

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, March 31, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- March 30
 - Core PCE (Feb)
 - Pending home sales (Feb)
- March 31
 - CB Consumer confidence Mar)
 - Fed's Fischer, Lacker, Lockhart, Mester and George speak
- April 1
 - ADP employment (Mar)
 - ISM manuf (Mar)
 - Fed's Williams and Lockhart speak
- April 2
 - Initial jobless claims (Mar 27)
 - Fed's Yellen speaks
- April 3
 - NFP (Mar)
 - U/E rate (Mar)

EUROZONE

- March 30: ESI (Mar)
- March 31: HICP (flash, Mar)
- April 1: PMI manuf (f, Mar)

CYPRUS

- April 2: CPI (Mar)

SEE

BULGARIA

- March 31: Budget (Feb)

ROMANIA

- March 31
 - MPC meeting
 - ILO U/E (Feb)
- April 3: Retail sales (Feb)

SERBIA

- March 30
 - Ind. Production (Feb)
 - Trade balance (Feb)
 - Retail sales (Feb)
- April 2: 2-year 8% T-Notes auction

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: With the FOMC Chairman's recent mildly hawkish remarks still in investors' ears, the USD retained a positive tone with the EUR/USD and USD/JPY trading near 1.0750 and slightly above 120.00 respectively at the time of writing in European trade on Tuesday. Looking ahead, the USD is likely to remain in an upward trend in the coming sessions especially if Friday's US non-farm payrolls report delivers positive surprises.

GREECE: Discussions in Brussels between Greek authorities and the representatives from the four Institutions on the new more detailed list of reforms the Greek side submitted late last week are reportedly expected to continue today. According to the same sources, the said reform proposals do not incorporate any "recessionary measure" such as further reductions in salaries and wages. Reportedly, it includes measures aiming to boost State revenue by c. €3.7bn cumulatively this year, an amount that is deemed adequate for the generation of a primary budget surplus of 1.2% to 1.5%-of-GDP in 2015 under the assumption that 2015 real GDP output will grow by a positive annual rate of c. 1.4%.

CYPRUS: The amount of funding received by commercial banks from the Emergency Liquidity Assistance (ELA) stood at €7.2bn in February, slightly below January's €7.4bn.

SOUTH EASTERN EUROPE

BULGARIA: According to media reports, the tourism ministry said on Monday that Bulgaria and China have decided to sign an agreement which is expected to increase the influx of Chinese tourists to the country.

ROMANIA: President Kalus Iohannis appointed on Monday economist and former European Union Funds minister Eugen Teodorovici as Romania's new finance minister.

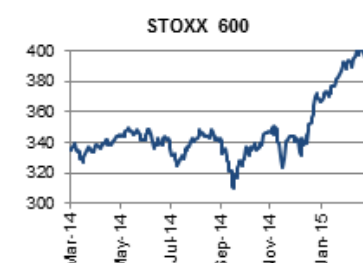
CESEE MARKETS: Emerging stock markets kicked off the week on a positive footing, erasing part of last week's losses. Chinese shares led the way higher amid market optimism about the adoption of further policy stimulus by the country's authorities aimed at supporting domestic economic activity. In the same positive tone, **CEE currencies** closed modestly firmer on Monday. Focus today is on the MPC meeting in Romania, where the Central Bank is anticipated to deliver a 25bps cut in its key policy rate to 2.00%.

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Latest world economic & market developments

GLOBAL MARKETS



Tracking gains in Wall Street overnight on M&A news, major Asian equity markets advanced on Tuesday. Chinese authorities' announcement for the adoption of further steps to support falling house prices and the "Silk Road" project aiming to boost infrastructure investment, also favored investor appetite for risk taking. With the FOMC Chairman's recent mildly hawkish remarks still in investors' ears, the USD retained a positive tone with the EUR/USD and USD/JPY trading near 1.0750 and slightly above 120.00 respectively at the time of writing in European trade on Tuesday. Y-day's US data which showed that the Pending Home Sales index hit a 1 ½ year high in February and core PCE deflator, the Fed's preferred inflation measure, rose to 1.4%yoy in March from 1.3%yoy in the prior two consecutive months, also boosted the US currency. Looking ahead, the USD is likely to remain in an upward trend in the coming sessions especially if Friday's US non-farm payrolls report delivers positive surprises.

GREECE

Discussions in Brussels between Greek authorities and the representatives from the four Institutions on the new more detailed list of reforms the Greek side submitted late last week are reportedly expected to continue today. According to the same sources, the said reform proposals do not incorporate any "recessionary measure" such as further reductions in salaries and wages. Reportedly, it includes measures aiming to boost State revenue by c. €3.7bn cumulatively this year, an amount that is deemed adequate for the generation of a primary budget surplus of 1.2% to 1.5%-of-GDP in 2015 under the assumption that 2015 real GDP output will grow by a positive annual rate of c. 1.4%. According to the local press, measures incorporated in the said list include, among other: (i) steps for combatting VAT evasion (c. €350mn); (ii) the sale of licenses for broadcast television channel frequencies (c. €350mn); and (iii) the adoption of a VAT lottery scheme similar to that applied in Portugal, Malta and Slovakia (c. €270mn). In other news, speaking at y-day's extraordinary plenary session in the Hellenic Parliament aiming to inform lawmakers about the February 20 Eurogroup agreement and the progress of ongoing discussions with the Institutions, Prime Minister Alexis Tsipras called party leaders to support the government's "national negotiation strategy to put an end to austerity". On his part, leader of the main opposition party Antonis Samaras said that New Democracy would support the government but suggested that SYRIZA's own internal dissent could be the biggest problem the Prime Minister and SYRIZA leader has to face. Along similar lines, PASOK leader Evangelos Venizelos indicated that his party would back the government but only if it had "a national strategy, not opportunism".

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CYPRUS

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

According to the latest Eurosystem Balance Sheet data released by the Central Bank of Cyprus on Monday, the amount of funding received by commercial banks from the Emergency Liquidity Assistance (ELA) stood at €7.2bn in February, slightly below January's €7.4bn.

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

Latest world economic & market developments in the CESEE region

BULGARIA

According to media reports, the tourism ministry said on Monday that Bulgaria and China have decided to sign an agreement which is expected to increase the influx of Chinese tourists to the country. Among the measures reportedly discussed between the Bulgarian Minister of Tourism Nikolina Angelkova and her Chinese counterpart, Li Jinzao, was the establishment of a Bulgarian-Chinese Chamber of Tourism as well as an invitation to leading Chinese media and tour operators to the country. Notably, foreign arrivals from China totaled only 16k in 2014, accounting for just 0.2% of total tourist arrivals, though marking a 30% increase from the prior year.

ROMANIA

President Kalus Iohannis appointed on Monday economist and former European Union Funds minister Eugen Teodorovici as Romania's new finance minister. The decision comes after his predecessor Darius Valcov resigned earlier in March amid corruption allegations. Among other, the newly incumbent FinMin faces negotiations with the IMF over recently adopted by the government tax-cut plans. The Fund expressed concerns late last week about the implementation of such measures, which, it noted, risks undermining the fiscal consolidation achieved over the last few years. In a similar tone, the country's Fiscal Council reportedly warned on Monday that the government's plans present "extreme risk of permanent, large-scale damage of Romania's public finance position". It also argued that the 2019 euro adoption date would be impossible to achieve due to the excessive budget deficits. Recall that, the government approved last week a tax-cuts plan for the period of 2016-2019 in a move aimed at boosting the domestic economy. Among the scheduled measures envisioned to come into effect over the aforementioned time frame are reductions in several VAT rates, lower social security contributions, elimination of a dividends and special buildings taxes as well as cuts in excise taxation. The proposals are expected to be submitted to Parliament for endorsement in the imminent future, with Prime Minister having been quoted recently as saying that he expects them to pass by the end of June.

CESEE markets

Emerging stock markets kicked off the week on a positive footing, erasing part of last week's losses. Chinese shares led the way higher amid market optimism about the adoption of further policy stimulus by the country's authorities aimed at supporting domestic economic activity. In the CESEE space, Turkey's BIST 100 index advanced by 1.6%, broadly outperforming its regional peers as well as a concomitant increase of 1.1% in the broader MSCI Emerging Markets Index. In the same positive tone, **CEE currencies** closed modestly firmer on Monday. The Romanian leu led the gains reportedly favoured by increased end-of-month corporate demand. The EUR/RON ended 0.5% on the day at 4.40 at the session's settlement after hitting a multisession peak of 4.3905 intraday. Expectations for a 25bps rate cut to a new record low of 2.00% at today's MPC meeting appear to have been largely priced in and therefore had a limited impact on the RON. Supporting the case for the anticipated rate cut, risks to the domestic growth outlook linger and inflation pressures have remained subdued over recent months. Notably, CPI slid to a record low of 0.4% in February, standing well below the NBR's 2.5+/-1% inflation target range for the 5th month running, while credit activity continues to be weak. Additionally, the leu's recent recovery also bodes well for such a decision. With the regional calendar being relatively light this week, CESEE assets are likely to trade sideways ahead of the key non-farm payrolls report on Friday, which may provide some clues about the US economic recovery ahead.

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

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	-6.0
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



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

March 31, 2015

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	2082.01	1.0%	1.1%	EUR/USD	1.0817	-0.7%	-10.6%	UST - 10yr	1.96	0	-21	GOLD	1185	-1.2%	0.0%
Nikkei 225	19411.40	0.7%	11.2%	GBP/USD	1.4798	-0.6%	-5.0%	Bund-10yr	0.21	1	-33	BRENT CRUDE	175	0.3%	-0.3%
STOXX 600	399.97	1.1%	16.8%	USD/JPY	120.09	-0.8%	-0.3%	JGB - 10yr	0.37	0	5	LMEX	2772	-1.4%	-4.9%

CESEE

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	0	-367
1-week	7.01	0	-300
1-month	7.76	0	-229
3-month	8.22	0	-163
6-month	8.55	0	-124

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	8.82	7	-26
5Y RSD	10.15	0	-4
7Y RSD	10.82	1	-43

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.63	-1	-63
USD Nov-24	6.43	0	-16

CDS

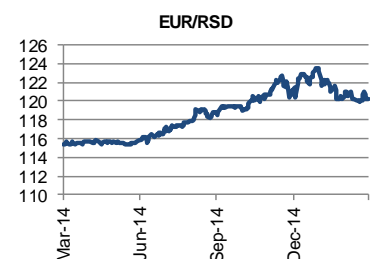
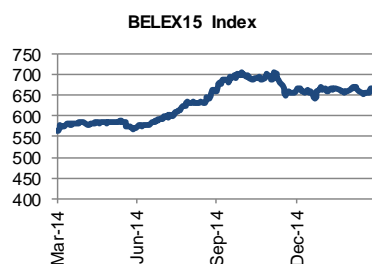
	Last	ΔDbps	ΔYTD bps
5-year	247	9	-43
10-year	274	8	-82

STOCKS

	Last	ΔD	ΔYTD
BELEX15	663.1	-0.38%	-0.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.25	0.23%	0.91%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.28	-3	171
1-month	1.49	-6	58
3-month	1.47	-2	-23
6-month	1.68	-4	-33
12-month	1.69	-6	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.07	-3	-24
5Y RON	2.36	-1	-35
10Y RON	3.24	0	-42

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.32	1	-41
USD Aug-23	3.37	-3	-24

CDS

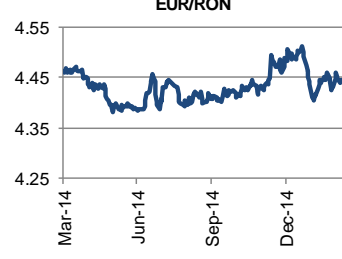
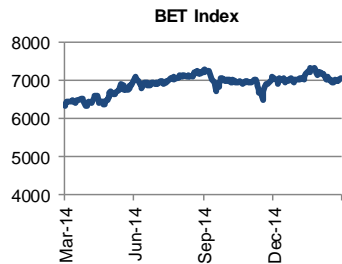
	Last	ΔDbps	ΔYTD bps
5-year	105	0	-38
10-year	149	0	-38

STOCKS

	Last	ΔD	ΔYTD
BET	7066.9	0.97%	-0.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4045	0.42%	1.79%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.16	0	-5
3-month	0.36	0	-7
6-month	0.70	0	-9
12-month	1.31	0	-20

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.57	4	-47
5Y BGN	0.84	1	-60
10Y BGN	2.05	0	-70

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.76	-6	-40
EUR Sep-24	2.32	-6	-55

CDS

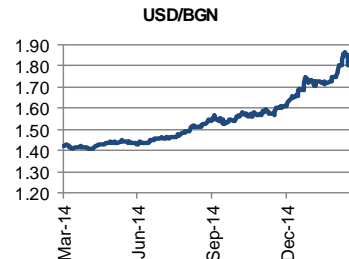
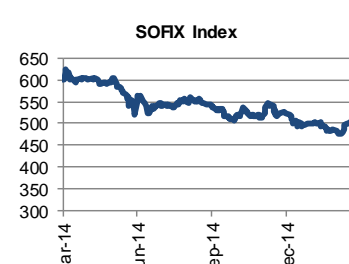
	Last	ΔDbps	ΔYTD bps
5-year	160	0	-30
10-year	207	0	-33

STOCKS

	Last	ΔD	ΔYTD
SOFIX	511.0	-0.22%	-2.14%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8081	-0.67%	-10.60%



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

Data updated as of 18:50 EET of previous session

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