

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, April 07, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- April 6
 - Catholic Easter Monday
 - ISM non-manuf. (Mar)
- April 8
 - FOMC March 17-18 meeting minutes
 - Fed's Dudley speaks
- April 9: Initial jobless claims (Apr 4)

EUROZONE

- April 7: PMI services (f, Mar)

GREECE

- April 9
 - HICP/CPI (Mar)
 - Labour Force Survey (Jan)
 - Industrial Prod. (Feb)
- April 10: Good Friday

CYPRUS

- April 7: HICP (Mar)

SEE

BULGARIA

- April 6: 2018 T-Notes auction
- April 7: FX reserves (Mar)
- April 8
 - Industrial prod. (Feb)
 - Retail sales (Feb)
- April 9: U/E rate (Mar)

ROMANIA

- April 6: Net wages (Feb)
- April 7: GDP (Q4, f)
- April 9
 - Industrial prod. (Feb)
 - Trade balance (Feb)
 - RON 300mn T-Bonds auction
- April 7
 - CPI (Mar)
 - CAD (Feb)

SERBIA

- April 9: MPC meeting

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from the positive tone on Wall Street overnight, major Asian bourses firmed today on the view that the Fed will probably not rush to embark on a rate tightening cycle following a string of weaker-than-expected US data over the last few sessions. In FX markets, the AUD was among the main outperformers following the decision by Australia's Central Bank RBA earlier today to stay put on interest rates, confounding expectations for a 25bps rate cut.

GREECE: Greece's Minister of Finance Yanis Varoufakis was quoted as saying to local press y-day that he expects a preliminary agreement on the Greek issue to be reached at the upcoming Eurogroup scheduled for April 24.

CYPRUS: The number of registered unemployed individuals fell to a 4-month low of 47,833 in March having eased from 50,240 in the prior month and 52,772 in March last year earlier. Seasonally adjusted data proved even rosier marking a 9.1%YoY decrease to a 2-year low of 44,736 persons

SOUTH EASTERN EUROPE

BULGARIA: According to local media reports, finance minister Vladislav Goranov said on Monday that a new central bank governor will take office between July 11 and August 11.

ROMANIA: Net wages rose by 6.46%YoY in February after a multi-year high gain of 7.08%YoY in the prior month.

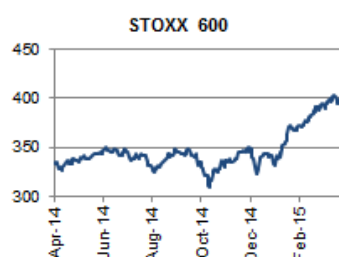
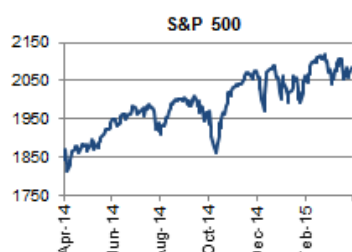
CESEE MARKETS: In line with the trend in major global bourses, **emerging stock markets** kicked off the week on a positive footing, as disappointing US data released last Friday stirred speculation about a potential delay in the inception of the Fed's monetary tightening cycle later in the year. Separately, **CESEE currencies** were mixed in thin trade on Monday, while **government bonds** broadly firmed as March's US non-farm payrolls are still in investors' ears.

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Latest world economic & market developments

GLOBAL MARKETS



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

Taking their lead from the positive tone on Wall Street overnight, major Asian bourses firmed today on the view that the Fed will probably not rush to embark on a rate tightening cycle following a string of weaker-than-expected US data over the last few sessions. Following last week's poor March non-farm payrolls report, data released y-day showed that the March ISM-non-manufacturing index dropped from 56.9 in February to 56.6 in March, its lowest level in three months. However, the breakdown of the data was more positive than the headline showing that exports rose to the highest level in near two years while employment hit a 5-month peak. In FX markets, the USD regained some composure on the view that, in spite the recent string of weak US data, the domestic economy remains on a sustainable recovering trend. Elsewhere, the AUD was among the main outperformers in FX markets following the decision by Australia's Central Bank RBA earlier today to stay put on interest rates, confounding expectations for a 25bps rate cut. However, in spite today's upside attempt, the AUD seems vulnerable as the dovish tone of the accompanying RBA policy statement and the continued decline in commodity prices suggest that the prospect of lower RBA interest rates in the coming months cannot be ruled out.

GREECE

Greece's Minister of Finance Yanis Varoufakis was quoted as saying to local press y-day that he expects a preliminary agreement on the Greek issue to be reached at the upcoming Eurogroup scheduled for April 24. Eurozone deputy finance ministers will hold a two-day meeting later this week, on April 8 and 9, to prepare the ground for the next Eurogroup. According to media reports, the Greek issue is likely to be included in the agenda, though no deal is expected to be sealed. Speaking to reporters late last week, Eurogroup President Jeroen Dijsselbloem was quoted as saying that even though the latest submitted list of reforms was more detailed, there is still "a long way to go" before an agreement is reached. Meanwhile, the issue of potential higher VAT rates in some well-known Greek islands came anew to the fore after government spokesman Gabriel Sakellariadis was quoted as saying to a radio station y-day that "this is an issue that is in open for consultation" noting however that such a proposal is not included in the list of reforms submitted to the Brussels Group last week.

ppetropoulou@eurobank.gr

CYPRUS

The number of registered unemployed individuals fell to a 4-month low of 47,833 in March having eased from 50,240 in the prior month and 52,772 in March last year earlier. Seasonally adjusted data proved even rosier marking a 9.1%YoY decrease to a 2-year low of 44,736 persons and coming in against 45,423 individuals in the prior month. In other news, the Economic Research Centre of the University of Cyprus reportedly foresees the recession in the domestic economy to continue this year as well. Yet, noted that the contraction in real economic activity is expected to decelerate, especially in H2, with positive growth rates anticipated to be evidenced in 2016. These forecasts echo weaker to those of the finance ministry which envision real GDP growth at +0.4% this year, following three consecutive years in contraction. In our view, the risk of flat or even marginally negative growth this year is looming amid external sector headwinds.

gphoka@eurobank.gr

CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.3	0.4
HICP (pa, yoy %)	0.4	-0.3	0.7
Budget Balance/GDP	-4.7	0.4	-1.2
Current Account/GDP	-1.9	-1.1	-0.8

Source: Reuters, Bloomberg, Eurobank Economic Analysis & Financial Markets Research, National Authorities

Latest world economic & market developments in the CESEE region

BULGARIA

According to local media reports, finance minister Vladislav Goranov said on Monday that a new central bank governor will take office between July 11 and August 11. His comments come on the heels of political calls for incumbent governor Ivan Iskrov to resign after the collapse of the Bulgaria's fourth-largest lender Corporate Commercial Bank last year. Mr. Iskrov has indicated his readiness to leave his post on the condition that there is Parliamentary agreement on his replacement.

BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	0.8
CPI (pa, yoy %)	0.4	-1.5	0.1
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.0	1.8
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

Source: Reuters, Bloomberg, Eurobank Economic Analysis & Financial Markets 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 Economic Analysis & Financial Markets Research, National Authorities

ROMANIA

Net wages rose by 6.46%YoY in February after a multi-year high gain of 7.08%YoY in the prior month. It is worth noting that wage growth has remained robust over recent months in reflection of government measures, such as adopted increases in the minimum wages, which, among other, assisted in a rebalancing of the domestic economy from an export-oriented pattern towards domestic demand-led growth last year.

CESEE MARKETS

In line with the trend in major global bourses, **emerging stock markets** kicked off the week on a positive footing, as disappointing US data released last Friday stirred speculation about a potential delay in the inception of the Fed's monetary tightening cycle later in the year. Trade volumes were thin as major European bourses were closed for the Easter holidays. Stock markets in Poland and Hungary were also closed and were due to resume trading on Tuesday. Against this backdrop, the MSCI Emerging Markets index jumped 1.3% on Monday to close at a 4 ½-month peak near 1,007 points. In the CESEE region, Serbia's BELEX 15 followed suit with a 1.2% rise while Turkey's BIST 100 lagged the rally to end in a marginally positive territory. Separately, **CESEE currencies** were mixed in thin trade on Monday. The Turkish lira led the gains in the region as the USD gave back some of its recent gains. Indicatively, the USD/TRY slid by ca 0.45% on the day to stand close to 2.5580 at the session's settlement within distance from a 1-½-week trough of 2.5530 hit intraday. In spite of the aforementioned up-move there is little to suggest that the lira has embarked on a sustainable appreciation trend in the short-term amid lingering concerns about the potential impact of the looming Fed rate tightening on foreign capital inflows towards the country's assets, persisting geopolitical tensions in the Middle East and worries over the Central Bank's independence. Against this backdrop, the pair's technical picture suggests that a break above yesterday's 2.5730 peak may pave the way towards 2.5820 (14-day moving average) ahead of strong resistance at 2.6225 (March 31, 2015 peak). With March's US non-farm payrolls still in investors' ears, **government bonds** broadly firmed on Monday. Turkish 2- and 10-year benchmark yields eased ca 7bps and 2bps respectively to stand at 8.49% and 7.97% at the session's settlement.

gphoka@eurobank.gr



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 Economic Analysis and Financial Markets Research

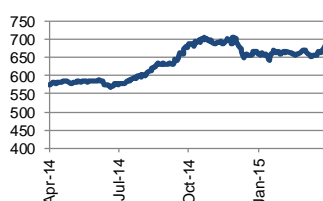
GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	2083.75	0.8%	1.2%	EUR/USD	1.0992	0.2%	-9.1%	UST - 10yr	1.90	6	-27	GOLD	1220	1.4%	2.9%
Nikkei 225	19397.98	-0.2%	11.2%	GBP/USD	1.4942	0.2%	-4.1%	Bund-10yr	0.19	0	-35	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	397.80	-0.2%	16.1%	USD/JPY	119.17	-0.2%	0.4%	JGB - 10yr	0.34	-3	1	LMEX	2755	-0.1%	-5.5%

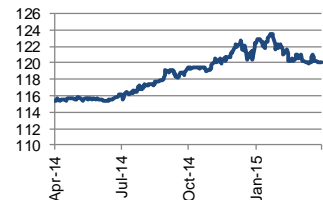
CESEE

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	0	-406	O/N	2.28	-8	171	LEONIA	0.01	0	-1
1-week	6.46	-2	-355	1-month	1.59	6	68	1-month	0.17	1	-5
1-month	7.16	-2	-289	3-month	1.49	0	-21	3-month	0.36	0	-7
3-month	7.63	-2	-222	6-month	1.7	1	-31	6-month	0.71	0	-9
6-month	7.95	-3	-184	12-month	1.71	1	-31	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	8.95	0	-10	3Y RON	2.08	-2	-23	3Y BGN	0.55	0	-49
5Y RSD	10.01	3	-17	5Y RON	2.34	0	-37	5Y BGN	0.84	0	-60
7Y RSD	10.58	5	-150	10Y RON	3.28	0	-38	10Y BGN	2.03	0	-72
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.66	2	-60	EUR Sep-20	1.33	0	-40	EUR Jul-17	0.75	0	-41
USD Nov-24	6.43	0	-16	USD Aug-23	3.32	0	-30	EUR Sep-24	3.06	0	19
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	230	0	-60	5-year	104	0	-38	5-year	160	0	-31
10-year	284	2	-72	10-year	148	0	-39	10-year	207	0	-33
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	688.0	1.21%	3.14%	BET	6999.9	0.39%	-1.17%	SOFIX	516.5	0.00%	-1.07%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.05	0.07%	1.08%	EUR/RON	4.4069	0.09%	1.74%	USD/BGN	1.7794	0.20%	-9.15%

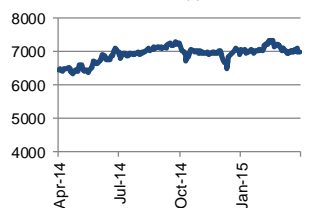
BELEX15 Index



EUR/RSD



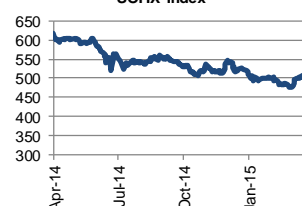
BET Index



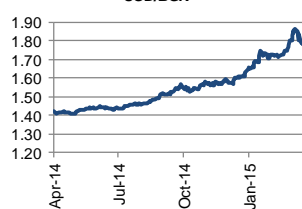
EUR/RON



SOFIX Index



USD/BGN



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

Data updated as of 20:00 EET of prior session

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Đorđe Lučić
Fixed Income Dealer, Eurobank a.d. Beograd
+381 11 2065891
djordje.lucic@eurobank.rs

Ivan Radović
Head, Brokerage, Eurobank ad Beograd
+381 11 30 27 533
Ivan.Radovic@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 37 18 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 3337305

Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 3337004

Olga Kosma: Economic Analyst
okosma@eurobank.gr +30 210 3337249

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 337037

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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