



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, February 23, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- February 26-27: G20 Finance Ministers meeting in Shanghai

US

- February 23
 - Existing home sales (Feb)
 - CB Consumer Confidence (Feb)
 - Case Shiller house price index (Dec)
- February 24: New home sales (Feb)
- February 25
 - Durable goods (Jan)
 - Jobless claims (weekly)
- February 26
 - GDP (Q4, 2nd)
 - UoM cons sent (Feb, f)
 - Personal Spending (Jan)

EUROZONE

- February 22: PMI (Feb, p)
- February 25
 - HICP (Jan, f)
- Money supply (Jan)
- February 26: ESI (Feb)

CYPRUS

- February 23: CPI (Jan)

SEE

BULGARIA

- February 26: Gross external debt (Dec)

ROMANIA

- February 22: 3.25% 2021 T-Bonds auction
- February 24: 1.25% 2021 T-Bonds auction

SERBIA

- February 23: HICP (Jan)
- February 25: Real gross wages (Jan)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from the negative tone in Asian bourses today, the majority European equity markets opened lower. The Eurozone Composite PMI for the month of February surprised to the downside while oil prices moved lower. In FX markets, increased risk aversion favored the JPY while the GBP remained under pressure amid heightened Brexit worries.

GREECE: Speaking to reporters yesterday, EC spokeswoman Annika Breidhardt confirmed that the technical staff representing Greece's official creditors will return to Athens this week to resume negotiations with domestic authorities in the context of the 1st programme review. According to provisional Bank of Greece (BoG) data, the balance of travel services recorded a surplus of €12,169mn in 2015, up 7.5% from a surplus of €11,317mn in 2014. Travel receipts increased by 6.0%YoY to €14,195mn while the number of inbound visitors rose by 7.1% reaching an all-time high of 23,60mn.

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold as planned at an auction on Monday RON 800mn (€178.9mn) of 3.25% March 2021 Treasury bonds at an average accepted yield of 2.56%, modestly higher than a yield of 2.53% achieved at a prior auction of the same paper held about a month ago.

SERBIA: Finance minister Dusan Vujovic reportedly suggested yesterday that the government is ready to issue foreign-currency denominated bonds but will do so when the time is right.

CESEE MARKETS: Most emerging stock markets gave back some of their recent gains in European trade on Tuesday, on profit taking, a retreat in global oil prices and China-related jitters. In a similar vein, the majority of **CESEE bourses** lost ground earlier today, while **regional currencies** recoiled from recent multi-week highs.

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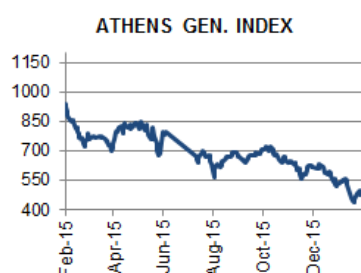
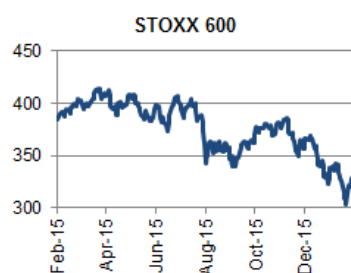
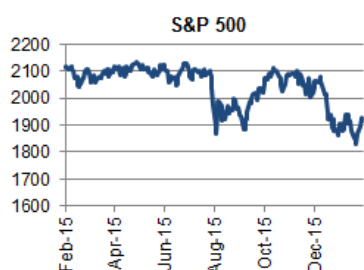
Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from the negative tone in Asian bourses today, the majority European equity markets opened lower. The Eurozone Composite PMI for the month of February surprised to the downside falling to a 13-month low of 52.7 from 53.6 in the prior month with new orders dropping to a one-year low and deflationary pressures strengthening. Adding to today's negative sentiment towards risky assets, oil prices moved lower giving back some of their recent gains on the view that any cuts on US oil production may be countered by rising output from Iran. Increased risk aversion favored the safe-haven appeal of the JPY with the USD/JPY dropping 0.9% on the day and hitting intraday lows near 111.90. Comments by a senior US Treasury official that the G20 Finance Ministers and Central Bank Governors will be asked in their meeting -scheduled to commence on Friday- to refrain from manipulating exchange rates for competitive purposes, also had an impact. Elsewhere, the GBP remained under pressure on heightened Brexit worries after London Mayor Boris Johnson announced earlier this week his support for Britain to exit the EU. The GBP/USD was hovering around 1.4133 in European trade at the time of writing, within distance from yesterday's seven-year trough of 1.4056. Focus today is on BoE Governor Mark Carney who will testify before lawmakers on the outlook of the UK economy and the Central Bank's monetary policy deliberations. With both the unemployment and the participation rate standing at multi-year lows, UK economic activity is expected to remain robust in 2016 with real GDP growth rising 2.2%, the same rate of last year. Yet, in view of persistently subdued inflation pressures, uncertainty about the prospects of the global economy and the impending EU referendum, a BoE rate hike remains a distant prospect.

GREECE

Speaking to reporters yesterday, EC spokeswoman Annika Breidhardt confirmed that the technical staff representing Greece's official creditors will return to Athens this week to resume negotiations with domestic authorities in the context of the 1st programme review. According to the EC spokeswoman, this development constitutes "an important step" towards preparing the ground for the return of the ECB/IMF/ESM/EC mission heads "in the near future". The technical staff will reportedly focus on fiscal issues, the social security pension reform and the finalization of outstanding issues related to the NPL resolution framework. Meanwhile, the meeting held between Greece's Prime Minister and farmers yesterday did not result in an agreement with the latter continuing their protest against the government's plan of the income tax and social security pension reform. According to press reports, the government offered a few concessions to farmers including, inter alia, the establishment of a tax-free threshold, a gradual hike in contributions until 2021 and incentives for young people up to 40 years of age to take up farming. Meanwhile, speaking to a local TV station yesterday, Kyriakos Mitsotakis, the leader of the main opposition party New Democracy (ND) criticized strongly the SYRIZA/ANEL coalition government and revealed that between new general elections and the establishment of a national unity government he would prefer snap elections on the grounds that ND and SYRIZA do not share common values. Separately, according to provisional Bank of Greece (BoG) data, the balance of travel services recorded a surplus of €12,169mn in 2015, up 7.5% from a surplus of €11,317mn in 2014. Travel receipts increased by 6.0%YoY to €14,195mn while the number of inbound visitors rose by 7.1% reaching an all-time high of 23,60mn from 22,03mn in 2014.



Source: Reuters, Bloomberg, Eurobank Research

BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	2.9	3.0
CPI (pa, yoy %)	-1.4	-0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	1.5	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

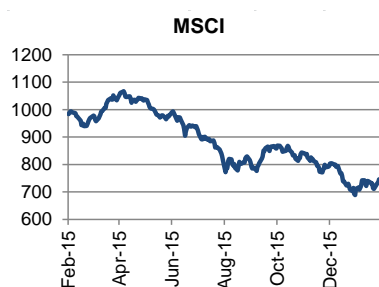
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.6	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.50	4.50	4.50

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	BB-	B+

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

Latest world economic & market developments in the CESEE region

ROMANIA

The finance ministry sold as planned at an auction on Monday RON 800mn (€178.9mn) of 3.25% March 2021 Treasury bonds at an average accepted yield of 2.56%. This was modestly higher than a yield of 2.53% achieved at a prior auction of the same paper held about a month ago. The bid to cover ratio came in at 1.6. The issue which matures on March 22, 2021, marks the last RON-denominated tender for February. That said, the finance ministry plans to sell €500mn of 5-year Eurobonds on Wednesday, maturing on February 26, 2021 and bearing a coupon of 1.25%.

SERBIA

Speaking on the sidelines of a conference organized by the European Bank for Reconstruction and Development in London, finance minister Dusan Vujovic reportedly suggested yesterday that the government is ready to issue foreign-currency denominated bonds but will do so when the time is right, depending on the yield premium, developments in financial markets as well as on external financing needs. Separately, he highlighted that there is no need to issue the paper now in view of the budget's good performance. The finance minister added that the government is mulling on different options over the said issuance, including selling the paper in multiple tranches of up to €2bn.

CESEE MARKETS

Most emerging stock markets gave back some of their recent gains in European trade on Tuesday, on profit taking, a retreat in global oil prices and China-related jitters. Along these lines the MSCI Emerging Markets index stood in a modestly negative territory at the time or writing having pulled back from a 1-½ month peak hit in Asian trade.

In a similar vein, the majority of **CESEE bourses** lost ground earlier today, while **regional currencies** recoiled from recent multi-week highs. In FX markets, the Hungarian forint gave back some of its recent hefty gains, with the EUR/HUF trading ca 0.2% weaker on the day at around 307.20 at the time of writing, though remaining within distance from yesterday's 9-month trough of 306.50 hit amid increased speculation for an upgrade of Hungary's credit ratings this year. Likewise, the Polish zloty registered similar losses with the EUR/PLN hovering around levels of 4.3630 in early European trade after recoiling from Monday's 4.3540 1-½ month low.

Today's release of January's HICP in Serbia as well as Central Bank meetings in Turkey and Hungary take centre stage in the region. Both the CBT and the MNB are anticipated to keep their main policy rates unchanged at 7.50% and 1.35%, respectively.

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February 23, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities													
<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tr> <td>S&P 500</td> <td>1945.50</td> <td>1.4%</td> <td>-4.8%</td> </tr> <tr> <td>Nikkei 225</td> <td>16052.05</td> <td>-0.4%</td> <td>-15.7%</td> </tr> <tr> <td>STOXX 600</td> <td>330.18</td> <td>-0.5%</td> <td>-9.7%</td> </tr> </table>		Last	ΔD	ΔYTD	S&P 500	1945.50	1.4%	-4.8%	Nikkei 225	16052.05	-0.4%	-15.7%	STOXX 600	330.18	-0.5%	-9.7%
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STOXX 600	330.18	-0.5%	-9.7%													

 | | Last | ΔD | ΔYTD | |---------|--------|-------|-------| | EUR/USD | 1.1009 | -0.2% | 1.4% | | GBP/USD | 1.4108 | -0.3% | -4.3% | | USD/JPY | 112 | 0.8% | 7.2% | | | (yields) | Last | ΔDbps | ΔYTD bps | |------------|------|-------|----------| | UST - 10yr | 1.75 | 0 | -52 | | Bund-10yr | 0.18 | 0 | -45 | | JGB - 10yr | 0.00 | 1 | -26 | | | | Last | ΔD | ΔYTD | |-------------|------|-------|-------| | GOLD | 1219 | 0.8% | 14.8% | | BRENT CRUDE | 34 | -2.1% | -8.9% | | LMEX | 2248 | 1.5% | 2.0% | |

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	284	0	-19
1-week	2.96	1	-23
1-month	3.12	0	-39
3-month	3.30	0	-53
6-month	3.50	0	-53

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.47	-3	-20
5Y RSD	5.23	-1	10
7Y RSD	7.73	0	3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.97	-1	-20
USD Nov-24	6.19	-1	-23

CDS

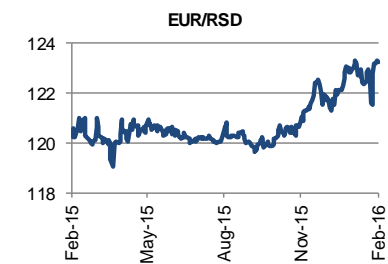
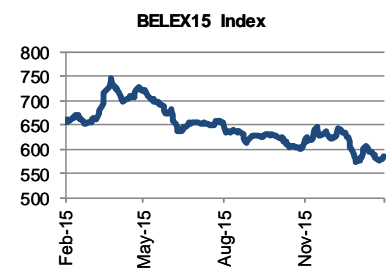
	Last	ΔDbps	ΔYTD bps
5-year	288	0	14
10-year	334	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	582.2	-0.56%	-9.60%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.26	0.04%	-1.36%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.39	0	-14
1-month	0.55	1	-14
3-month	0.76	-1	-26
6-month	1.02	-1	-32
12-month	1.18	0	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.72	0	-21
5Y RON	2.56	1	-24
10Y RON	3.39	0	-39

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.48	-4	-9
USD Jan-24	3.43	-1	-36

CDS

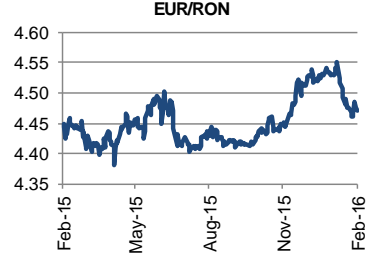
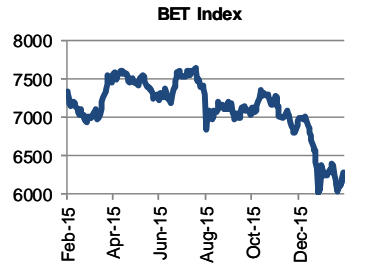
	Last	ΔDbps	ΔYTD bps
5-year	134	-4	1
10-year	178	-5	7

STOCKS

	Last	ΔD	ΔYTD
BET	6306.8	-0.48%	-9.96%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4713	0.08%	0.96%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	0	-9
1-month	-0.07	0	-23
3-month	0.05	-2	-21
6-month	0.27	2	-26
12-month	0.69	6	-28

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.35	0	-25
5Y BGN	1.09	-1	-18
10Y BGN	2.62	0	-3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.37	0	-44
EUR Sep-24	2.38	54	-5

CDS

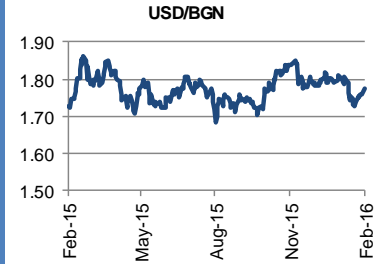
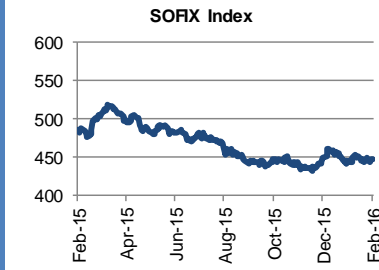
	Last	ΔDbps	ΔYTD bps
5-year	175	-5	3
10-year	223	-6	7

STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.8	0.05%	-3.06%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7766	-0.14%	1.33%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:10 EET

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