

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, February 02, 2016

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- February 1
  - Personal income (Dec)
  - Personal spending (Dec)
  - Core PCE deflator (Dec)
  - ISM manufacturing (Jan)
- February 3
  - ADP employment (Dec)
  - ISM non-manufacturing (Jan)
- February 4
  - Jobless claims (Jan 24)
  - Industrial orders (Dec)
- February 5
  - NFP payrolls (Jan)
  - U/E rate (Jan)

### EUROZONE

- February 1: PMI manufacturing (Jan, f)
- February 3: PMI services (Jan, f)

### GREECE

- February 1
  - PMI manufacturing (Jan)
  - Official discussions in the context of the 1<sup>st</sup> programme review commence
- February 5: Commercial Transactions (p, Dec)

### SEE

#### BULGARIA

- February 5: Moody's sovereign credit rating review

#### ROMANIA

- February 1
  - T-bonds auction
  - Intern/I reserves (Jan)
- February 2: ILO U/E rate (Dec)
- February 3: Retail sales (Dec)
- February 5: MPC meeting

#### SERBIA

- February 1
  - GDP (Q4, 2015, p)
  - 1.5% 2018 EUR T-bonds auction

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking their lead from the negative tone in Asian stock markets, European bourses were mostly lower in early trade on Tuesday pressured by a renewed drop in oil prices. The latest bout of risk aversion enhanced the safe-haven allure of the JPY while the AUD came under some pressure on expectations for lower RBA interest rates ahead.

**GREECE:** Minister of Labour, Social Insurance and Social Solidarity Georgios Katrougalos and the mission heads will hold discussions at 11:00 Athens time on the planned overhaul of the social security pension system. A meeting with Minister of Economy, Development and Tourism Georgios Stathakis will follow at 19:00 Athens time focusing on the NPLs resolution of mortgages pertaining to first residence, consumer loans, SMEs' loans and State-guaranteed loans. Reportedly, the mission heads will depart from Athens on Friday and will return, if things go as planned, on February 15<sup>th</sup> for the completion of the review.

### SOUTH EASTERN EUROPE

**ROMANIA:** The finance ministry sold at an auction on Monday the planned amount of RON 800mn in 2.5% April 2019 T-Notes. On the data front, FX reserves (excluding gold) decreased by €559mn to €31.7bn in January 2016 down from €32.2bn in December 2015.

**SERBIA:** According to the latest GDP data, released yesterday by the Statistical Office of the Republic of Serbia, economic growth slowed to 1.3%YoY in Q4 2015 from 2.2%YoY in the prior quarter. In other news, the 2015 consolidated general government budget came in at a deficit of RSD 148.6bn (~€1.21bn) equivalent to a shortfall of 3.7% of GDP, well below an initial deficit target of 5.9% deficit, a later official projection of -4.1% and a 6.7% gap registered in 2014.

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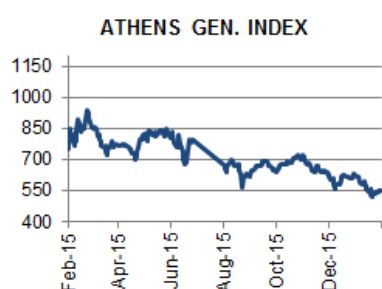
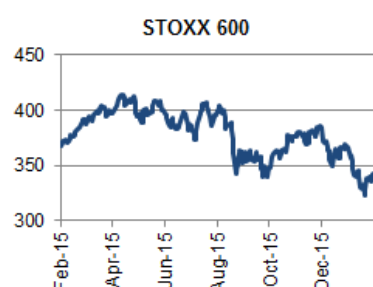
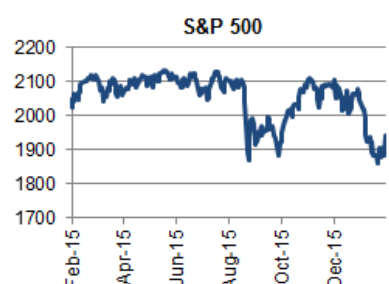
## Latest world economic & market developments

### GLOBAL MARKETS

Taking their lead from the negative tone in Asian stock markets, European bourses were mostly lower in early trade on Tuesday pressured by a renewed drop in oil prices. The Brent crude oil price was hovering around \$33.89/barrel in European trade at the time of writing, 1.3% and c. 3% lower compared to yesterday's settlement and last Friday's three-week peak respectively, amid lingering worries over the growth prospects of China and persisting oversupply jitters. The latest bout of risk aversion enhanced the safe-haven allure of the JPY with the USD/JPY hovering around 120.65/70 in European trade, having retreated from Monday's 121.50 session peak and a multi-week high of 121.70 marked last Friday soon after the BoJ's policy announcement for the implementation of negative interest rates for the first time ever. Yet, amid lingering concerns about the prospect of further BoJ policy easing later this year, there is little to suggest that the JPY is poised for further significant and sustained gains in the sessions ahead. Elsewhere the AUD came under some pressure today following comments by RBA Governor Glenn Stevens soon after the conclusion of the monetary policy meeting that "continued low inflation may provide scope for easier policy". The Reserve Bank of Australia (RBA) held the cash rate stable at 2.00%.

### GREECE

A new round of official discussions between Greek authorities and the ECB/EC/IMF/ESM mission heads in the context of the 1<sup>st</sup> programme review is scheduled to take place today. Minister of Labour, Social Insurance and Social Solidarity Georgios Katrougalos and the mission heads will hold discussions at 11:00am Athens time on the planned overhaul of the social security pension system aiming to secure savings of 1%-of-GDP in 2016, in line with the MoU conditionality. A meeting with Minister of Economy, Development and Tourism Georgios Stathakis will be reportedly held at 19:00 Athens time focusing on the NPLs resolution regarding mortgages pertaining to first residence, consumer loans, SMEs' loans and State-guaranteed loans. The existing NPLs regulatory framework bans the management and potential repurchase of these particular categories of NPLs until February 15<sup>th</sup>. According to press reports, the government intends to propose an extension of this regulation unless an agreement on the issue has been reached with official creditors by then. As per the same sources, the Greek government will present to the mission heads today its proposals on the planned tax reform with some press reports suggesting that it is considering to decrease the number of income tax brackets from three currently (22%, 32%, 42%) to either two or even one. Reportedly, the mission heads will depart from Athens on Friday and will return, if things go as planned, on February 15<sup>th</sup> for the completion of the review.



Source: Reuters, Bloomberg, Eurobank Research

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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

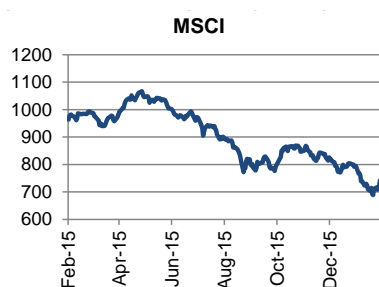
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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)	8.00	4.50	4.50

Source: Reuters, Bloomberg, Eurobank Research,  
National 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	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 at an auction on Monday the planned amount of RON 800mn in 2.5% April 2019 T-Notes. The average accepted yield came in at 1.62%, 10bps below that achieved at a prior auction of the same paper held last month. The tender's bid to cover ratio stood at 1.96, reflecting strong investor demand. On the data front, FX reserves (excluding gold) decreased by €559mn to €31.7bn in January 2016 down from €32.2bn in December 2015. The decrease was the combined result of €1,053mn inflows reflecting in the FX reserve requirements of the credit institutions, inflows into the Ministry of Public Finances' accounts and inflows into the European Commission's account. Total outflows for the month stood at €1,612mn reflecting primarily the implementation of the decision to cut the minimum reserve requirement ratio on FX-denominated liabilities of credit institutions to 12% from 14% effective from the January 24th - February 23th maintenance period.

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### SERBIA

According to the latest real GDP data, released yesterday by the Statistical Office of the Republic of Serbia, economic growth slowed to 1.3%YoY in Q4 2015 from 2.2%YoY in the prior quarter. The detailed breakdown of the data is not yet available and will be released on February 29, 2016. That said, according to a rough approximation - taking into account the latest GDP data release - the full year 2015 reading is estimated at 0.6%. As has been the case over the last few quarters we anticipate the detailed data to show that the main drivers of last year's economic recovery - from a 1.8% contraction in 2014 - have been investments and net exports, while domestic consumption remained weak in view of ongoing fiscal consolidation. Looking into 2016, we continue to anticipate economic activity to further recover thanks to strengthening investments and improving demand from abroad. Although the negative impact from last year's austerity measures is likely to gradually wane in the months ahead, domestic consumption will probably remain weak in view of further planned fiscal consolidation.

In other news, the 2015 consolidated general government budget came in at a deficit of RSD 148.6bn (~€1.21bn) equivalent to a shortfall of 3.7% of GDP, well below an initial deficit target of 5.9% deficit, a later official projection of -4.1% and a 6.7% gap registered in 2014. The said outperformance reflects increased revenues (+1.6%YoY) via improved tax collection and a hefty increase in non-tax revenues, as well as lower expenditure (-1.9%YoY). For this year, the 2016 general government budget deficit target stands at RSD 164bn (~€1.34bn). As a percentage of GDP, this corresponds to a deficit of 4.0%.

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## GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1920.72	-1.0%	-6.0%	EUR/USD	1.0897	0.6%	0.4%	(yields)	1.95	3	-32	GOLD	1127	0.8%	6.2%
Nikkei 225	17865.23	2.0%	-6.1%	GBP/USD	1.4358	0.8%	-2.6%	UST - 10yr	0.35	2	-28	BRENT CRUDE	35	-3.7%	-7.0%
STOXX 600	338.31	-1.2%	-7.5%	USD/JPY	120.91	0.2%	-0.7%	Bund-10yr	0.06	-5	-21	LMEX	2168	1.1%	-1.6%
								JGB - 10yr							

## CESEE MARKETS

## SERBIA

## Money Market

	Last	ΔD	ΔYTD bps
BELIBOR			
T/N	290	0	-13
1-week	3.01	0	-18
1-month	3.22	-3	-29
3-month	3.44	-2	-39
6-month	3.62	-3	-41

## RS Local Bonds

	Last	ΔD	ΔYTD bps
3Y RSD	3.50	-2	-7
5Y RSD	5.11	0	0
7Y RSD	7.82	0	12

## RS Eurobonds

	Last	ΔD	ΔYTD bps
USD Nov-17	3.08	-3	-9
USD Nov-24	6.42	0	1

## CDS

	Last	ΔD	ΔYTD bps
5-year	288	0	13
10-year	334	0	-5

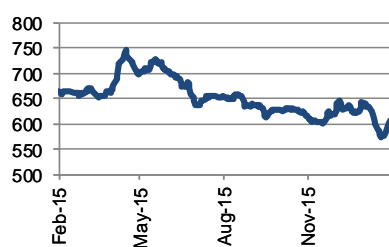
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	607.4	0.96%	-5.69%

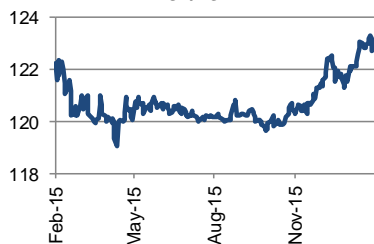
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.82	-0.09%	-1.01%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

	Last	ΔD	ΔYTD bps
ROBOR			
O/N	0.41	1	-12
1-month	0.52	-1	-17
3-month	0.85	0	-17
6-month	1.16	3	-18
12-month	1.35	3	-17

## RO Local Bonds

	Last	ΔD	ΔYTD bps
3Y RON	1.61	-4	-32
5Y RON	2.42	-4	-38
10Y RON	3.37	-7	-41

## RO Eurobonds

	Last	ΔD	ΔYTD bps
EUR Oct-25	2.49	1	-8
USD Jan-24	3.66	-1	-13

## CDS

	Last	ΔD	ΔYTD bps
5-year	125	0	-8
10-year	169	0	-2

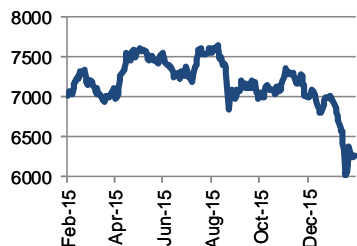
## STOCKS

	Last	ΔD	ΔYTD
BET	6313.9	0.72%	-9.86%

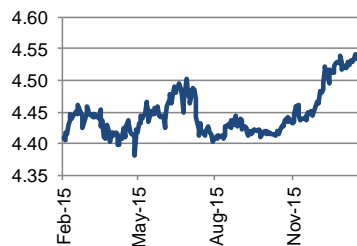
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5237	0.47%	-0.21%

BET Index



EUR/RON



## BULGARIA

## Money Market

	Last	ΔD	ΔYTD bps
SOFIBOR			
LEONIA	-0.06	2	-7
1-month	-0.05	-1	-21
3-month	0.04	-4	-22
6-month	0.25	-4	-27
12-month	0.63	-10	-34

## BG Local Bonds

	Last	ΔD	ΔYTD bps
(yields)			
3Y BGN	-0.16	#N/A	N/A
5Y BGN	0.22	1	-15
10Y BGN	1.78	0	-7

## BG Eurobonds

	Last	ΔD	ΔYTD bps
EUR Jul-17	-0.18	28	-25
EUR Sep-24	2.34	17	-8

## CDS

	Last	ΔD	ΔYTD bps
5-year	167	2	-4
10-year	213	5	-3

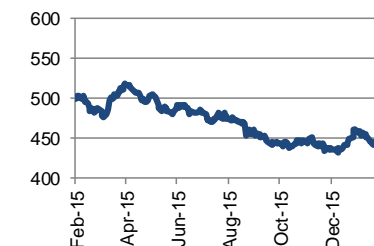
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	453.5	1.14%	-1.60%

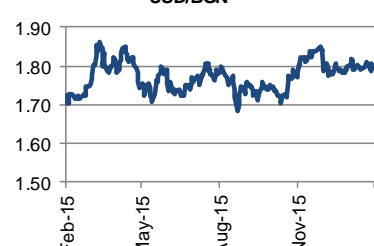
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7946	0.60%	0.32%

SOFIX Index



USD/BGN



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

Data updated as of 17:20 EET of previous session

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