

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, February 22, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- February 26-27: G20 Finance Ministers meeting in Shanghai

US

- February 23
 - Existing home sales (Feb)
 - CB Consumer Confidence (Feb)
 - Case Shiller house price index (Dec)
- February 24: New home sales (Feb)
- February 25
 - Durable goods (Jan)
 - Jobless claims (weekly)
- February 26
 - GDP (Q4, 2nd)
 - UoM cons sent (Feb, f)
 - Personal Spending (Jan)

EUROZONE

- February 22: PMI (Feb, p)
- February 25
 - HICP (Jan, f)
 - Money supply (Jan)
- February 26: ESI (Feb)

CYPRUS

- February 23: CPI (Jan)

SEE

BULGARIA

- February 26: Gross external debt (Dec)

ROMANIA

- February 22: 3.25% 2021 T-Bonds auction
- February 24: 1.25% 2021 T-Bonds auction

SERBIA

- February 23: HICP (Jan)
- February 25: Real gross wages (Jan)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The GBP moved sharply lower across the board on Monday amid heightened Brexit woes after London Mayor Boris Johnson announced that he will campaign for a British exit from the EU in the upcoming referendum, expected to be held on June 23rd. Focus this week is on the two-day G20 meeting of Finance Ministers and Central Bank Governors that starts on Friday.

GREECE: Technical teams representing official creditors are reportedly expected to arrive in Athens early this week to resume discussions with Greek authorities in the context of the 1st programme review. For the whole year 2015 the balance of payments recorded a deficit of €0.01bn, down by €3.8bn compared to 2014. This development is due mainly to the improved balance of goods and services which recorded a deficit of €0.24bn compared to a deficit of €4bn in 2014.

SOUTH EASTERN EUROPE

BULGARIA: The domestic stock market ended little changed last week lagging the recovery in global emerging market peers. Meanwhile, yields of mid and long-term local currency denominated sovereign bonds rose between 20-40bps. There was also some pressure on the Eurobonds following the announcement for a new issue.

SERBIA: The euro gained some ground against the dinar last week, reaching the 3-week high of 123.10/30 on Friday on the back of strong corporate demand.

CESEE MARKETS: Emerging stock markets extended last week's rally, with gains led by energy-related shares on the back of today's rebound in global oil prices. News about the replacement of the head of China's securities regulator also favoured. Meanwhile, most **CESEE currencies** kicked off the week on a positive footing while **government bonds** were mixed earlier today. Looking into **this week's calendar**, Serbia's HICP for January as well as Central Bank meetings in Turkey and Hungary take centre stage in the region.

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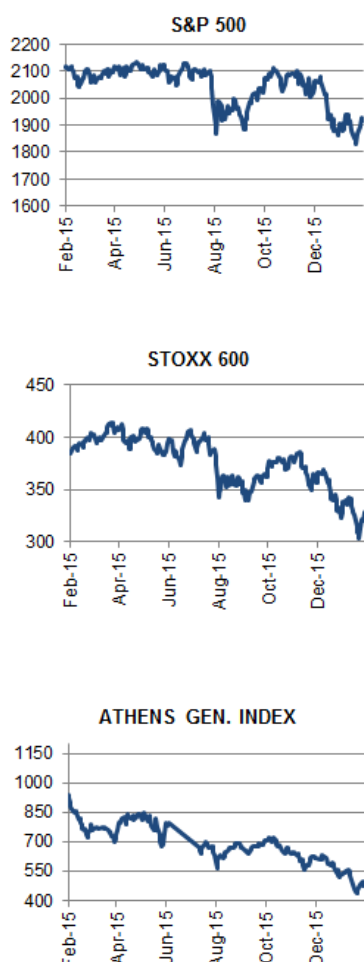
Latest world economic & market developments

GLOBAL MARKETS

The GBP moved sharply lower across the board on Monday amid heightened Brexit woes after London Mayor Boris Johnson announced that he will campaign for a British exit from the EU in the upcoming referendum, expected to be held on June 23rd. Though Prime Minister David Cameron argued that a deal struck with other EU leaders last week gave Britain “a special status” including inter alia the power to limit some EU migrants’ benefits, the London Mayor insisted that the UK Premier failed to deliver fundamental reform with that agreement. The GBP/JPY hit a two year low near 160.00 earlier today from 162.10 late last week while the GBP/USD hit intraday lows of 1.4173 in European trade with the next key support standing at 1.4147 (Jan. 29 trough). Elsewhere, the EUR/USD was hovering around 1.1085/90 at the time of writing, not much changed compared to last Friday’s trading levels but below levels around 1.1330 marked a week earlier amid heightened expectations for additional ECB monetary policy stimulus at the next policy meeting on March 10th. The USD failed to capitalize on firmer than expected US inflation data that were released on Friday on the prevailing view that the Fed is unlikely to push interest rates higher any time soon amid ongoing concerns about the underlying strength of the global economy. Focus this week is on the two-day G20 meeting of Finance Ministers and Central Bank Governors that starts on Friday where, as suggested by IMF Managing Director Christine Lagarde, focus will be on global economic spillovers from their policy decisions.

GREECE

Technical teams representing official creditors are reportedly expected to arrive in Athens early this week to resume discussions with Greek authorities in the context of the 1st programme review especially with regard to fiscal issues. As per the same sources, official creditors are said to be concerned that some of the measures already approved by Parliament are either not properly implemented or their projected fiscal impact has been overestimated. Against this background, the IMF reportedly anticipates a fiscal gap up to 4%-5%-of-GDP to arise cumulatively by FY-2018 while, on its side, the EU Commission adopts a relatively optimistic stance arguing that any shortfall for that period will probably not exceed 1.5%-of-GDP. With regard to the latter, the government has reportedly called the IMF to detail its projected fiscal shortfall forecast at a EuroWorking group meeting expected to take place ahead of the March 7th Eurogroup. Meanwhile, some press reports suggested that, aiming to reach a compromise with official creditors on the social security pension overhaul, one of the main sticking issues attached to the 1st programme review, the Greek government is mulling certain amendments to the relative plan earlier submitted including inter alia, a progressive cut in pensions amounting to €1,000/month cumulatively (main + supplementary). As per the same sources, this holds provided that official creditors will not insist on horizontal cuts in pensions and the adoption of income eligibility criterion for the provision of the national state guaranteed pension. In other news, the current account showed a deficit of €0.8bn in December 2015, down by €1.1bn on an annual basis mainly due to the improvement in the balance of goods, as well as in the primary and secondary income accounts, which offset the narrowing of the surplus of the services balance. For the whole year 2015 the balance of payments recorded a deficit of €0.01bn, down by €3.8bn compared to 2014. This development is due mainly to the improved balance of goods and services which recorded a deficit of €0.24bn compared to a deficit of €4bn in 2014.



Source: Reuters, Bloomberg, Eurobank Research

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

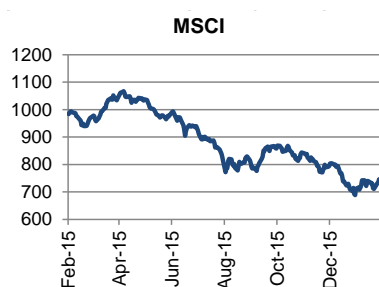
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicators	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)	4.50	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

BULGARIA

The domestic stock market ended little changed last week lagging the recovery in global emerging market peers. Meanwhile, yields of mid and long-term local currency denominated sovereign bonds rose between 20-40bps. There was also some pressure on the Eurobonds following the announcement for a new issue. According to reports, the finance ministry plans to sell €2bn Eurobonds in the international markets in March, which is the entire amount of new external debt planned for 2016. The government has picked a consortium of four banks for the said placement, namely JP Morgan, Citibank, Unicredit and BNP Paribas. The issue is expected to be offered in two tranches of different maturity, most likely of 10 and 15 or 20 years. Based on BG17 and BG35 actual quotes, yields are expected at circa 2.80% for the 10-year paper and 4.00% for the 20-year, net of issuance premium. Proceeds would be used to finance budget deficit (forecasted at 2% of GDP or €900mn), repay old debt maturing in 2016 (€450mn) and create a buffer support for the banking sector.

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SERBIA

The euro gained some ground against the dinar last week, reaching a 3-week high of 123.10/30 on Friday on the back of strong corporate demand. In order to halt the pair's upside momentum, the National Bank of Serbia (NBS) intervened in the FX market, selling €10mn on Friday, which brings the total amount spent to €300mn so far this year. Since this intervention appeared to have a rather limited impact on the EUR/RSD, renewed such action today is likely. Looking into this week, strong EUR/RSD resistance still stands at 123.30 as recent history suggests that the NBS is very likely to keep the cross below that level.

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CESEE MARKETS

Emerging stock markets extended last week's rally, with gains led by related energy-related shares on the back of today's rebound in global oil prices. The replacement of the head of China's securities regulator, which stirred hopes about the prospects of the world's second largest economy, also favoured. In the context, the MSCI Emerging Markets index rose by 0.6% at the time of writing, adding to last week's 4.2% advance, while main indices in the CESEE region also rose with Turkey's BIST 100 and Poland's WIG firming by 1.3% each on the day. Meanwhile, most **CESEE currencies** kicked off the week on a positive footing while **government bonds** were mixed earlier today. In FX markets, the Serbian dinar remained under pressure hovering near a 1-month high of 123.22/EUR at the time of writing. That said, potential new Central Bank intervention is likely to halt the domestic currency's depreciation momentum in the coming days. Elsewhere, the Polish zloty touched 1- ½ month highs of 4.3580/EUR in late Asian trade, while the Hungarian forint rose to a 5-month peak near 307.70/EUR earlier on Monday. Looking into **this week's calendar**, Serbia's HICP for January as well as Central Bank meetings in Turkey and Hungary take centre stage in the region. Both the CBT and the MNB are anticipated to keep their main policy rates unchanged at 7.50% and 1.35%, respectively.

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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
S&P 500	1917.78	0.0%	-6.2%	EUR/USD	1.1062	-0.6%	1.9%	(yields)	1.78	3	-49	GOLD	1204	-1.8%	13.4%
Nikkei 225	16111.05	0.9%	-15.4%	GBP/USD	1.4173	-1.6%	-3.8%	UST - 10yr	0.20	0	-43	BRENT CRUDE	34	2.8%	-9.0%
STOXX 600	331.68	1.6%	-9.3%	USD/JPY	113.2	-0.5%	6.1%	Bund-10yr	-0.01	-2	-27	LMEX	2215	1.5%	0.5%
								JGB - 10yr							

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔD	ΔYTD
T/N	284	0	-19
1-week	2.96	1	-23
1-month	3.12	0	-39
3-month	3.30	0	-53
6-month	3.50	0	-53

RS Local Bonds

	Last	ΔD	ΔYTD
3Y RSD	3.53	-2	-14
5Y RSD	5.14	0	3
7Y RSD	7.73	0	3

RS Eurobonds

	Last	ΔD	ΔYTD
USD Nov-17	2.97	-1	-19
USD Nov-24	6.19	-1	-23

CDS

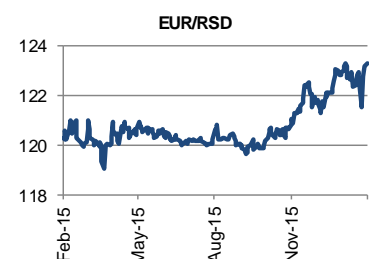
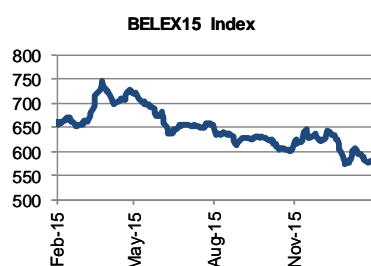
	Last	ΔD	ΔYTD
5-year	288	0	14
10-year	334	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	584.4	0.73%	-9.27%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.30	-0.07%	-1.39%



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD
O/N	0.39	0	-14
1-month	0.54	2	-15
3-month	0.77	0	-25
6-month	1.03	2	-31
12-month	1.18	1	-34

RO Local Bonds

	Last	ΔD	ΔYTD
3Y RON	1.71	3	-22
5Y RON	2.55	5	-25
10Y RON	3.40	4	-38

RO Eurobonds

	Last	ΔD	ΔYTD
EUR Oct-25	2.53	-1	-4
USD Jan-24	3.42	-2	-36

CDS

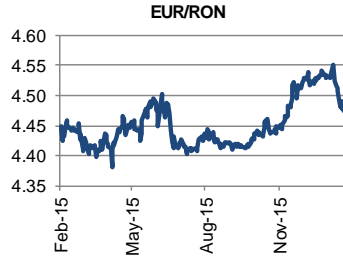
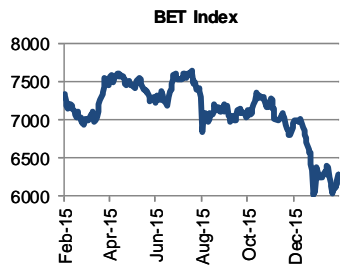
	Last	ΔD	ΔYTD
5-year	138	1	5
10-year	183	1	12

STOCKS

	Last	ΔD	ΔYTD
BET	6314.2	0.60%	-9.85%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4775	0.17%	0.82%



BULGARIA

Money Market

SOFIBOR	Last	ΔD	ΔYTD
LEONIA	-0.08	0	-9
1-month	-0.07	0	-23
3-month	0.05	-2	-21
6-month	0.27	2	-26
12-month	0.69	6	-28

BG Local Bonds

(yields)	Last	ΔD	ΔYTD
3Y BGN	0.37	0	-24
5Y BGN	1.15	5	-12
10Y BGN	2.62	0	-4

BG Eurobonds

	Last	ΔD	ΔYTD
EUR Jul-17	-0.36	0	-43
EUR Sep-24	2.45	4	3

CDS

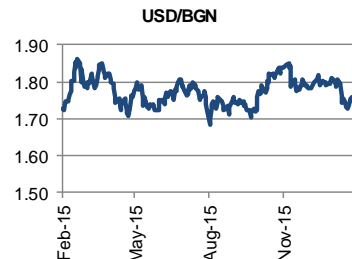
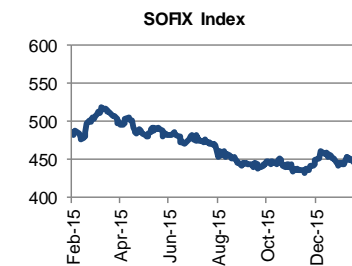
	Last	ΔD	ΔYTD
5-year	180	14	9
10-year	229	17	13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	445.3	0.37%	-3.38%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7683	-0.62%	1.81%



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

Data updated as of 12:25 EET

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