

### 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 21: RON 200mn T-Bonds 2021 auction
- 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:** Tracking the positive tone in Asia and the Wall Street overnight, the majority of European bourses opened higher today supported by the recent 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 EUR came under renewed pressure weighed down by market uncertainty over the Greek issue

**GREECE:** A legislative act was issued y-day obliging public entities, with the exception of social security funds, to transfer all their available cash reserves to a special BoG interest bearing account and the State to be authorized to borrow them via short-term repo transactions./ According to Bank of Greece's BoP statistics, the current account balance showed a deficit of €929mn in February, c. €200mn wider compared to the shortfall recorded in the same month a year earlier.

**CYPRUS:** Cypriot government bonds rallied on Monday, in the wake of news that Parliament endorsed over the weekend the new corporate and personal insolvency framework.

### SOUTH EASTERN EUROPE

**ROMANIA:** The government sold at an auction on Monday the planned €200mn worth of June 2021 T-bonds, at an average accepted yield of 2.70%, slightly above 2.60% achieved at a prior auction of similar maturity paper in March.

**CESEE MARKETS:** Emerging stock markets kicked off the week on a negative footing, largely shrugging off news about economic stimulus measures by the Bank of China. Separately, **CESEE currencies and government bonds** were mixed.

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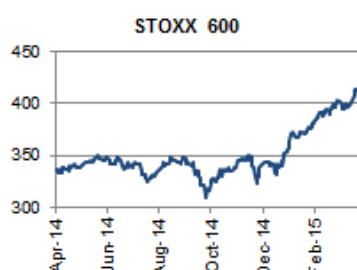
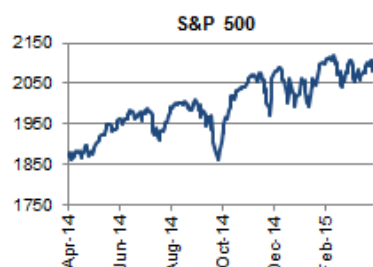
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April 21, 2015

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Tracking the positive tone in Asia and the Wall Street overnight, the majority of European bourses opened higher today supported by the decision of the People's Bank of China (PBoC) over the weekend to cut banks' reserve requirements in an effort to boost liquidity to bolster domestic economic growth. Comments by ECB President Mario Draghi last week that market talk of QE tapering is premature, also continued to exert a positive impact. In FX markets, the EUR came under renewed pressure weighed down by market uncertainty over the Greek issue. The EUR/USD was hovering slightly below 1.0700 in European trade at the time of writing, having retreated from a multi-session high near 1.0850 touched late last week. Focus today is on Germany's April ZEW indicator of economic sentiment which has the potential to favor the EUR should it confirm market expectations for a modest improvement. However, with monetary policy divergence between the ECB and the Fed remaining a key theme in FX markets, any potential gains are likely to prove limited.

### GREECE

A legislative act was issued y-day obliging public entities, with the exception of social security funds, to transfer all their available cash reserves to a special BoG interest bearing account and the State to be authorized to borrow them via short-term repo transactions. Note that the issuance of a presidential decree does not require approval by the Hellenic Parliament. Reportedly, via this source the State could secure an additional liquidity buffer of c. €1.0bn./Official discussions between the Greek authorities and the representatives of the Institutions in Paris will continue today ahead of tomorrow's Euro Working Group in the way to Friday's Eurogroup. According to press reports, the two sides have reached a preliminary agreement on the primary surplus target for FY-2015 at 2.0%-of-GDP as well as on the development of the State property. However, a number of issues are still pending including labor market and social security reforms. / According to Bank of Greece's BoP statistics, the current account balance showed a deficit of €929mn in February, c. €200mn wider compared to the shortfall recorded in the same month a year earlier. This development was mainly attributed to a deterioration in the primary and the secondary income accounts as well as a decline in the surplus of the services balance. Against this background, a drop in the deficit of the balance of goods relative to the same month in the prior year (€357mn) mainly due to the lower net oil import bill, was offset.

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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

### CYPRUS

Cypriot government bonds rallied on Monday, in the wake of news that Parliament endorsed over the weekend the new corporate and personal insolvency framework, paving the way for the successful completion of the 5<sup>th</sup> review of the country's economic reform program, the release of the next IMF tranche and an eventual return to international bond markets. Against this backdrop, the yield of the 4.625% February-2020 T-Note slid to a 5-year trough of 3.922% at some point on Monday from 4.092% on Friday's settlement.

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## Latest world economic & market developments in the CESEE region

### ROMANIA

The government sold at an auction on Monday the planned €200mn worth of June 2021 T-bonds, at an average accepted yield of 2.70%, slightly above 2.60% achieved at a prior auction of similar maturity paper in March. The tender's bid to cover ratio was at 2.2 and the issue bears a coupon of 5.95%. In other news, Central Bank Governor Mugur Isarescu's comments on Monday suggesting that interest rates are currently at the right level but the minimum reserve requirements (MRRs) are not, support our view that March's 25bps key policy rate cut to a new record low of 2.00% may be the last under the current monetary easing cycle. Meanwhile, the door remains open for further reductions in the MRRs in a move to boost market liquidity and further align MRRs with those of the EU. Separately, NBR Governor also added that the country is "not ready to join ERM-II".

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	2.00	2.00

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



### CESEE MARKETS

**Emerging stock markets** kicked off the week on a negative footing, largely shrugging off news about economic stimulus measures by the Bank of China. Bourses in Hungary and Poland bucked the negative trend to close with respective gains to the tune of 1.5% and 1.2% on the day, outperforming a 0.9% drop in the broad MSCI Emerging Markets index.

Separately, **CESEE currencies** were mixed. The Turkish lira came under renewed pressure as the US dollar regained ground, with the USD/TRY advancing by 0.8% near 2.6985 approaching anew a record high near 2.73 hit last Wednesday. On the flipside, the Polish zloty rallied in the wake of upbeat industrial production and retail sales data for March. Against this backdrop, the EUR/PLN closed 1% lower at 3.9865, after hitting a 3-½-year trough at 3.9810 intraday. In a similar mode, the Hungarian forint followed suit, with the EUR/HUF ending ca 1% lower around 297.95, having slid as far as multi-session lows of 297.60 earlier in the session, despite market expectations for a 15bps cut to a new record low of 1.80% in the key policy rate at today's MPC meeting. The Serbian dinar also retained a firm tone to close modestly higher, with ample euro liquidity ahead of the forthcoming 3Y T-bond auction on April 23 overshadowing new Central Bank intervention in the FX markets at reported levels around 119.80/EUR in order to stem the currency's upside momentum. Meanwhile, the Romanian leu stood modestly weaker at 4.4290/EUR on Monday's settlement in the wake of Central Bank Governor Mugur Isarescu's comments earlier on the day that the current macroeconomic indicators are the best he has seen in 25 years, but highlighted risks stemming from the fiscal front. In a similar vein, head of EC to Romania Istvan Szekely noted the significant improvement in the country's fiscal position over the last years but added that the current aid deal is off track and warned that planned government changes, such as tax cuts envisioned over 2015-19, must not endanger fiscal targets.

L-T ccy	Credit Ratings		
	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

In the local rates markets, **government bonds** closed mixed on Monday. Polish paper was among the region's underperformers following the upbeat macroeconomic data releases earlier in the session. Indicatively, the 2- and 10-year T-bonds rose by 3.5bps and 2.3bps to close at 1.64% and 2.32%, respectively.

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April 21, 2015

## 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	2081.18	-1.1%	1.1%	EUR/USD	1.0778	-0.3%	-10.9%	UST - 10yr	1.87	0	-30	GOLD	1206	0.1%	1.8%
Nikkei 225	19634.49	-0.1%	12.5%	GBP/USD	1.4941	-0.2%	-4.1%	Bund-10yr	0.06	-1	-48	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	403.69	-1.8%	17.9%	USD/JPY	118.7	0.2%	0.8%	JGB - 10yr	0.31	0	-2	LMEX	2781	-0.4%	-4.6%

## Ap CESE 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	6.44	0	-15

## CDS

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

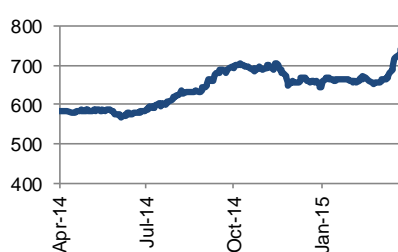
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	735.5	-1.49%	10.27%

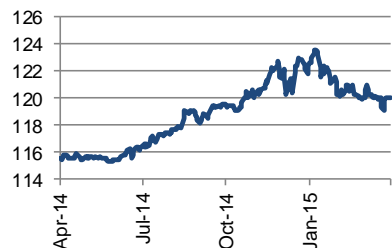
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.98	0.04%	1.14%

BELEX15 Index



EUR/RSD



## 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	105	-11	-38
10-year	149	-12	-38

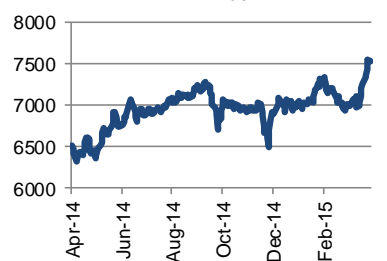
## STOCKS

	Last	ΔD	ΔYTD
BET	7530.8	-0.29%	6.32%

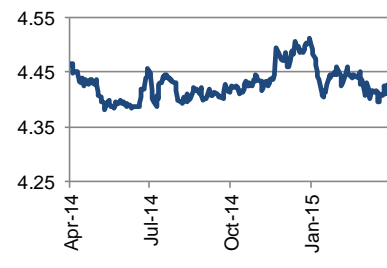
## FOREX

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

BET Index



EUR/RON



## 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	150	-6	-41
10-year	198	-7	-43

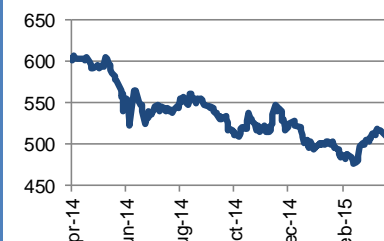
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	506.1	-0.03%	-3.06%

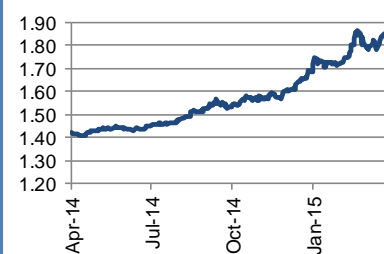
## FOREX

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

SOFIX Index



USD/BGN



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

Data updated as of 18:15 EET of previous session

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