

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday, April 23, 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 20: 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, the majority of European bourses retained a firm tone in early trade today supported by increased expectations for further policy easing measures from the Chinese authorities. In FX markets, the EUR/USD continued to consolidate while the GBP retained a positive tone favored by the less dovish than expected tone of the BoE MPC minutes of the 8-9 April meeting. Elsewhere, the CHF remained under pressure across the board after the Swiss National Bank (SNB) announced y-day that it will reduce the number of sight deposit accounts that are exempt from negative interest rates.

GREECE: Local press reports quoted an unnamed EU high level official as saying that at y-day's Euro Working Group (EWG) euro area deputy finance ministers acknowledged some improvement in the pace and quality of official discussions between the Greek authorities and the representatives of the Institutions noting though that further work is needed before a final agreement is reached. Euro area finance ministers will convene tomorrow (Friday, April 24) with Germany's Finance Ministry spokesman Martin Jaeger saying to reporters y-day that there are "very limited expectations" from that meeting regarding the Greek issue.

SOUTH EASTERN EUROPE

SERBIA: Public Debt Administration (PDA) sold at an auction on Wednesday €41.896mn of 3-year EUR-denominated T-bonds at an average accepted yield of 3.9%.

CESEE MARKETS: Emerging stock markets broadly extended Tuesday's gains yesterday, on the prevailing view that the Fed is not in a rush to embark on a rate-tightening cycle, which is expected to incept later in the year. Additionally, economic stimulus measures adopted by the People's Bank of China a few days ago and ECB President Mario Draghi's comments last week that QE tapering talk is premature, continued to provide a positive impact. On the flipside, the majority of **CESEE currencies** and **government bonds** broadly weakened as uncertainty prevailed over official negotiations between Greece and the Institutions.

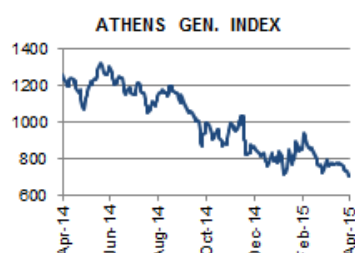
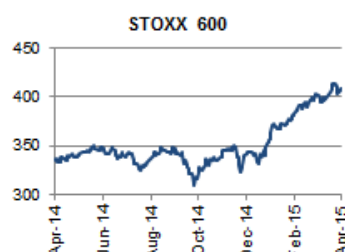
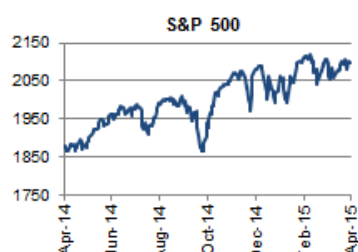
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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Tracking the positive tone in Asia, the majority of European bourses retained a firm tone in early trade today supported by increased expectations for further policy easing measures from the Chinese authorities. Data released earlier today showed that preliminary HSBC China manufacturing PMI unexpectedly dropped to a one-year trough of 49.2 in April, fueling worries that real GDP growth for this year will probably underperform domestic authorities' projection of around 7.0%. In FX markets, the EUR/USD continued to consolidate in early European trade at the time of writing while the GBP/USD was hovering around 1.4980/85, not far from a multi-week peak of 1.5080 hit at some point y-day favored by the less dovish than expected tone of the BoE MPC minutes of the 8-9 April meeting. However, amid political uncertainty ahead of the May 7 election in the UK, there is little to suggest that the GBP is poised for further significant gains in the coming sessions. Separately, the Swiss National Bank (SNB) announced y-day that it will reduce the number of sight deposit accounts that are exempt from negative interest rates, fueling market talk of another SNB rate cut. Reacting to this announcement, the CHF moved lower across the board with the EUR/CHF trading close to 1.035/40 at the time of writing, not far from y-day's multi-week high of 1.0425.

GREECE

Local press reports quoted an unnamed EU high level official as saying that at y-day's Euro Working Group (EWG) euro area deputy finance ministers acknowledged some improvement in the pace and quality of official discussions between the Greek authorities and the representatives of the Institutions noting though that further work is needed before a final agreement is reached. Speaking to a local TV station y-day, Greece's representative at the EWG Nikos Theoharakis said that official talks are progressing though labor market and social security reforms remain the key issues of contention. He also pointed that any final agreement can only be reached "on the political level". Euro area finance ministers will convene tomorrow (Friday, April 24) with Germany's Finance Ministry spokesman Martin Jaeger saying to reporters y-day that there are "very limited expectations" from that meeting regarding the Greek issue. Adopting a similar tone, EWG head Thomas Wieser was quoted as saying y-day that Greece will not present a list of economic reforms to the April 24 Eurogroup, but a final reform list has to be presented over the course of next month. The EWG head added that Greece should be able to stay solvent until June. / In other news, the ECB decided y-day to increase y-day the ELA funding ceiling for Greek banks by a further €1.5bn to €75.5bn.

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Latest world economic & market developments in the CESEE region

SERBIA

Public Debt Administration (PDA) sold at an auction on Wednesday €41.896mn of 3-year EUR-denominated T-bonds at an average accepted yield of 3.9%. This marks a drop from an average yield of 4.26% achieved at a prior auction of similar maturity €-denominated paper held in January, as investor demand well exceeded the offered €50mn amount, while the bid-to-cover ratio stood at 1.66. The issue bears an annual coupon of 3.50% and the maturity date is on April 24, 2018. Separately, PDA announced yesterday its decision to reduce the amount of 3-year 10% T-Notes to be at today's auction, to RSD 30bn from RSD50mn previously planned.

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

CESEE MARKETS

Emerging stock markets broadly extended Tuesday's gains yesterday, on the prevailing view that the Fed is not in a rush to embark on a rate-tightening cycle, which is expected to incept later in the year. Additionally, economic stimulus measures adopted by the People's Bank of China a few days ago and ECB President Mario Draghi's comments last week that QE tapering talk is premature, continued to provide a positive impact. Against this backdrop, the MSCI Emerging Markets index closed ca 0.5% higher approaching anew a 7-month peak hit late last week, which Chinese shares leading the winners' pack.



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

On the flipside, the majority of **CESEE currencies** broadly weakened as uncertainty prevailed over official negotiations between Greece and the Institutions. As a result, the positive impact from a Moody's report highlighting that stable economic growth and improvements in CEE countries' fiscal positions are likely to assist in offsetting external risks, was largely muted. The Turkish lira broadly underperformed its regional peers in the wake of the MPC meeting held yesterday. In line with a consensus forecast the Central Bank (CBT) stayed put on interest rates, keeping its key policy (1-week repo) rate stable at 7.50% and the overnight lending and borrowing rates at 10.75% and 7.25% respectively. In an apparent attempt to support the domestic currency, CBT announced a 50bps hike in TRY reserves and reduced the rates applied to banks' one week maturity borrowings from the Central Bank from 4.5% to 4.0% for USD and from 2.5% to 2.0% for EUR. However, the CBT's decision appeared to disappoint some market participants hoping for a rate hike or the adoption of a hawkish tone as inflation remains well above official targets and depreciating pressures on the TRY persist. Against, this backdrop, the USD/TRY bounced above 2.7200 levels intraday approaching anew a record peak of 2.7306 hit a few days ago. Elsewhere, the Hungarian forint recoiled by ca 1% to hit a multi-session low near 301/EUR on Wednesday's settlement, in a delayed response a day after the Central Bank cut its key policy rate by 15bps to a new record low of 1.80% and left the door open for further "cautious" monetary easing ahead.

In a similar note, **government bonds** closed broadly weaker on Wednesday. Turkish paper continued to fare worse than its regional peers as domestic political uncertainty prevails ahead of the June general elections. Indicatively, the corresponding benchmark yields of the 2- and 10-year T-Bonds rose by ca 25bps to close near 10.00% and 9.00%.

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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	2098.28	0.0%	1.9%	EUR/USD	1.074	0.0%	-11.2%	UST - 10yr	1.93	3	-24	GOLD	1197	-0.4%	1.0%
Nikkei 225	20133.90	1.1%	15.4%	GBP/USD	1.5036	0.7%	-3.5%	Bund-10yr	0.13	3	-41	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	407.96	-0.3%	19.1%	USD/JPY	119.73	-0.1%	0.0%	JGB - 10yr	0.31	-1	-2	LMEX	2758	0.1%	-5.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	547	2	-444
1-week	6.08	14	-393
1-month	6.69	16	-336
3-month	7.24	19	-261
6-month	7.74	21	-205

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	8.33	#N/A N/A	-72
5Y RSD	10.17	25	-1
7Y RSD	10.39	-30	-169

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.80	4	-46
USD Nov-24	6.45	0	-14

CDS

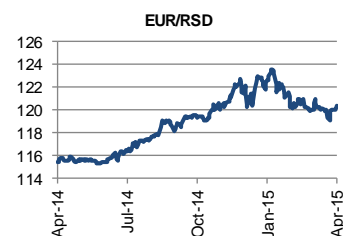
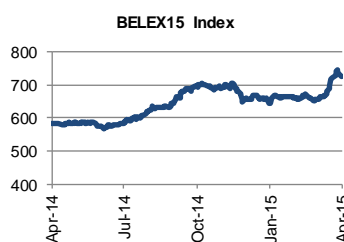
	Last	ΔDbps	ΔYTD bps
5-year	225	0	-65
10-year	278	0	-78

STOCKS

	Last	ΔD	ΔYTD
BELEX15	726.5	0.07%	8.92%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.40	-0.26%	0.79%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.85	8	28
1-month	1.52	14	61
3-month	1.47	9	-23
6-month	1.64	5	-37
12-month	1.66	2	-36

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.93	1	-38
5Y RON	2.31	0	-40
10Y RON	3.37	-1	-29

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.36	-5	-37
USD Aug-23	3.46	-1	-15

CDS

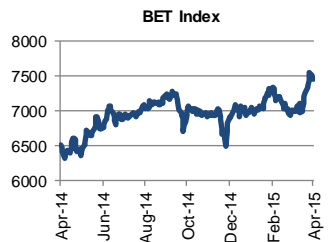
	Last	ΔDbps	ΔYTD bps
5-year	107	-6	-36
10-year	151	-7	-36

STOCKS

	Last	ΔD	ΔYTD
BET	7452.7	-0.68%	5.22%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4231	0.33%	1.37%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-5
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	0.51	-1	-53
5Y BGN	0.75	2	-70
10Y BGN	1.87	0	-88

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.84	-3	-32
EUR Sep-24	2.34	24	-52

CDS

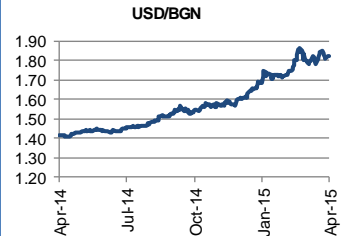
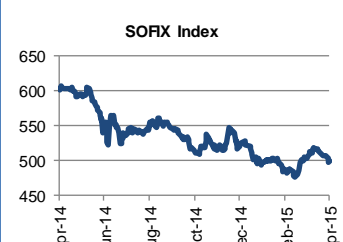
	Last	ΔDbps	ΔYTD bps
5-year	152	3	-39
10-year	199	3	-41

STOCKS

	Last	ΔD	ΔYTD
SOFIX	499.1	0.31%	-4.40%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8212	0.03%	-11.24%



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

Data updated as of 17.00 EET of previous session

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