

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, March 20, 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 (1st 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: Major Asian bourses were little changed on Friday consolidating most of y-day's gains recorded following the more dovish-than-expected tone of the FOMC policy statement released late on Wednesday. In FX markets, the USD moved higher.

GREECE: Y-day's near four-hour long meeting on the sidelines of the EU Summit between Greece's Premier and eight top EU officials ended on a positive tone. According to a common statement issued after the conclusion of the meeting, they all confirmed their commitment to the February 20th Eurogroup agreement and the Greek side pledged to present a detailed list of reform measures in the next few days while having the ownership of them.

CYPRUS: In a unanimous vote on Thursday Parliament reportedly postponed until April 2 the implementation of a law on foreclosures, which is part of the conditions laid out in the country's EU/IMF €10bn bailout programme and a prior action for any further disbursement of official financial aid to Cyprus.

SOUTH EASTERN EUROPE

BULGARIA: The government sold on Thursday € 3.1bn in a triple-tranche Eurobond auction of EUR-denominated paper, allotting €1.25bn in 7-year bonds at an average accepted yield of 2.179%, €1bn in 12-year bonds at 2.732% and €850mn in 20-year securities at 3.264%.

ROMANIA: According to media reports quoting head of Treasury of the Ministry of Finance Stefan Nanu, the government is planning to raise at least €2bn in Eurobonds from international investors this year, being ready to tap markets when a "very strong opportunity" arises. In other news, the government sold, as planned, RON 300mn of April 2020 T-Notes, at an auction on Thursday that drew heavy demand.

SERBIA: The Public Debt Administration sold RSD 7.94bn, of the initially planned RSD10bn, in 2-Year T-Notes at an auction on Thursday at an average accepted yield of 9.09%.

CESEE MARKETS: The majority of **emerging stock markets** reversed course in European trade on Friday, snapping a 4-session rising streak on profit taking. **CESEE currencies** hovered near recent highs achieved after the FOMC meeting somewhat soothed concerns about a sooner than previously anticipated initiation of its rate tightening cycle expected later this year.

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Latest world economic & market developments

GLOBAL MARKETS



Major Asian bourses were little changed consolidating most of y-day's gains recorded following the more dovish-than-expected tone of the FOMC policy statement released late on Wednesday. In FX markets, the USD firmed with the EUR/USD hovering around 1.0677/80 in European trade at the time of writing following a short-lived spike to 1.1031 earlier this week shortly after the FOMC statement release. With the monetary policy divergence remaining a key theme in FX markets, short-term risks for the US currency seem skewed to the upside. However, with a lot of good news already priced in, any further USD appreciation in the coming sessions/weeks will likely be limited compared to that recorded over the last few months.

GREECE

Y-day's near four-hour long meeting on the sidelines of the EU Summit between Greece's Premier and eight top EU officials namely, the German Chancellor, France's President, the ECB President, the European Commission President, the Eurogroup President and both the President and the Secretary-General of the European Council, ended on a positive tone. According to a common statement issued after the conclusion of the meeting, they all confirmed their commitment to the February 20th Eurogroup agreement and the Greek side pledged to present a detailed list of reform measures in the next few days while having the ownership of them. As per the same statement, all sides "committed to speed up the work and conclude it as fast as possible" while the Eurogroup stands ready to convene as soon as possible to assess the purportedly Greek reform list. Press reports suggested today that the Eurogroup could probably convene by the end of next week and, on the assumption that a purportedly Greek reform list is submitted and approved, euro area finance ministers could give the green light for the release of a partial disbursement of the pending €7.2bn loan tranche. Meanwhile, reports quoted an unnamed Greek government official as saying that Greece will meet the principal payment due today to the IMF -the fourth, and last, principal payment to the Fund due for this month- for an estimated amount of c. €350mn. Greece will also redeem €1.6bn in T-bills that mature today.

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CYPRUS

In a unanimous vote on Thursday Parliament reportedly postponed until April 2 the implementation of a law on foreclosures, which is part of the conditions laid out in the country's EU/IMF €10bn bailout programme and a prior action for any further disbursement of official financial aid to Cyprus. Meanwhile, recent ECB President Draghi's comments suggested that the country will not be eligible to participate in the ECB's €1.1tr QE programme until the aforementioned legislation comes into effect and the current review concludes successfully. MPs signaled that the delay is due to the fact that the law should be adopted in tandem with an insolvency framework, which is currently under review by government authorities.

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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	1.0	0.0	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

The government sold on Thursday € 3.1bn in a triple-tranche Eurobond auction of EUR-denominated paper, allotting €1.25bn in 7-year bonds at an average accepted yield of 2.179%, €1bn in 12-year bonds at 2.732% and €850mn in 20-year securities at 3.264%. The issue is part of the government's medium-term bond programme which foresees €8bn of debt to be raised through international bond sales over the period of 2015-17. For this year, external financing is set at €3.5bn with the proceeds earmarked for rolling over existing debt and funding part of the 2015 budget deficit targets of 3.0% of GDP. In other news the Central Bank reportedly said earlier this week that it anticipates real GDP growth to slow down in H1 2015 amid weakening domestic demand dynamics.

ROMANIA

ROMANIA: Indicators	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

According to media reports quoting head of Treasury of the Ministry of Finance Stefan Nanu, the government is planning to raise at least €2bn in Eurobonds from international investors this year, being ready to tap markets when a "very strong opportunity" arises. He added that the paper to be issued will be EUR-denominated with maturities of 12 and 15 years. In other news, the government sold, as planned, RON 300mn of April 2020 T-Notes, at an auction on Thursday that drew heavy demand as worries over the Fed embarking on a rate tightening cycle sooner than anticipated somewhat eased after this week's FOMC meeting, while the recently launched ECB QE has also provided support to CESEE assets over the last few sessions. Indicatively, the bid to cover ratio came in at 3.77, while the average accepted yield stood at 2.58%, slightly above 2.53% achieved at a prior auction of similar maturity paper in February. The issue bears a 5.75% coupon.

SERBIA

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-1.8	-0.5
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-6.5	-7.1	-5.5
Current Account/GDP	-6.1	-6.1	-4.6
EUR/RSD (eop)	114.60	120.96	125.00
	2014	current	2015f
Policy Rate (eop)	8.00	7.50	7.50

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

The Public Debt Administration sold RSD 7.94bn, of the initially planned RSD10bn, in 2-Year T-Notes at an auction on Thursday. The average accepted yield stood at 9.09%, below 9.29% achieved at a prior auction of similar maturity paper in January. The issue, which matures on March 2017, bears an annual coupon of 8% and the bid to cover ratio was at 1.09%.

CESEE MARKETS



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-

The majority of **emerging stock markets** reversed course in European trade on Friday, snapping a 4-session rising streak and trimming part of this week's gains on profit taking. Indicatively, the MSIC Emerging Markets Index fell by ca 0.3% at the time of writing, though poised to end the week with gains to the tune of 2.4%. On the flipside, most bourses in the CESEE region moved higher tracking the broadly positive trend in European equity markets. In the FX markets, **CESEE currencies** hovered near recent highs achieved after the FOMC meeting somewhat soothed concerns about a sooner than previously anticipated initiation of its rate tightening cycle expected later this year. The Turkish lira led the gains in the region, recovering part of Thursday's profit-taking losses. In more detail, the USD/TRY advanced by 0.33% on a daily basis to 2.5975 at the time of writing, after hitting a 2-week low of 2.5597 yesterday. The Hungarian forint was flat on the day, with the EUR/HUF trading around levels of 303.30. Yet, the pair remained within distance from Thursday's 14-month lows near 300.90 in the wake of well-received government bond auctions. In **local rate markets**, government bonds were mixed, though poised to broadly end the week in the black supported by the ECB's recently launched QE programme.

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	2089.27	-0.5%	1.5%	EUR/USD	1.0676	0.2%	-11.8%	UST - 10yr	1.97	0	-20	GOLD	1170	-0.1%	-1.2%
Nikkei 225	19560.22	0.4%	12.1%	GBP/USD	1.4739	-0.1%	-5.4%	Bund-10yr	0.19	0	-35	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	400.97	0.0%	17.1%	USD/JPY	121.1	-0.3%	-1.2%	JGB - 10yr	0.33	-1	0	LMEX	2713	2.3%	-6.9%

SEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR	on	-25	-322
T/N			
1-week	7.32	-14	-269
1-month	7.90	-20	-215
3-month	8.45	-11	-140
6-month	8.65	-2	-114

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.12	0	4
5Y RSD	10.16	0	-2
7Y RSD	11.28	0	3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.61	-1	-65
USD Nov-24	6.43	0	-16

CDS

	Last	ΔDbps	ΔYTD bps
5-year	235	-36	-55
10-year	263	-34	-93

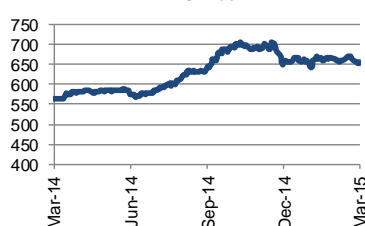
STOCKS

	Last	ΔD	ΔYTD
BELEX15	652.8	-0.26%	-2.13%

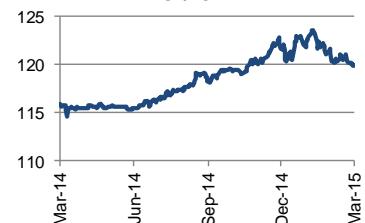
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.83	0.02%	1.27%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.58	2	1
1-month	0.81	0	-10
3-month	1.31	0	-39
6-month	1.56	1	-45
12-month	1.62	1	-40

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.07	-1	-24
5Y RON	2.37	-1	-34
10Y RON	3.23	0	-43

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.28	0	-45
USD Aug-23	3.38	-2	-24

CDS

	Last	ΔDbps	ΔYTD bps
5-year	110	0	-33
10-year	153	0	-33

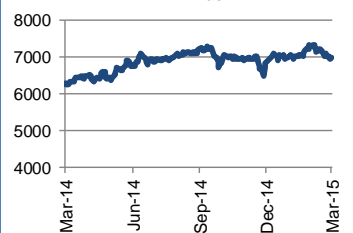
STOCKS

	Last	ΔD	ΔYTD
BET	6968.1	-0.13%	-1.62%

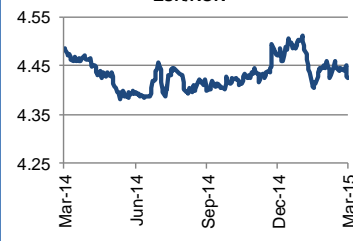
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4265	-0.01%	1.29%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.16	0	-5
3-month	0.36	0	-7
6-month	0.70	-2	-9
12-month	1.32	-5	-19

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.36	-8	-68
5Y BGN	0.65	-4	-80
10Y BGN	1.82	0	-93

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.74	-28	-42
EUR Sep-24	2.39	-63	-48

CDS

	Last	ΔDbps	ΔYTD bps
5-year	164	-1	-27
10-year	211	-1	-30

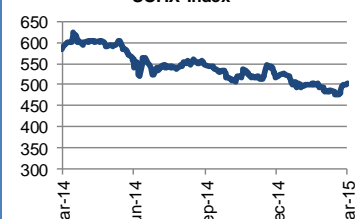
STOCKS

	Last	ΔD	ΔYTD
SOFIX	503.6	0.70%	-3.54%

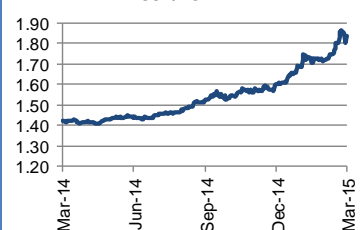
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.832	0.16%	-11.76%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:45 EET

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