were mixed earlier today, while **government bonds** lost ground in view of waning risk appetite.

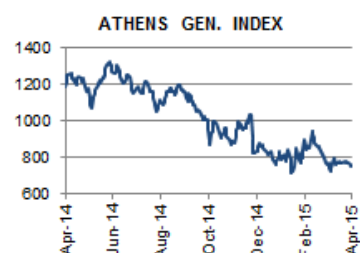
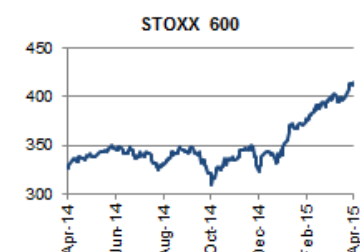
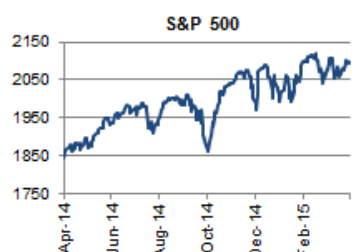
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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The ECB governing council convenes later today. With the Central Bank expected to stay put on its monetary policy, market focus will be on the post-meeting press conference where President Mario Draghi is anticipated to highlight that economic indicators for the euro area have generally surprised on the upside over the last few weeks while longer-term inflation expectations have stabilized, albeit at still low levels, largely thanks to the implementation of the QE program. However, he is expected to underline that significant downside risks to the economic outlook prevail while the Central Bank stands ready to adopt further measures, if needed, to support the euro area economy. Awaiting the conclusion of the ECB policy meeting, the majority of European bourses were firmer in early trade while the EUR weakened, shrugging off y-day's firmer-than-expected euro area industrial production data for the month of February. The EUR/USD was hovering slightly below 1.0600 in European trade at the time of writing, having retreated from y-day's 1.0707 session high, albeit above multi-week lows near 1.0500 touched a couple of sessions ago.

GREECE

According to a number of press reports, progress in negotiations between the Greek government and the Institutions is rather slow while both sides are still away from reaching a compromise on a number of contentious issues, including, inter alia, the size of the projected fiscal gap in FY-2015, as well as social security and labor market reforms. As a result, an agreement is reportedly unlikely to be reached at the next Eurogroup on April 24. Against this background, the same sources suggested that, though euro area finance ministers are likely to hold an extraordinary meeting before the end of this month (probably on April 29), as things stand at this point the main scenario is for an agreement to be reached at the Eurogroup scheduled for May 11, at the earliest. Verifying such reports, European Commission Vice President Valdis Dambrovkis was quoted as saying to a newspaper interview earlier this week that negotiations are rather complicated and the April 24 Eurogroup will only assess the progress in official discussions. In other news, according to the general government accounts for the month of February, the primary balance recorded a surplus of €1.017bn compared to a surplus of €3.170bn in the same month a year earlier. Separately, the total stock of outstanding State arrears to third parties (i.e., government debts outstanding for more than 3 months) rose in February coming in at €3.245bn, up by €146mn compared to the prior month and €3.013bn at the end of December 2014. With the coverage of State borrowing needs remaining a major short-term challenge for the Greek government, it has reportedly decided to temporarily put off any expenditure not related to the inherently inelastic ones such as wage and pensions payments or any other services that are deemed essential for the proper functioning of the State, in an effort to secure additional liquidity buffer for the coverage of borrowing needs.

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CYPRUS

According to Eurostat data announced on Tuesday, industrial production in Cyprus fell for the 4th month running in January, marking a 2.3%YoY drop after a 2.2%YoY fall registered in December 2014. Separately, trade data from the Statistics Office showed that the shortfall narrowed by 61%YoY in January to €99.6mn as a rise to €258.3mn from €111.1mn in January 2014 in exports of goods and services significantly outperformed a 10%YoY concomitant drop to €357.9mn in imports.

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CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.8	0.4
HICP (pa, yoy %)	0.4	-1.4	0.7
Budget Balance/GDP	-4.9	-3.0	-3.0
Current Account/GDP	-1.9	-1.1	-0.8

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Latest world economic & market developments in the CESEE region

BULGARIA

BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	0.8
CPI (pa, yoy %)	0.4	-1.4	-0.5
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.0	-0.5
EUR/BGN (eop)		1.9558	
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

According to inflation data for March announced by the National Statistical Institute earlier today, CPI rose by 0.1%YoY, with the annual pace of increase returning into a positive territory after 19 months in the red. The breakdown of the data showed that utilities posted, once again, the greatest increase (+5.6%YoY) reflecting regulated price hikes, while food and non-alcoholic prices rose by 0.5%YoY snapping a 5-month streak of negative readings. On the flipside, transport prices recorded the highest fall (-8.4%YoY) amid lower global oil prices, followed by communications (-6.6%YoY). Looking ahead, weak domestic demand dynamics, lower global energy prices and food-induced seasonality are likely to continue exerting downside pressures on inflation this year and possibly offset the upside impact from the EUR's depreciation and administered prices hikes which came into effect late last year.

SERBIA

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	-0.5
CPI (pa, yoy %)	7.9	2.1	3.5
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.1	-4.7
EUR/RSD (eop)	114.60	120.96	125.00
	2014	current	2015f
Policy Rate (eop)	8.00	7.00	7.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

HICP rose by 1.9%YoY in March vs. a gain of 0.8%YoY a month earlier, bouncing further above January's record low pace of increase of 0.1%YoY and marking the highest rate of advance since November 2014. Despite the aforementioned uptick in inflation, further monetary easing this year, after last week's 50bps cut to 7.00%, can not be ruled out entirely, as inflation remained below the NBS target of 4+/-1.5% for the 13th month running in March amid weak domestic demand dynamics, favorable base effects and low global oil prices. Also arguing in support of another rate cut are persisting downside pressures on the EUR/RSD primarily backed by the ECB's QE. However, we reiterate that such NBS action, if any, is likely to be of a rather limited size as the Central Bank anticipates annual inflation to return within the target tolerance band around mid-year on the back of NBS monetary policy easing, upcoming administered price hikes and the waning impact of temporary disinflationary factors. Additionally, fiscal consolidation as well as external risks linger and the high level of Euroization impedes the functioning of the monetary policy transmission mechanism. In other news, the Public Debt Administration sold at an auction on Tuesday RSD 9.3bn of the planned RSD 10bn in 2-year floating government bonds that mature on April 16, 2017. The issue bears an annual coupon of key policy rate (KPR) plus a fixed spread of 1.19%. The latter compares with an average fixed margin of 1.34% achieved in a prior sale of similar maturity paper held in March when the KPR was 7.50%. The tender's bid to cover ratio came in at 1.17. The PDA noted that the funds generated from the aforementioned auction will be used to cover securities maturing this month.

CESEE MARKETS

Most **emerging stock markets** extended Tuesday's losses in European trade today amid lingering concerns about the sustainability of the global economic recovery. Indicatively, the MSCI Emerging Markets index fell by ca 0.12% at the time of writing, remaining though not too far from a 6-month peak near 1,045 points hit earlier in the week. Separately, **CESEE currencies** were mixed earlier today. The Turkish lira led the way lower amid political uncertainty ahead of June's parliamentary elections. Comments by Finance Minister Mehmet Simsek earlier on Wednesday expressing belief that growth will likely accelerate after June's polls appeared to be largely shrugged off. In more detail, USD/TRY hovered around levels of 2.7000 at the time of writing, having hit a new record low at 2.7050 in European trade. In the local rates markets, **government bonds** lost ground in view of waning risk appetite. Turkish paper broadly underperformed its regional peers with the 2- and 10-year benchmark yields rising by 14bps and 9bps respectively, to levels around 9.00% and 8.61%.



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

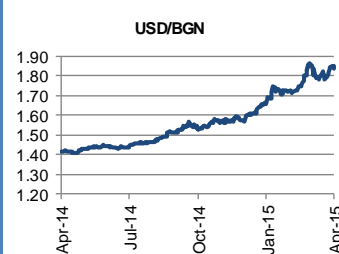
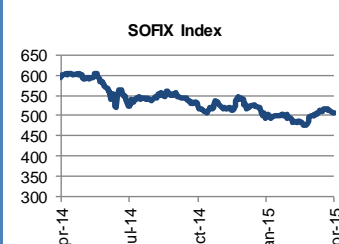
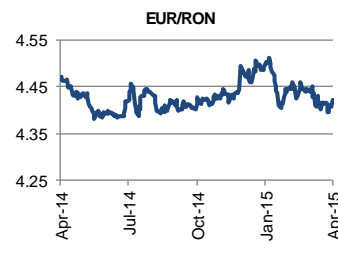
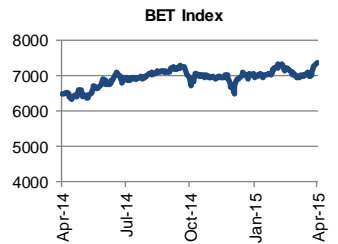
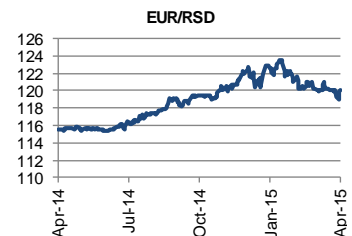
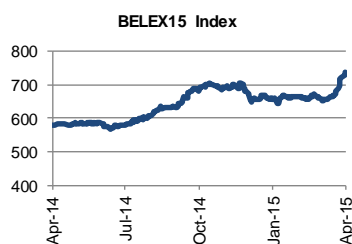
Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

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	2095.84	0.2%	1.8%	EUR/USD	1.0588	-0.6%	-12.5%	UST - 10yr	1.90	0	-27	GOLD	1190	-0.2%	0.5%
Nikkei 225	19869.76	-0.2%	13.9%	GBP/USD	1.4714	-0.5%	-5.5%	Bund-10yr	0.13	-1	-41	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	414.75	0.7%	21.1%	USD/JPY	119.44	0.0%	0.2%	JGB - 10yr	0.33	0	0	LMEX	2749	0.0%	-5.7%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	9	-430	O/N	0.89	-14	32	LEONIA	0.01	0	-1
1-week	5.99	9	-402	1-month	1.25	-1	34	1-month	0.17	0	-5
1-month	6.59	0	-346	3-month	1.33	-1	-37	3-month	0.36	0	-8
3-month	7.11	0	-274	6-month	1.55	-1	-46	6-month	0.70	0	-9
6-month	7.55	2	-224	12-month	1.61	0	-41	12-month	1.30	0	-21
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	8.51	0	-54	3Y RON	1.87	-1	-44	3Y BGN	0.52	2	-52
5Y RSD	9.89	0	-29	5Y RON	2.13	0	-58	5Y BGN	0.75	-1	-70
7Y RSD	10.59	-1	-149	10Y RON	3.15	0	-51	10Y BGN	2.04	0	-71
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.57	0	-69	EUR Sep-20	1.31	0	-42	EUR Jul-17	0.67	0	-49
USD Nov-24	6.43	0	-16	USD Aug-23	3.30	-3	-31	EUR Sep-24	2.26	-28	-61
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	226	0	-64	5-year	105	-3	-38	5-year	153	-3	-38
10-year	279	0	-78	10-year	149	-3	-38	10-year	201	-4	-40
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	737.4	1.06%	10.55%	BET	7375.1	0.53%	4.12%	SOFIX	507.3	0.16%	-2.83%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.98	-0.02%	1.15%	EUR/RON	4.4231	-0.25%	1.37%	USD/BGN	1.8474	-0.63%	-12.50%



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

Data updated as of 12.20 EET

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