

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, March 17, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- March 16
  - Empire State Index (Mar)
  - IP (Feb)
  - NAHB (Feb)
- March 17
  - Housing starts (Feb)
  - Building permits (Feb)
- March 18: FOMC decision
- March 19
  - Initial jobless claims (Mar 14)
  - Philly Fed (Mar)

### EUROZONE

- March 16: ECB's Draghi speaks
- March 17: HICP (f, Feb)
- March 19-20: EU Summit

### CYPRUS

- March 18
  - Industrial turnover (Dec)
  - Tourism arrivals (Feb)
- March 20: National accounts (1<sup>st</sup> est. 2014)

### SEE

#### SERBIA

- March 19: 2-year RSD T-bonds auction
- March 20: CAD (Dec)

#### ROMANIA

- March 16
  - RON 300mn Jan 2018 3.25% T-bonds auction
  - CAD (Jan)
- March 19: RON 300mn Apr 2020 5.75% T-bonds auction

#### BULGARIA

- March 16: U/E rate (Feb)
- March 17: CAD (Jan)

Source: Reuters, Bloomberg, Eurobank  
Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Market attention is focused on the FOMC two-day policy meeting which commences later today. The majority of market participants expect the Central Bank to drop the "patient" guidance from its post-meeting policy statement and Chairman Janet Yellen to stress during the post-meeting press conference that the FOMC's monetary policy path will be data dependent.

**GREECE:** According to an official MoF announcement, the general government primary balance - as per the Economic Adjustment Program definition - run a surplus of 0.3%-of-GDP in 2014 compared to a surplus of 1.8%-of-GDP envisaged in the Budget 2015 and a respective target for a 1.5%-of-GDP surplus envisioned in the troika's DSA analysis for Greece. In other news, Greece's Prime Minister Alexis Tsipras accepted an invitation by German Chancellor Angela Merkel to visit Berlin on March 23 for bilateral talks, just a few days after the March 19-20 EU Summit.

**CYPRUS:** According to government spokesman Nikos Christodoulides on Sunday, Cypriot President Nicos Anastasiades is making preparations to activate constitutional provisions in order to remove Central Bank Governor Chrystalla Georgiadji from her post on allegations about a conflict of interest.

### SOUTH EASTERN EUROPE

**BULGARIA:** According to a statement released in its website on Monday, Bulgarian National Bank (BNB) plans to offer BGN 50mn of July 2025 T-notes at an auction on March 23.

**ROMANIA:** The government sold at an auction on Monday the planned RON 300mn of January 2018 T-Notes, at an average accepted yield of 2.08% which came in a tad above that produced at a previous tender of similar maturity paper held last month.

**CESEE MARKETS:** CESEE bourses kicked off the week on a positive footing and **regional currencies** as well as **government bonds** broadly firmed on Monday recouping part of last week's losses, as the recently launched ECB QE programme continued to favour regional assets.

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## Latest world economic & market developments

### GLOBAL MARKETS

Market attention is focused on the FOMC two-day policy meeting which commences later today. The majority of market participants expect the Central Bank to drop the “patient” guidance from its post-meeting policy statement and Chairman Janet Yellen to stress during the post-meeting press conference that the FOMC’s monetary policy path will be data dependent. Meanwhile, taking their lead from the positive tone in Wall Street overnight, Asian bourses rose on Tuesday favored by a string of weaker-than-expected US data y-day which supported the view that the FOMC will probably not rush to embark on a rate tightening cycle. Poor US data weighed on the USD with the EUR/USD recovering to levels around 1.0600 at the time of writing in European trade after falling to a fresh 12-year low of 1.0456 y-day. With investors eagerly awaiting the outcome of the FOMC policy meeting, consolidation around current levels will likely prevail today.

### GREECE

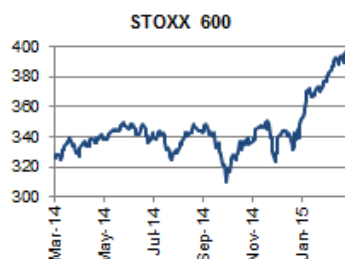
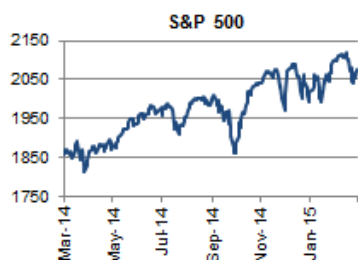
According to an official MoF announcement, the general government primary balance - as per the Economic Adjustment Program definition - ran a surplus of 0.3%-of-GDP in 2014 compared to a surplus of 1.8%-of-GDP envisaged in the Budget 2015 and a respective target for a 1.5%-of-GDP surplus envisioned in the troika’s DSA analysis for Greece. In other news, Greece’s Prime Minister Alexis Tsipras accepted an invitation by German Chancellor Angela Merkel to visit Berlin on March 23 for bilateral talks, just a few days after the March 19-20 EU Summit. According to press reports, the Greek issue is likely to be included on the agenda of this week’s EU Summit following recent comments by Greece’s Premier that he will probably seek a political agreement on the Greek issue. Meanwhile, EU Commissioner Pierre Moscovici was quoted as saying in international media yesterday that reaching a political deal on the Greek issue at this week’s EU Summit depends on whether the Greek government is committed to a structural reform agenda.

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### CYPRUS

According to government spokesman Nikos Christodoulides on Sunday, Cypriot President Nicos Anastasiades is making preparations to activate constitutional provisions in order to remove Central Bank Governor Chrystalla Georgiadji from her post on allegations about a conflict of interest. The incumbent CBC Governor was appointed in April 2014 for a five-year term. She is also a member of the ECB Governing Council.

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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: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

## 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	-1.5	0.1
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	2.1	2.2	1.8
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

According to a statement released in its website on Monday, Bulgarian National Bank (BNB) plans to offer BGN 50mn of July 2025 T-notes at an auction on March 23. The issue will bear a 3.10% annual coupon, with 50% of the amount tendered to be allotted to competitive and the other half to non-competitive bids. Separately, the government reportedly launched yesterday a Roadshow for its upcoming Eurobond auctions. The sale will be part of Bulgaria's medium-term bond programme which foresees €8bn of debt to be raised through international bond sales in the period 2015-2017. For this year, external financing is set at €3.5bn, with the proceeds earmarked for rolling over existing debt and financing part of the 2015 budget deficit, which the government targets at 3.0% of GDP.

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### ROMANIA

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: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

The government sold at an auction on Monday the planned RON 300mn of January 2018 T-Notes, at an average accepted yield of 2.08% which came in a tad above that produced at a previous tender of similar maturity paper held last month (1.94%). The issue bore a 3.25% coupon and was well received, producing a bid-to-cover ratio of 3.24. On the data front, Romania's current account surplus more than doubled to €554mn on an annual basis in January, while FDI stood at €299mn. In other news, the head of the National Integrity Agency (ANI), an EU-backed anti-corruption watchdog, was detained on Monday on graft allegations. The news comes on the heels of the resignation of finance minister Darius Valcov a day earlier after the initiation of an anti-corruption investigation against him while he was the mayor of Slatina. This development added to concerns about the country's fiscal position ahead. The outgoing Minister had recently presented tax reform plans in the cabinet, which are due to be debated in the parliament in a month or so. The proposed measures included cuts in a number of tax rates (e.g. a 4ppts reduction in the main VAT rate to 20% in 2016), changes in tax procedures and the overall framework, but appeared to lack budget saving measures on the expenditure side, enough to avert a significant increase in next year's fiscal deficit.

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### CESEE MARKETS

**CESEE bourses** kicked off the week on a positive footing and **government bonds** broadly firmed on Monday recouping part of last week's losses, as the recently launched ECB QE programme continued to favour regional assets. Yet, sentiment is likely to remain fragile over the coming days, amid market anxiety ahead of the conclusion of the FOMC meeting on Wednesday where the Fed is broadly anticipated to lay the groundwork for the inception of its upcoming monetary tightening cycle, expected to commence later this year. Along similar lines, **CESEE currencies** recovered ground on Monday. Indicatively, the Hungarian forint led the gains, having closed ca 0.7% firmer on the day at 303.20/EUR. The Polish zloty followed suit advancing by 0.45% to 4.1275/EUR in the aftermath of upbeat trade and current account data which unexpectedly showed respective surpluses of €1,021mn and €53mn for the month of January. The Romanian leu also firmed, largely shrugging off news about the resignation of Finance Minister Darius Valcov over the weekend. Meanwhile, the Turkish lira pulled back from Friday's record lows near 2.6490/USD on the back of hopes about easing tensions between President Tayyip Erdogan and the Central Bank as well as expectations about stable CBT rates at today's MPC meeting.

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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-

## 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	2074.66	1.0%	0.8%	EUR/USD	1.0582	0.8%	-12.5%	UST - 10yr	2.08	-4	-9	GOLD	1153	-0.5%	-2.7%
Nikkei 225	19246.06	0.0%	10.3%	GBP/USD	1.4811	0.4%	-4.9%	Bund-10yr	0.27	2	-27	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	400.46	1.0%	16.9%	USD/JPY	121.29	0.1%	-1.3%	JGB - 10yr	0.42	1	9	LMEX	2720	0.5%	-6.7%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-38	-318
1-week	7.49	-11	-252
1-month	8.32	-8	-173
3-month	8.66	-12	-119
6-month	8.73	-16	-106

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.15	-8	10
5Y RSD	10.18	1	0
7Y RSD	11.32	3	7

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.64	1	-62
USD Nov-24	6.43	-1	-16

## CDS

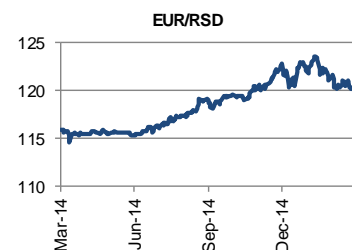
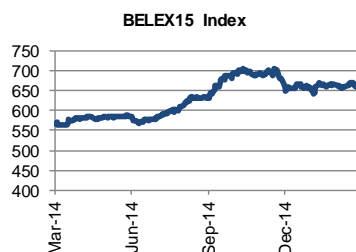
	Last	ΔDbps	ΔYTD bps
5-year	272	1	-18
10-year	298	1	-58

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	656.0	-0.79%	-1.65%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.10	0.26%	1.04%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	0	1
1-month	0.77	2	-14
3-month	1.29	-3	-41
6-month	1.56	0	-45
12-month	1.62	-2	-40

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.09	2	-22
5Y RON	2.35	3	-36
10Y RON	3.18	6	-48

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.29	-2	-44
USD Aug-23	3.40	-4	-21

## CDS

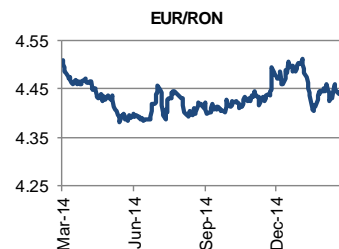
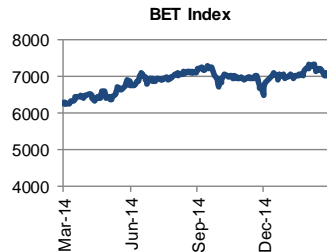
	Last	ΔDbps	ΔYTD bps
5-year	105	-3	-38
10-year	147	-3	-40

## STOCKS

	Last	ΔD	ΔYTD
BET	7031.3	-0.06%	-0.73%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4382	0.11%	1.02%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-2
1-month	0.16	0	-5
3-month	0.36	0	-7
6-month	0.72	0	-7
12-month	1.37	0	-14

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.36	-1	-67
5Y BGN	0.65	0	-79
10Y BGN	1.83	0	-92

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.62	-3	-54
EUR Sep-24	2.21	3	-66

## CDS

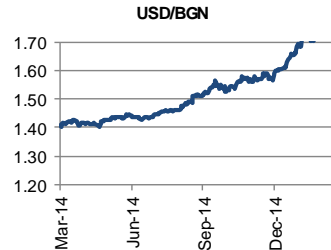
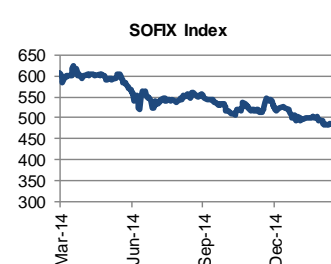
	Last	ΔDbps	ΔYTD bps
5-year	179	2	-12
10-year	226	2	-15

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	501.5	0.84%	-3.95%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8482	0.83%	-12.54%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 18:15 EET of previous session

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