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Eurobank

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, April 20, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- April 21: Existing homes sales (Mar)
- April 23
  - Initial jobless claims (Apr 18)
  - New homes sales (Mar)
- April 24: Durable goods orders (Mar)

EUROZONE

- April 21: DE: ZEW (Apr)
- April 23: PMI (Apr)
- April 24:
  - DE: Ifo (Apr)
  - Eurogroup meeting

GREECE

- April 20
  - Turnover Index in industry (Feb)
  - CAD (Feb)

CYPRUS

- April 24: Fitch credit rating review

SEE

BULGARIA

- April 20: 2.3% 2025 T-Bonds auction

ROMANIA

- April 23: RON 400mn T-Bonds auction
- April 24: Fitch credit rating review

SERBIA

- April 22: 3.5% T-Bonds auction
- April 23: 3-year 10% T-Notes auction
- April 24: Real gross wages (Mar)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from the positive tone in Asia earlier today, the majority of European bourses opened higher today supported by the decision of the People's Bank of China (PBoC) to cut banks' reserve requirements in an effort to boost liquidity to bolster domestic economic growth.

GREECE: The Brussels Group resumed its meetings on Saturday with IMF Direct of the European Department Poul Thomsen publicly saying that, though the two sides are still away from a final agreement, official discussions have gained some momentum over the last few sessions, a development that gives "reason to hope".

CYPRUS: Parliament endorsed on Saturday the new corporate and personal insolvency framework, which comprises of five bills and complements a previously adopted (September 2014) bill on foreclosures, paving the way for the successful completion of the 5th review of the program and the release of the next IMF tranche.

SOUTH EASTERN EUROPE

BULGARIA: The current account balance ran a €161mn deficit in February, marking a 17.2%YoY widening.

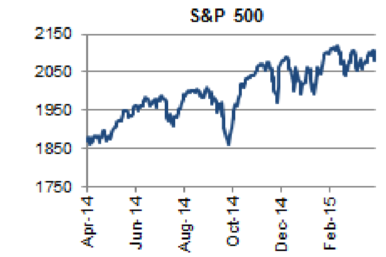
ROMANIA: The EUR/RON remained range-bound between 4.4050/4.4300 last week. Meanwhile, large payments related to public sector expenditure ahead of the Easter holidays seem to have restored money market liquidity, with short term RON rates dropping sharply.

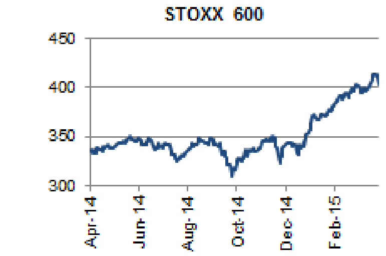
CESEE MARKETS: Most **emerging stock markets** closed lower on Friday, but ended the week in the black on expectations that the Fed will not rush to hike interest rates. Adding to the positive tone were hopes about further stimulus measures from Chinese authorities and ECB President Mario Draghi's comments suggesting that speculation about earlier-than-planned QE tapering is premature. On the flipside, **CESEE currencies** broadly weakened on a weekly basis on Friday.

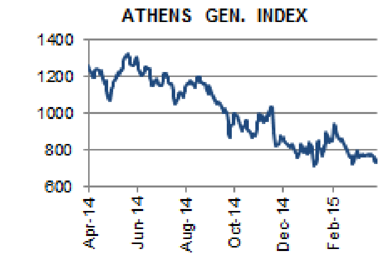
Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from the positive tone in Asia earlier today, the majority of European bourses opened higher today supported by the decision of the People's Bank of China (PBoC) to cut banks' reserve requirements in an effort to boost liquidity to bolster domestic economic growth. In FX markets, the AUD was among the main outperformers following the PBoC's announcement while the USD was little changed failing to capitalize much on news that US consumer prices increased in May for the second month in a row. The EUR/USD was hovering around 1.0780/85 in European trade today, within distance from a multi-session high of 1.0850 touched on Friday. However, with monetary policy divergence between the ECB and the Fed remaining a key theme in FX markets, there is little to suggest that the EUR/USD is poised for any further significant gains in the coming sessions.







Source: Reuters, Bloomberg, Eurobank Research

GREECE

The Brussels Group resumed its meetings on Saturday with IMF Direct of the European Department Poul Thomsen publicly saying that, though the two sides are still away from a final agreement, official discussions have gained some momentum over the last few sessions, a development that gives "reason to hope". On the issue, some local press reports suggested that there are tentative signs of convergence between the two sides on the issue regarding the development of the State property. The Hellenic Republic Asset Development Fund reportedly invited OPAP Investments Ltd to sign this week a contract for the exclusive horse race betting operation rights for a period of 20 years while the project for the sale of the majority stake in the port of Piraeus is reportedly expected to resume early next month. However, a number of issues are still pending including labor market and social security reforms as well as the size of the projected fiscal gap in FY-2015. Reportedly, the Greek side assumes that real output will record positive annual growth of 1.4% this year compared to a 0.5-0.7% projection by the Institutions. The Euro Working Group convenes on Wednesday, ahead of Friday's April 24 Eurogroup to assess the progress made so far in official discussions on the Greek issue. A number of EU sources have been quoted over the last few days as saying that chances are rather slim for an agreement on the Greek government's reform proposals to be reached at the next Eurogroup on April 24. After that, the next scheduled Eurogroup meeting is scheduled for May 11.

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CYPRUS

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

Parliament endorsed on Saturday the new corporate and personal insolvency framework, which comprises of five bills and complements a previously adopted (September 2014) bill on foreclosures. The latter's implementation was conditional on the adoption of the new insolvency framework, whose endorsement paves the way for the successful completion of the 5th review of the program and the release of the next IMF tranche. More importantly, it will allow Cyprus to benefit from the ECB's QE program upon the review's approval. Even though the size of the bond-buy backs for Cyprus seems not to exceed €500mn, the insolvency framework's endorsement is still expected to have a compressing impact on government bond yields thus allowing Cyprus to tap the international markets. In addition, the new framework will put the incentives in place allowing for a speedier cleanup of the banking sector balance sheets. The good news comes on top of the great progress already made in the key objectives of the program (banking sector restructuring & restoring health in the public finances) in the past two years.

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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

The current account balance ran a €161mn deficit in February, marking a 17.2%YoY widening. On a 12-month basis, the cumulated balance recorded a surplus of €595.5mn, ca 20% lower on an annual basis. Separately, Eurostat data showed on Friday that deflation pressures persisted in March with HICP falling by 1.1%YoY following a 1.7%YoY drop in February.

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ROMANIA

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 *	-2.5	-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	2.00	2.00

** on a cash basis*
Source: Reuters, Bloomberg, Eurobank Research, National Authorities

The EUR/RON remained range-bound between 4.4050/4.4300 last week. Large payments related to public sector expenditure ahead of the Easter holidays seem to have restored money market liquidity, with short term RON rates dropping sharply. As a result, the Central Bank stopped its repo operations as they became obsolete. Indicatively, the 1-week implied rate from swaps fell to around 0.80% from 1.25% in the previous week, easing further below a 2015 high of 2.05% in early April. With large T-bond maturities and coupons due at the end of the month (ca RON 8.5bn cumulatively) money market liquidity is likely to further increase in the coming sessions, pushing short term RON rates towards the deposit facility of 0.25%. Separately, government bonds largely consolidated near their pre-Easter rally levels, with the corresponding benchmark yield curve undertaking some bearish steepening on profit taking in longer-end maturities.

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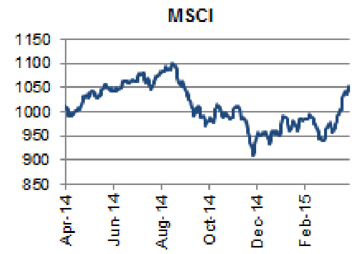
CESEE MARKETS



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

Most **emerging stock markets** closed lower on Friday, but ended the week in the black on expectations that the Fed may embark on a rate-tightening cycle later than currently anticipated, after a series of downbeat macro data recently released from the US. Adding to the positive tone were hopes about further stimulus measures from Chinese authorities and ECB President Mario Draghi's comments suggesting that speculation about earlier-than-planned QE tapering is premature. Indicatively, Romania's BETI closed ca 4% higher on a weekly basis on Friday, outperforming a concomitant 0.8% increase to a 7-month closing high in the broader MSCI Emerging Markets index. On the flipside, **CESEE currencies** broadly weakened on a weekly basis on Friday. The Turkish lira led the losses in the region, having hit a new record low near 2.73/USD on Wednesday. The currency has come under significant pressure over recent months on Fed tightening expectations, mounting domestic political uncertainty ahead of the June 7 parliamentary elections and recent frictions between high level domestic officials and the Central Bank over monetary policy. The positive impact from the Central Bank's unprecedented move to publish last week the agenda for the April 22 MPC meeting, inclusive of lower FX deposit lending rates, eventually proved short-lived. Against this backdrop, further TRY weakness in the coming days can not be ruled out, which further supports the view for stable interest rates at the upcoming MPC meeting on Wednesday. Elsewhere, the Hungarian forint followed suit sliding near a 1-month trough of 302.40/EUR earlier in the week on concerns about the domestic banking sector's prospects and news about the suspension of EU funds to Hungary due to the lack of appropriate corrective action by the country's authorities. On the flipside, the Serbian dinar ended the week modestly firmer near 119.95/EUR, despite repeated Central Bank interventions in the FX markets to stem the currency's upside momentum. With expected ample EUR market liquidity in view of the forthcoming 3Y T-bond auction on April 23, 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

	Last	ΔD	ΔYTD
S&P 500	2081.18	-1.1%	1.1%
Nikkei 225	19634.49	-0.1%	12.5%
STOXX 600	403.69	-1.8%	17.9%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.0778	-0.3%	-10.9%
GBP/USD	1.4941	-0.2%	-4.1%
USD/JPY	118.7	0.2%	0.8%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	1.87	0	-30
Bund-10yr	0.06	-1	-48
JGB - 10yr	0.31	0	-2

Commodities

	Last	ΔD	ΔYTD
GOLD	1206	0.1%	1.8%
BRENT CRUDE	176	0.0%	0.2%
LMEX	2781	-0.4%	-4.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-1	-446
1-week	5.94	0	-407
1-month	6.51	-1	-354
3-month	7.05	2	-280
6-month	7.52	0	-227

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	8.50	0	-55
5Y RSD	9.90	0	-28
7Y RSD	10.68	0	-140

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.60	-1	-66
USD Nov-24	6.43	0	-16

CDS

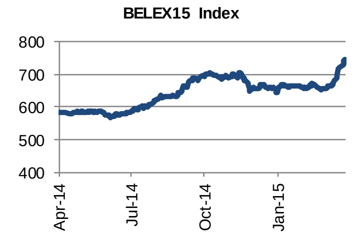
	Last	ΔDbps	ΔYTD bps
5-year	225	0	-65
10-year	278	0	-78

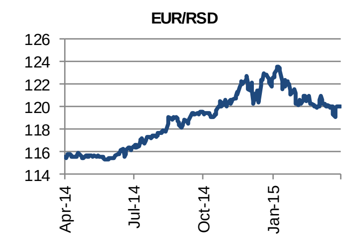
STOCKS

	Last	ΔD	ΔYTD
BELEX15	735.5	-1.49%	10.27%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.98	0.04%	1.14%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.73	0	16
1-month	1.25	0	34
3-month	1.32	0	-38
6-month	1.55	0	-46
12-month	1.62	0	-40

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.89	1	-42
5Y RON	2.19	0	-52
10Y RON	3.23	0	-43

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.31	0	-42
USD Aug-23	3.34	1	-28

CDS

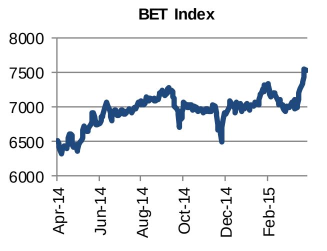
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-40
10-year	147	0	-40

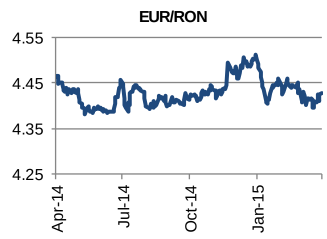
STOCKS

	Last	ΔD	ΔYTD
BET	7530.8	-0.29%	6.32%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4271	-0.20%	1.27%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.36	0	-7
6-month	0.70	0	-9
12-month	1.30	0	-21

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.56	5	-48
5Y BGN	0.73	0	-72
10Y BGN	1.90	0	-85

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.68	-1	-48
EUR Sep-24	2.25	5	-62

CDS

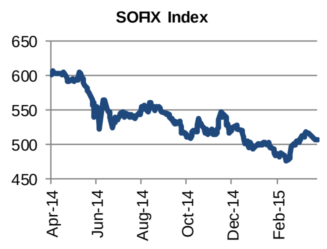
	Last	ΔDbps	ΔYTD bps
5-year	158	-1	-33
10-year	207	-1	-34

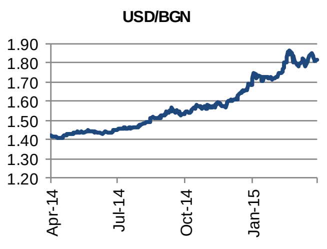
STOCKS

	Last	ΔD	ΔYTD
SOFIX	506.1	-0.03%	-3.06%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8147	-0.26%	-10.92%





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

Data updated as of 10.30 EET

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