

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, March 18, 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: Market attention is focused on the outcome of the FOMC policy meeting. The release of the official statement is due at 18:00GMT with a press conference with Chairman Janet Yellen to follow half an hour later. Following a string of upbeat non-farm payrolls reports over the last few months, the majority of market participants expect the FOMC to drop the "patient" guidance from its post-meeting policy statement and the Chairman to highlight that the Central Bank's monetary policy path will be data dependent.

GREECE: Declan Costello, the European Commission representative in the institutions' technical team, reportedly sent a letter to the Greek side asking them not to proceed with the parliamentary vote of the bills related to the implementation of: (i) certain measures for addressing the domestic humanitarian crisis; and (ii) a new instalment scheme for overdue tax payments and social security contributions. As per the same reports, he argued that these bills are not compatible with the February 20 Eurogroup agreement.

CYPRUS: Five non-executive members of the Board of Directors of the Central Bank reportedly highlighted, in a joint emailed statement on Tuesday, the urgent need to take steps in order to restore the institution's credibility "necessary for the reconstruction process of the country's economy".

SOUTH EASTERN EUROPE

BULGARIA: The current account deficit narrowed by 90%YoY to €43.8mn in January, equivalent to 0.1%-of-projected-GDP.

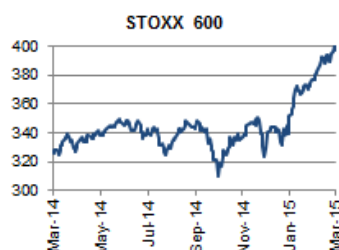
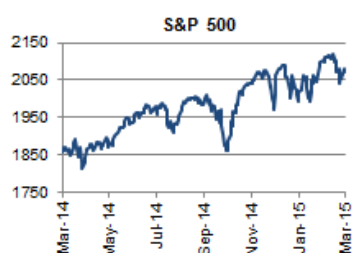
ROMANIA: Speaking to foreign media reporters on Tuesday, Prime Minister Victor Ponta left the door open for tax cuts as early as this year, but highlighted that any such measures will be in line with maintaining the IMF-backed 2015 budget deficit target of 1.8% of GDP.

SERBIA: Serbia's trade deficit narrowed modestly by 2.1% to €268.9mn on an annual basis in January.

CESEE MARKETS: Emerging stock markets extended this week's gains on Tuesday after downbeat macroeconomic data from the US mitigated expectations about an inception of a Fed rate-tightening cycle sooner than expected. Hope for further stimulus from China also provided support. Separately, most **CESEE currencies** weakened yesterday.

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Latest world economic & market developments

GLOBAL MARKETS

Market attention is focused on the outcome of the two-day FOMC policy meeting which commenced y-day. The release of the official statement is due at 18:00GMT with a press conference with Chairman Janet Yellen to follow half an hour later. The FOMC is also expected to release its updated economic projections. Following a string of upbeat non-farm payrolls reports over the last few months, the majority of market participants expect the FOMC to drop the “patient” guidance from its post-meeting policy statement and the Chairman to highlight that the Central Bank’s monetary policy path will be data dependent. Awaiting the FOMC verdict, the majority of Asian bourses were firmer on Wednesday on market optimism that the Chinese authorities will adopt further stimulus measures ahead, if needed, to support the domestic economy.

GREECE

On the sidelines of the upcoming two-day EU Summit that commences on Thursday, a meeting between Greece’s Prime Minister Alexis Tsipras, German Chancellor Angela Merkel, France’s President Francois Holland, ECB President Mario Draghi and European Commission President Jean-Claude Juncker is reportedly scheduled to take place where the Greek issue will be the sole issue of discussions. Meanwhile, the extraordinary Euro Working Group that was held y-day afternoon ended with no significant progress on the Greek issue with press reports suggesting that the institutions’ technical teams expressed their frustration discomfort regarding cooperation problems they face with their Greek counterparts. In other news, Declan Costello, the European Commission representative in the institutions’ technical team, reportedly sent a letter to the Greek side asking them not to proceed with the parliamentary vote of the bills related to the implementation of: (i) certain measures for addressing the domestic humanitarian crisis; and (ii) a new instalment scheme for overdue tax payments and social security contributions. As per the same reports, he argued that these bills are not compatible with the February 20 Eurogroup agreement with further technical preparation needed. Meanwhile, the Greek government reacted strongly to y-day’s comments by Eurogroup President Jeroen Dijsselboem suggesting the possibility of a Cyprus-like scenario with extended bank holidays and capital controls to be applied in Greece.

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CYPRUS

With regards to the recently emerged issue of allegations about a conflict of interest against Central Bank Governor Chrystalla Georgiadji, five non-executive members of the Board of Directors of the Central Bank (CBC) reportedly highlighted, in a joint emailed statement on Tuesday, the urgent need to take steps in order to restore the institution’s credibility “necessary for the reconstruction process of the country’s economy”. Recall that, the CBC Governor is facing pressure from the government to resign from her post after it was revealed that her estranged husband worked as a lawyer for a Greek investor, who is mired in a legal battle with Cyprus over the collapse of Laiki Bank in 2013. The ECB reportedly advised Cypriot President Nicos Anastasiades to respect the independence of the Central Bank, after a government spokesman said last week that the President is making preparations to activate constitutional provisions in order to remove the Central Bank Governor from her post. Chrystalla Georgiadji, who took over the post in April 2014 and is a member of the ECB Governing Council, has denied the allegations and indicated she does not plan to resign. On the data front, Eurostat data showed that employment in Cyprus marked the largest annual rate of decrease in the EU in Q4, with the number of employees dropping by 1.5%. On a quarter-on-quarter basis, employment fell by 0.6%.

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 current account deficit narrowed by 90%YoY to €43.8mn in January, equivalent to 0.1%-of-projected-GDP. The aforementioned improvement came on the heels of a shrinking trade deficit. For the whole of the year, we pencil in a current account surplus close to 1.8% of GDP, in line with the government's forecast, as external demand gradually recovers against a backdrop of weak domestic demand dynamics. In other data releases yesterday, the rate of unemployment eased modestly in February, to 11.00% from 11.09% in the prior month, standing firmly below a multi-year peak of 12.20% hit in Q1 2014 in an indication of stabilisation of labour market conditions over recent months.

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

Speaking to foreign media reporters on Tuesday, Prime Minister Victor Ponta left the door open for tax cuts as early as this year, but highlighted that any such measures will be in line with maintaining the IMF-backed 2015 budget deficit target of 1.8% of GDP. He also said that according to preliminary figures, the government budget ran an estimated surplus of ca €1bn in the first quarter of the year, adding that the fiscal code will be sent to Parliament next week, with outgoing finance minister to leave his post afterwards, and urged its adoption in June so as to provide investors with predictability. Focus domestically for the remainder of the week lies on the government's upcoming T-notes auction on Thursday, where the finance ministry plans to sell 300mn of April 2020 paper. The issue will bear 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

Serbia's trade deficit narrowed modestly by 2.1% to €268.9mn on an annual basis in January, as exports growth of 6.1%YoY to €777.3mn outpaced a 3.9%YoY increase to €1,046.2mn in imports thanks to weak domestic demand. On a 12-month basis, the shortfall narrowed by 19%YoY to €3.5bn. According to local media reports, head of the EU Delegation to Serbia Michael Davenport said on Tuesday that the Serbia will receive ca €198mn of assistance as part of the 2014 Instrument for Pre-Accession (IPA) package. The funds are primarily earmarked for reconstruction of last year's May floods and preventative measures. He reportedly added that the European Commission will provide €60mn from the Solidarity Fund to assist the country from recovering from the floods, also noting that it is estimated that the grants for Serbia from the EU will reach €3bn since 2000.

CESEE MARKETS

Emerging stock markets extended this week's gains on Tuesday after downbeat macroeconomic data from the US mitigated expectations about an inception of a Fed rate-tightening cycle sooner than expected. Hope for further stimulus from China also provided support, with Chinese shares leading the way higher. Nonetheless, key indices in the CESEE region were mixed as caution prevailed ahead of the conclusion of the FOMC meeting later today. Turkey's BIST 100 broadly led the winners' pack, ending 2.4% higher and outperforming a concomitant increase of 0.8% in the broad MSCI Emerging Markets Index on M&A activity. Separately, most **CESEE currencies** weakened yesterday. On the flipside, the Turkish lira firmed after the Central Bank kept, as was broadly expected, all policy rates unchanged at its MPC meeting on Tuesday, providing some respite to the TRY ahead of today's much anticipated FOMC announcement. Along these lines, the USD/TRY slid by ca 0.5% on the day to end at 2.6135 at the session's settlement, remaining though not too far from a record high near 2.6490 hit late last week amid escalating tensions between President Tayyip Erdogan and the Central Bank. Renewed lira weakness is on the cards ahead in view of a potential resurgence of political feuds and the prospect of further monetary easing this year. A more hawkish than expected FOMC statement today is likely to push the currency towards its recent lows.



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	2073.03	-0.4%	0.7%	EUR/USD	1.0594	0.3%	-12.4%	UST - 10yr	2.06	-2	-12	GOLD	1149	-0.5%	-3.0%
Nikkei 225	19437.00	1.0%	11.4%	GBP/USD	1.4748	-0.5%	-5.3%	Bund-10yr	0.28	0	-26	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	397.33	-0.7%	16.0%	USD/JPY	121.38	0.0%	-1.4%	JGB - 10yr	0.43	1	10	LMEX	2713	-0.3%	-6.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	3	-315
1-week	7.43	-6	-258
1-month	8.23	-9	-182
3-month	8.65	-1	-120
6-month	8.73	0	-106

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.15	0	10
5Y RSD	10.16	-2	-3
7Y RSD	11.27	-4	3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.65	0	-62
USD Nov-24	6.43	0	-16

CDS

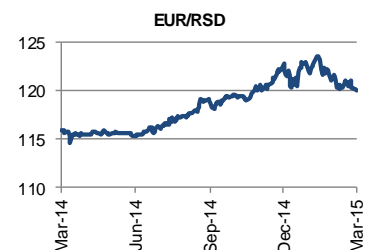
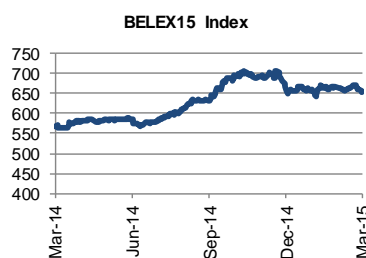
	Last	ΔDbps	ΔYTD bps
5-year	272	0	-18
10-year	298	0	-59

STOCKS

	Last	ΔD	ΔYTD
BELEX15	653.1	-0.44%	-2.08%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.00	0.11%	1.12%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.57	-1	0
1-month	0.77	0	-14
3-month	1.28	-1	-42
6-month	1.54	-2	-47
12-month	1.61	-1	-41

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.10	1	-21
5Y RON	2.44	8	-27
10Y RON	3.31	12	-35

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.28	0	-45
USD Aug-23	3.42	2	-20

CDS

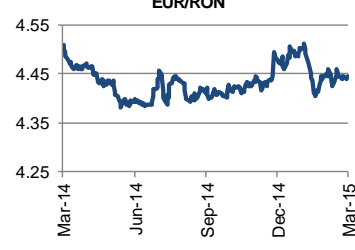
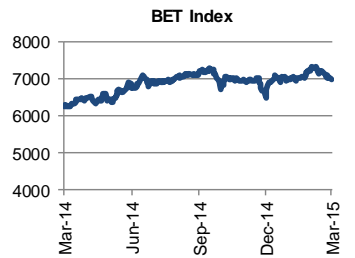
	Last	ΔDbps	ΔYTD bps
5-year	107	3	-35
10-year	150	3	-37

STOCKS

	Last	ΔD	ΔYTD
BET	6995.4	-0.51%	-1.24%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4444	-0.10%	0.88%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	1	-1
1-month	0.16	0	-5
3-month	0.37	0	-7
6-month	0.72	0	-7
12-month	1.37	0	-13

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.37	1	-67
5Y BGN	0.66	1	-79
10Y BGN	1.84	0	-91

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.63	-4	-53
EUR Sep-24	2.21	0	-65

CDS

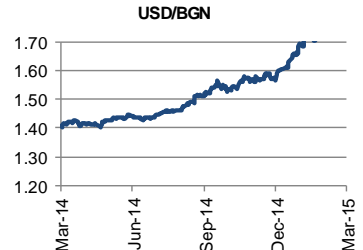
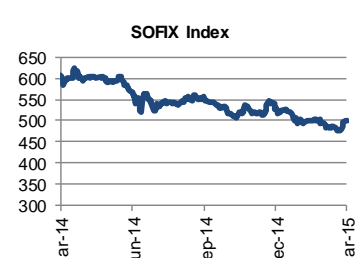
	Last	ΔDbps	ΔYTD bps
5-year	178	-1	-13
10-year	225	-1	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	498.6	-0.57%	-4.50%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8462	0.24%	-12.44%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 19:15 EET of previous session

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