

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, April 17, 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 Feb 2025 T-Bonds auction

SERBIA

- April 15: CAD (Jan)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: With the exception of Greece, EMU periphery sovereign bond markets retained a positive tone while the EUR edged higher in early European trade on Friday amid increased optimism about the growth prospects of the euro area's economy. Focus today is on US inflation data for March and a news conference by the Group of 20 finance ministers and central bankers, expected to commence at around 17:00GMT, for potential comments on the firmer US dollar.

GREECE: In a statement published to local newswires y-day, Greece's Premier Alexis Tsipras expressed optimism that his government will reach an agreement with official creditors by the end of this month even though some issues are still pending.

SOUTH EASTERN EUROPE

BULGARIA: According to the latest data released on Thursday by the state employment agency, the rate of unemployment remained unchanged at 11.00% in March, from the prior month's level.

ROMANIA: The government sold on Thursday RON 200mn in 2025 T-bonds, as planned, at an average accepted yield of 3.20%, in line with market expectations but a tad above a yield of 3.09% achieved at a prior auction of same maturity paper held in March.

CESEE MARKETS: CESEE stock markets and regional currencies were mixed in European trade on Friday.

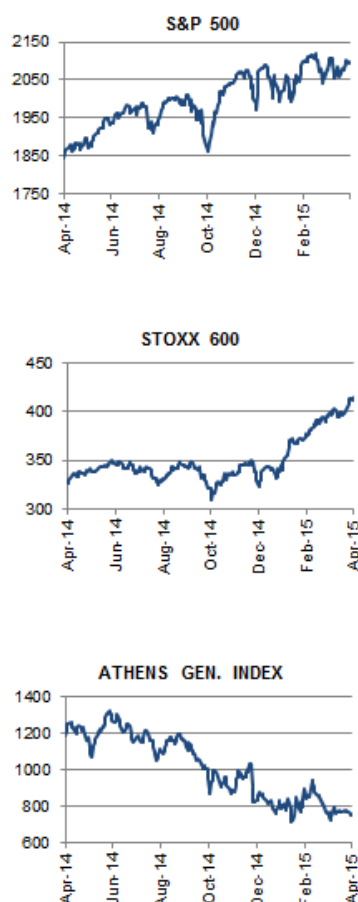
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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of European bourses were little changed in early trade on Friday, retaining most of recent gains following comments by ECB President Mario Draghi earlier this week that speculation about earlier-than-planned tapering is premature. Elsewhere, with the exception of Greece, EMU periphery sovereign bond markets retained a positive tone while the EUR edged higher on increased optimism about the growth prospects of the euro area's economy. Favoring by the USD's broad weakness following a bulk of weaker-than-expected US data y-day, the EUR/USD was hovering around 1.0780/90 in European trade at the time of writing, not far from a multi-session peak slightly above 1.0800 hit earlier today. However, with the monetary policy divergence between the ECB and the Fed remaining a key theme in FX markets, any further EUR/USD appreciation in the coming sessions is likely to prove limited. Focus today is on US inflation data for March and a news conference by the Group of 20 finance ministers and central bankers, expected to commence at around 17:00GMT, for potential comments on the firmer US dollar.

GREECE

In a statement published to local newswires y-day, Greece's Premier Alexis Tsipras expressed optimism that his government will reach an agreement with official creditors by the end of this month even though some issues are still pending. The Greek Prime Minister noted that several points of agreement have been found since official talks first started, especially in the area of tax collection and evasion. Yet, he acknowledged that a diversion of views continues to exist on four issues: labor market reform, social security reform, a hike in VAT taxes and the development of state property./ Speaking at the Brookings Institution y-day, Greece's Minister of Finance Yanis Varoufakis said that Greece is dedicated to reach "an honorable agreement with its partners" adding that, on their part, the latter should acknowledge that the adjustment program applied on Greece has so far been a failure with the public debt being unsustainable since 2010./ In an effort to secure additional sources of funding for the coverage of the borrowing needs in the imminent period, the Hellenic Parliament approved late last month an amended law to allow short-term State borrowing from various public entities including social security funds, legal entities of public law and state enterprises (DEKO). Reportedly, some €2bn has already been raised from this source while, if fully utilized, the State could secure an additional liquidity buffer of c. €1.5bn. To this end, Alternate Finance Minister Dimitris Mardas suggested y-day that the Government could potentially activate a law dated back to 1951 so as to oblige all public entities to channel their available cash reserves to a special BoG interest bearing account so as the State to be able to borrow them through short-term repo transactions. In other news, according to preliminary data for the execution of the State Budget on a modified cash basis, the central government primary balance recorded a surplus of €1.74bn for the first quarter of this year, c. €1.62bn higher compared to the respective target, and a surplus of €1.54bn recorded in the same period a year earlier, mainly due to lower than projected ordinary budget expenditures.

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Latest world economic & market developments in the CESEE region

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

ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
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

* on a cash basis

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	B+	B-

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

BULGARIA

According to the latest data released on Thursday by the state employment agency, the rate of unemployment remained unchanged at 11.00% in March, from the prior month's level. Unemployment rate is expected to remain in double digits this year as domestic demand and investments are likely to continue being weak. In other news, European Commission Vice President Jyrki Katainen said on Thursday that an external assessment of the Bulgarian banking system that would "create clarity and security" is needed in order to boost domestic economic activity. His comments came a few months after the failure of the country's fourth largest bank, Corporate Commercial Bank (Corpbank) and echo calls from the IMF for improvement in the supervisory framework for banks. On its part, the Bulgarian National Bank has signaled its intention to perform an asset quality review of the entire banking system, at the earliest by the end of the year, with the help of independent external consultants.

ROMANIA

The government sold on Thursday RON 200mn in 2025 T-bonds, as planned, at an average accepted yield of 3.20%, in line with market expectations but a tad above a yield of 3.09% achieved at a prior auction of same maturity paper held in March. The tender's bid-to-cover ratio came in at 2.7%.

CESEE MARKETS

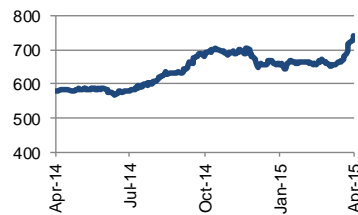
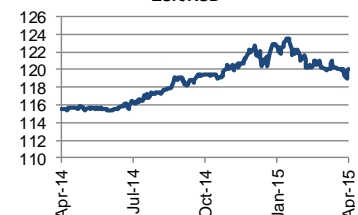
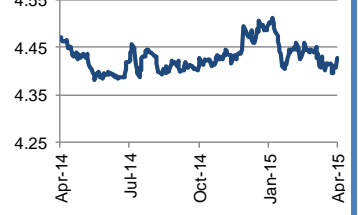
CESEE stock markets were mixed in European trade on Friday. Turkey's BIST 100 led the way higher with a 0.97% increase at the time of writing, while Ukraine's PFTS broadly underperformed its regional peers, marking a 3.8% decline. In a similar mode, **CESEE currencies** were also mixed. The Hungarian forint recovered some ground after coming under pressure in the prior two sessions amid concerns about the prospects of the domestic banking sector and news about the suspension of an EU €451mn payment in development funds to Hungary. Against this backdrop, the EUR/HUF eased ca 0.2% to hover around levels near 301 at the time of writing, remaining though within distance from yesterday's 1-month peak of 302.30. Separately, the Turkish lira came under renewed pressure, trimming part of Thursday's gains with the USD/TRY rising by ca 0.2% to stand at 2.6830 earlier in the session, approaching anew a record high of 2.7306 hit earlier in the week amid mounting political uncertainty ahead of the June 7 parliamentary elections and recent comments by a number of high level domestic officials on the path of the Central Bank's monetary policy. Meanwhile, appreciation pressures on the Serbian dinar appeared to persist, with the EUR/RSD standing modestly firmer at 119.95 at the time of writing, despite two separate interventions in the FX markets by the Central Bank this week in order to stem the domestic currency's upside momentum. The latest such NBS action came yesterday, with the Central Bank reportedly intervening at 119.99 and bringing the total amount of euro purchases to €360mn so far this year. With expected ample EUR market liquidity likely to be offset by renewed Central Bank interventions, the Serbian dinar is likely to remain bound around 120/EUR over the coming sessions.

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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	2104.13	0.4%	2.2%	EUR/USD	1.0609	-0.4%	-12.3%	UST - 10yr	1.88	-2	-29	GOLD	1196	0.3%	1.0%
Nikkei 225	19869.76	-0.2%	13.9%	GBP/USD	1.4786	0.0%	-5.1%	Bund-10yr	0.11	-3	-43	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	414.06	0.6%	20.9%	USD/JPY	119.15	0.2%	0.4%	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	1.88	0	-43	3Y BGN	0.53	3	-51
5Y RSD	9.91	2	-27	5Y RON	2.14	2	-57	5Y BGN	0.77	2	-67
7Y RSD	10.60	1	-147	10Y RON	3.16	1	-50	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	-1	-69	EUR Sep-20	1.31	0	-42	EUR Jul-17	0.68	-2	-48
USD Nov-24	6.43	0	-16	USD Aug-23	3.28	-5	-33	EUR Sep-24	2.23	-9	-63
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	739.2	1.32%	10.83%	BET	7349.4	0.18%	3.76%	SOFIX	507.2	0.14%	-2.85%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.00	-0.04%	1.12%	EUR/RON	4.4261	-0.32%	1.30%	USD/BGN	1.8435	-0.42%	-12.31%
BELEX15 Index				BET Index				SOFIX Index			
											
EUR/RSD				EUR/RON				USD/BGN			
											

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

Data updated as of 18.20 EET of April 15 (due to technical reasons)

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