

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, February 10, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- February 11: Initial jobless claims (weekly)
- February 12
 - Retail sales (Jan)
 - UoM consumer sentiment (Feb, p)

EUROZONE

- February 12: GDP (Q4, A)

GREECE

- February 9: Industrial Production Index (Dec)
- February 10: Building Activity (Dec)
- February 11
 - Eurogroup
 - U/E (Nov)
- February 12: GDP (Q415)

CYPRUS

- February 11: Eurogroup/Ecofin (discussion about programme end in March)
- February 12: GDP (Q4, p)

SEE

BULGARIA

- February 8
 - Industrial production (Dec)
 - Retail sales (Dec)
- February 9: Trade balance (Dec)
- February 13: GDP (Q4, p)

ROMANIA

- February 8
 - Net wages (Dec)
 - 5.8% 2027 T-Bonds auction
- February 9: Trade balance (Dec)
- February 11: 3.5% 2022 T-Bonds auction
- February 12
 - Industrial production (Dec)
 - GDP (Q4, A)
 - CAD (Dec)

SERBIA

- February 11: MPC meeting

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Lingerer worries over the sustainability of the global economic recovery and persisting concerns about the health of European banks, continued to weigh on market sentiment towards global equity markets on Wednesday. Increased risk aversion favored the safe-haven appeal of major government bonds while the USD remained under pressure on the view that negative global financial developments may prevent the Fed from raising interest rates any time soon.

GREECE: Prime Minister Alexis Tsipras has called a ministerial meeting this morning to discuss the latest key domestic developments including the open issues whose implementation is required for the completion of the 1st programme review as well as farmers' escalating protests against the planned overhaul of the income tax and the social security pension system. With respect to the first issue, Minister of Finance Euclid Tsakalotos warned earlier this week that the programme review should conclude by the end of February noting that Greece will be "in trouble" if it carries on into May-June.

SOUTH EASTERN EUROPE

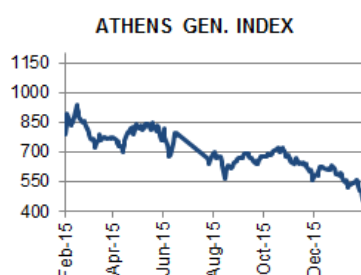
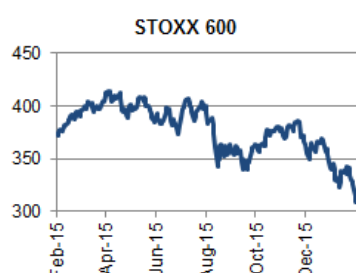
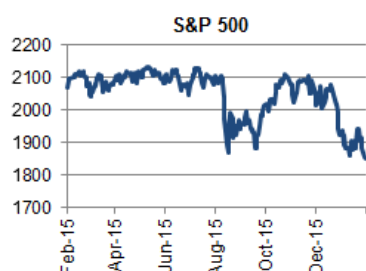
ROMANIA: NBR Governor Mugur Isarescu presented yesterday the Central Bank's February Inflation Report, where the NBR upgraded its year end inflation forecast in 2016 to +1.4% YoY vs. +1.0% YoY previously.

CESEE MARKETS: Emerging stock markets were little changed in early European trade on Wednesday, following a 2-session decline, as investors remained on the sidelines ahead of the Fed chair Janet Yellen's semi-annual testimony to the US Congress later on the day. Separately, **CESEE currencies** and **government bonds** recovered some ground in European trade today on comparably better economic growth prospects compared to their global EM peers.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Lingering worries over the sustainability of the global economic recovery and persisting concerns about the health of European banks, continued to weigh on Wednesday on market sentiment towards global equity markets. Increased risk aversion favored the safe-haven appeal of major government bonds with the 10-yr Bund yielding levels around 0.26% in European trade, not far from a 10-month closing trough of 0.23% recorded earlier this week after rising to as high as 0.30% late last week. In FX markets, the USD remained under pressure on the view that recent negative global financial developments may prevent the Fed from raising interest rates any time soon, in spite of last week's positive US non-farm payrolls report. The DXY index was standing close to 96.159 at the time of writing, within distance from Tuesday's 3 ½ month closing low of 95.663 after recording highs of 97.476 just a couple of sessions earlier. All eyes today are on FOMC Chair Janet Yellen's testimony before Congress where she is likely to adopt a cautiously optimistic view on the US growth outlook while noting lingering negative risks from recent global financial developments and China's slowing economy.

GREECE

Prime Minister Alexis Tsipras has called a ministerial meeting this morning to discuss the latest key domestic developments including the open issues whose implementation is required for the completion of the 1st programme review as well as farmers' escalating protests against the planned overhaul of the income tax and the social security pension system. With respect to the first issue, Minister of Finance Euclid Tsakalotos warned earlier this week that the programme review should conclude by the end of February noting that Greece will be "in trouble" if it carries on into May-June. Along similar lines, government spokeswoman Olga Gerovasili said yesterday during a press briefing that any differences between the two sides on the remaining open issues should be bridged and the review must be completed "the soonest possible". On the issue, an unnamed high-level European official was quoted saying in the local press that recent discussions between the Greek government and official creditors "went well" but some differences still exist stressing that the "quality of the agreement is far more important than the time it will be completed". Meanwhile, in a letter sent to the Dutch Parliament, Eurogroup President and Finance Minister of the Netherlands, Jeroen Dijsselbloem, was quoted saying that more clarity is needed on Greece's planned social security pension reform and the additional fiscal measures that have to be adopted for the fulfillment of the agreed fiscal targets adding that, once the review is successfully completed, a loan disbursement to Greece should be possible. On the data front, the industrial production index (IPI) recorded a year-on-year increase of 5.2% in December 2015, the highest in nearly five years from 2.0% in the prior month. Overall, the average (per month) year-on-year rate for the whole 2015 was 0.65% (-0.46% in H12015 and 1.76% in H22015). With respect to the main industrial sectors, the annual change of production (value added, at factor cost, at constant prices) in mining & quarrying, manufacturing, electricity and water supply was 9.6%, 3.3%, 11.3% and 0.9% respectively. Moreover, among the main industrial groupings, consumer durables' production recorded the relatively biggest increase, 12.8%, while in capital goods there was a contraction of -5.5%.

ppetropoulou@eurobank.gr

sgogos@eurobank.gr

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

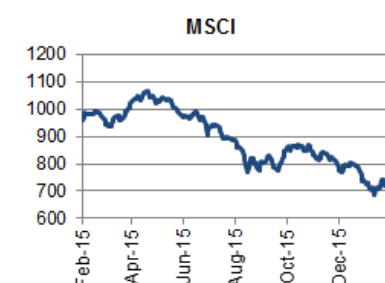
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

NBR Governor Mugur Isarescu presented yesterday the Central Bank's February Inflation Report. NBR upgraded its year end inflation forecast for 2016 to +1.4% YoY vs. +1.0% YoY previously. At the same time, it presented for the first time its year-end forecast for end-2017 at 3.4% YoY, having envisioned +2.8% YoY in Q3-2017 in the November Inflation Report. Higher projected contribution from the volatile food component (+0.1ppts) as well as a rise in the Core2 inflation forecast (+0.4ppts), as a result of the wages rally throughout the past year were, the main reasons behind the upgrade. In contrast, lower oil prices subtracted an additional 0.2ppts from the previous forecast. Overall NBR rhetoric turned more hawkish in yesterday's press-conference. The Governor pointed out that given the two years' time lag of the monetary policy transmission mechanism, the time of taking some action may be approaching. However, he added that narrowing the interest rate corridor might be delayed in order to deter short-term speculative capital inflows into Romania.

According to the latest INSEE data, the trade of goods deficit widened to €1,174mn in December, up by 55.8% YoY bringing the cumulative deterioration at 38.0% in 2015. Double digit import growth (+12.4% YoY in December /+7.6% YoY in 2015) coupled with decelerating exports performance (+3.8% YoY in December/+4.1% YoY in 2015) as a result of the underperformance of exports to extra-EU28 destinations are the main drivers behind the trade deficit dynamics. The trade deficit deterioration is one of the warning signs that macroeconomic imbalances could reemerge as a result of the unwarranted fiscal stimulus ahead of the parliamentary elections in late 2016. So far, the robust performance in services and current transfers as a result of the improved EU funds absorption maintain the current account deficit at relatively low levels.

igkionis@eurobank.gr

CESEE MARKETS

Emerging stock markets were little changed in early European trade on Wednesday, following a 2-session decline, as investors remained on the sidelines ahead of the Fed chair Janet Yellen's semi-annual testimony to the US Congress later on the day. Against this backdrop, the MSCI Emerging Markets index stood relatively flat earlier today, though standing 1.2% lower compared to last Friday's close. Separately, **CESEE currencies** and **government bonds** recovered some ground in European trade on comparably better economic growth prospects compared to their global EM peers. The Romanian leu was little changed on the day hovering around levels of 4.4835/EUR at the time of writing. Hawkish comments by Central Bank Governor Mugur Isarescu and an upward revision in the NBR's inflation forecasts yesterday appeared to have a rather limited impact on the local currency.

Today's focus in the CESEE region is primarily on Poland's Central Bank Financial Stability report, where the NBP may criticize a government-backed bill envisioning the conversion of CHF-denominated loans to zloty, in a move that may weigh on the banking sector's profitability. From a global perspective, Fed Chair Yellen's speech takes centre stage today. Although any hints about potential delays in the Fed's rate tightening path will likely favour emerging market assets, signals for a weaker US economic trajectory may weigh on global risk sentiment.

gphoka@eurobank.gr

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	1852.21	-0.1%	-9.4%	EUR/USD	1.1278	-0.1%	3.9%	UST - 10yr	1.73	1	-54	GOLD	1189	0.0%	12.0%
Nikkei 225	15713.39	-2.3%	-17.4%	GBP/USD	1.4473	0.0%	-1.8%	Bund-10yr	0.25	1	-38	BRENT CRUDE	31	2.5%	-16.6%
STOXX 600	309.39	-1.6%	-15.4%	USD/JPY	114.97	0.1%	4.4%	JGB - 10yr	0.01	4	-25	LMEX	2153	-1.7%	-2.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	289	0	-14
1-week	3.00	1	-19
1-month	3.20	1	-31
3-month	3.40	0	-43
6-month	3.60	0	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.49	-3	-18
5Y RSD	5.06	-1	-7
7Y RSD	7.76	0	7

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.06	0	-10
USD Nov-24	6.39	-1	-2

CDS

	Last	ΔDbps	ΔYTD bps
5-year	290	2	16
10-year	335	2	-4

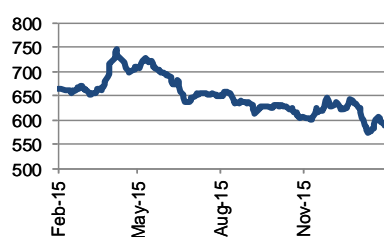
STOCKS

	Last	ΔD	ΔYTD
BELEX15	589.6	-1.01%	-8.47%

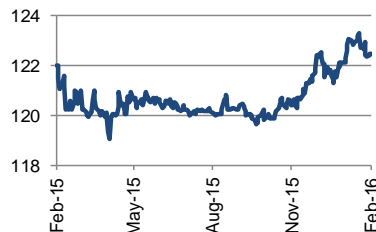
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.46	-0.01%	-0.72%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	0	-13
1-month	0.55	0	-14
3-month	0.79	0	-23
6-month	1.03	0	-31
12-month	1.21	0	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.60	0	-33
5Y RON	2.43	0	-37
10Y RON	3.33	0	-45

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.45	#N/A N/A	-12
USD Jan-24	3.50	-2	-28

CDS

	Last	ΔDbps	ΔYTD bps
5-year	124	-4	-10
10-year	167	-4	-5

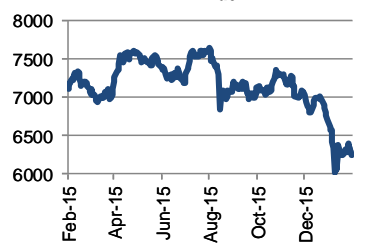
STOCKS

	Last	ΔD	ΔYTD
BET	6172.8	-1.05%	-11.87%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4843	0.11%	0.66%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	9	-9
1-month	-0.06	0	-21
3-month	0.06	0	-20
6-month	0.24	0	-29
12-month	0.59	0	-38

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	#N/A N/A	#N/A N/A	15
5Y BGN	0.20	0	-17
10Y BGN	1.78	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.08	0	1
EUR Sep-24	2.35	37	-7

CDS

	Last	ΔDbps	ΔYTD bps
5-year	186	3	15
10-year	232	2	16

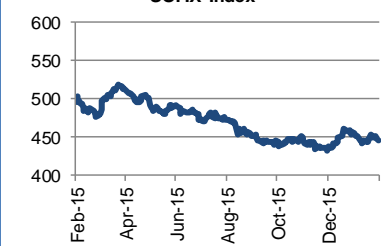
STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.0	-0.42%	-3.24%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7344	-0.14%	3.80%

SOFIX Index



USD/BGN



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

Data updated as of 9:45 EET

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Stylianios G. Gogos (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371226
sgogos@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr, +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 33 71 228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

